Report

of the

Examination of

Laurier Indemnity Company

Milwaukee, Wisconsin

As of December 31, 2008

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Sean Dilweg, *Commissioner*

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August 6, 2009

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

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:

LAURIER INDEMNITY COMPANY
Milwaukee, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Laurier Indemnity Company (hereinafter also Laurier 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 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
Employees' Welfare and Pension Plans
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.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1988 in the state of Georgia. It remained a shell until the company began writing business during the fiscal year 1992. Since 1992, the company has underwritten worker's compensation, professional liability and surety bond coverages, primarily for a related company, Extendicare Health Services, Inc., (formally United Health, Inc.) of Milwaukee, Wisconsin. The company redomiciled to Wisconsin on December 19, 2003.

Extendicare Health Services, Inc.'s primary business is ownership and operation of nursing home facilities throughout the United States. The company's ultimate parent is Extendicare Real Estate Investment Trust of Markham, Ontario, Canada. Extendicare Real Estate Investment Trust operates 266 long-term care and assisted living facilities across North America, with a capacity for over 30,000 residents. Also, Extendicare Real Estate Investment Trust offers medical specialty services such as sub-acute care and rehabilitative therapy services, while home health care services are provided in Canada. Extendicare Real Estate Investment Trust has 38,500 employees in the United States and Canada.

In 2008, the company wrote direct premium in the following states:

Pennsylvania	$2,586,757	95.2%
Florida	113,985	4.2
Ohio	9,791	0.4
Indiana	9,191	0.3
Minnesota	6,306	0.2
Wisconsin	5,900	0.2
Washington	4,312	0.2
Idaho	550	0.0
Michigan	515	0.0
Oregon	450	0.0
Kentucky	(20,233)	(0.7)
Total	$2,717,524	100.0%

In addition to the states listed above, the company is licensed but did not write any premiums in the District of Columbia and the following states:

Alabama	Georgia	Nebraska	South Dakota
Alaska	Illinois	Nevada	Texas
Arizona	Iowa	New Mexico	Utah
Arkansas	Kansas	North Dakota	Virginia
California	Maryland	Oklahoma	West Virginia
Colorado	Montana	South Carolina	Wyoming

Historically, the major products provided by the company included professional liability, surety, and excess worker's compensation for affiliated nursing home and health care facilities and some non-affiliated parties which have business relationships with its affiliate, Extendicare Health Services, Inc. However, in early 2009, Extendicare Health Services, Inc., determined that there was no longer any significant benefit in maintaining Laurier Indemnity Company as a going concern, since most of the coverage it obtained from the company is readily available in the open market and the cost and capital required to maintain the insurer is difficult to justify. The company is actively seeking to contractually terminate its exposures in a manner that affords its policyholders reasonable opportunity to make other arrangements. Once the company has been effectively rendered into a clean shell, it is the intention of the company to canvass the market to identify a potential buyer. Absent identification of a suitable opportunity to sell the company to a reputable party, the company has indicated it will seek the dissolution the company.

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
Worker's compensation	$ 443,750	$18	$	$ 443,768
Other liability – occurrence	2,080,000			2,080,000
Surety	193,774			193,774
Total All Lines	$2,717,524	$18	$	$2,717,542

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of four members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation specific to their service on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
J. Wesley Carter Toronto, Ontario, Canada	President and Vice President Laurier Indemnity Company	2010
Roch Carter Milwaukee, Wisconsin	Vice President, General Counsel and Assistant Secretary Extendicare Health Services, Inc.	2010
Douglas J. Harris Mequon, Wisconsin	Senior Vice President and Chief Financial Officer Extendicare Real Estate Investment Trust	2010
Timothy L. Lukenda Pewaukee, Wisconsin	President and Chief Executive Officer Extendicare Real Estate Investment Trust	2010

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2008 Compensation
J. Wesley Carter	President and Vice President	$48,000
Roch Carter	Secretary	0*
Douglas J. Harris	Treasurer	0*

* Messrs. Carter and Harris are compensated by the company’s affiliates and no portion of their compensation was reimbursed by Laurier for 2008.

Committees of the Board

The company's bylaws do not allow for the formation of certain committees by the board of directors. There were no committees at the time of the examination.

IV. AFFILIATED COMPANIES

Laurier Indemnity Company is a member of a holding company system, the Extendicare Group, whose ultimate parent is Extendicare Real Estate Investment Trust (hereinafter also Extendicare REIT). The organizational chart of the significant affiliates of the holding company system is presented later in this section. A brief description of the significant affiliates is included in this report

Extendicare REIT

Extendicare REIT is an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario by a deed of trust dated September 11, 2006, as amended and restated on October 28, 2006 (the Deed of Trust). The direct ownership and operation of the senior care facilities and ancillary businesses is conducted by the subsidiaries of Extendicare REIT. Extendicare REIT itself is not a provider of services or products. Extendicare REIT is the successor in interest to Extendicare, Inc. (Extendicare), resulting from the conversion of Extendicare to an unincorporated, open-ended limited purpose trust on November 10, 2006.

Extendicare REIT, through its subsidiaries, operates 266 nursing centers and assisted living facilities across North America, with a capacity for over 30,030 residents and is the ultimate parent of its holding company system. As of December 31, 2008, the audited financial statements stated in Canadian dollars in accordance with the generally accepted accounting principles of Canada, reported assets of C$1,805,982,000, liabilities of C$1,835,514,000, and unitholders' deficiency of C$29,532,000. Net earnings for 2008 were C$13,388,000.

Extendicare, Inc.

Extendicare, Inc., owns 76.4% of Extendicare (Canada), Inc. As of December 31, 2008, the unaudited financial statements of Extendicare, Inc., reported assets of $339,790,936, liabilities of $291,743,389, and stockholders' equity of $48,047,547. Operations for 2008 produced net income of $16,168,706.

Crownx Properties, Inc.

Crownx Properties, Inc., owns and leases real estate unrelated to nursing home operations and owns 23.6% of Extendicare (Canada), Inc. (ECI). As of September 30, 2008, the unaudited financial statements of Crownx Properties, Inc., reported assets of $220,706,128, liabilities of $74,683,877, and stockholders' equity of $146,022,251. Operations for the year ended September 30, 2008, produced net income of $15,937,166.

VCP Holdings, Inc.

VCP Holdings, Inc., is a holding company that owns the stock of Virtual Care Provider, Inc. As of December 31, 2008, the unaudited financial statements of VCP Holdings, Inc., reported assets of $19,223,497, liabilities of $1,496, and capital stock of $19,222,001. There are no operating results since the sole purpose of the corporation is to hold the stock of Virtual Care Provider, Inc., and no dividends were paid by Virtual Care Provider, Inc.

Virtual Care Provider, Inc.

Virtual Care Provider, Inc., provides information technology for affiliates, including the company, and unaffiliated health care facilities. As of December 31, 2008, the unaudited financial statements of Virtual Care Provider, Inc., reported assets of $11,123,571, liabilities of $1,638,588, and stockholders' equity of $9,484,983. Operations for 2008 produced a net loss of $1,573,405.

Extendicare (Canada), Inc.

Extendicare (Canada), Inc., and its subsidiaries operate nursing and retirement centers in four provinces, manage a chronic care hospital unit in Ontario, and provide home health care in Canada through its ParaMed Home Health Care division. Extendicare (Canada), Inc., owns 95.84% of Extendicare International, Inc. As of September 30, 2008, the unaudited financial statements of Extendicare (Canada), Inc., reported assets of $502,764,202, liabilities of $460,954,705, and shareholders' equity of $41,809,497. Operations for the year ended September 30, 2008, produced net income of $3,964,145.

Laurier Indemnity Co., Ltd.

Laurier Indemnity Co., Ltd., provides insurance for affiliates and is domiciled in Bermuda. As of December 31, 2008, the audited financial statements of Laurier Indemnity Co., Ltd., reported assets of $57,632,853, liabilities of $46,725,807, and capital and surplus of $10,907,046. Operations for 2008 produced a net loss of $732,441.

The Northern Group, Inc.

The Northern Group, Inc., provides insurance claims handling services for Extendicare Health Services, Inc., and its subsidiaries. As of December 31, 2008, the unaudited financial statements of The Northern Group, Inc., reported assets of $1,197,160, liabilities of $650,342, and owners' equity of $546,818. Operations for 2008 produced a net loss of $2,960.

Extendicare Southwestern Ontario Canada, Inc.

Extendicare Southwestern Ontario Canada, Inc., operates nursing homes within Extendicare (Canada), Inc.'s operations and owns 2.08% of Extendicare International, Inc. As of September 30, 2008, the unaudited financial statements of Extendicare Southwestern Ontario Canada, Inc., reported assets of $44,467,856, liabilities of $18,597,614, and shareholders' equity of $25,870,242. Operations for the year ended September 30, 2008, produced net income of $77,920.

New Orchard Lodge, Ltd.

New Orchard Lodge, Ltd., operates nursing homes within ECI operations and owns 2.08% of Extendicare International, Inc. As of September 30, 2008, the unaudited financial statements of New Orchard Lodge, Ltd., reported assets of $124,844,074, liabilities of $78,769,004, and shareholders' equity of $46,075,070. Operations for the year ended September 30, 2008, produced net income of $4,461,709.

Extendicare International, Inc.

Extendicare International, Inc., is a Canadian holding company the sole purpose of which is to hold the common stock of Extendicare Holdings, Inc. As of December 31, 2008, the unaudited financial statements reported assets of $2,582,082, liabilities of $22,939,503, and shareholders' equity of negative $20,357,421. The company produced a net loss of $1,917 for 2008, driven primarily by interest expense. There are no operating results since the sole purpose of this company is to hold the stock of Extendicare Holdings, Inc., and no dividends were paid by Extendicare Holdings, Inc.

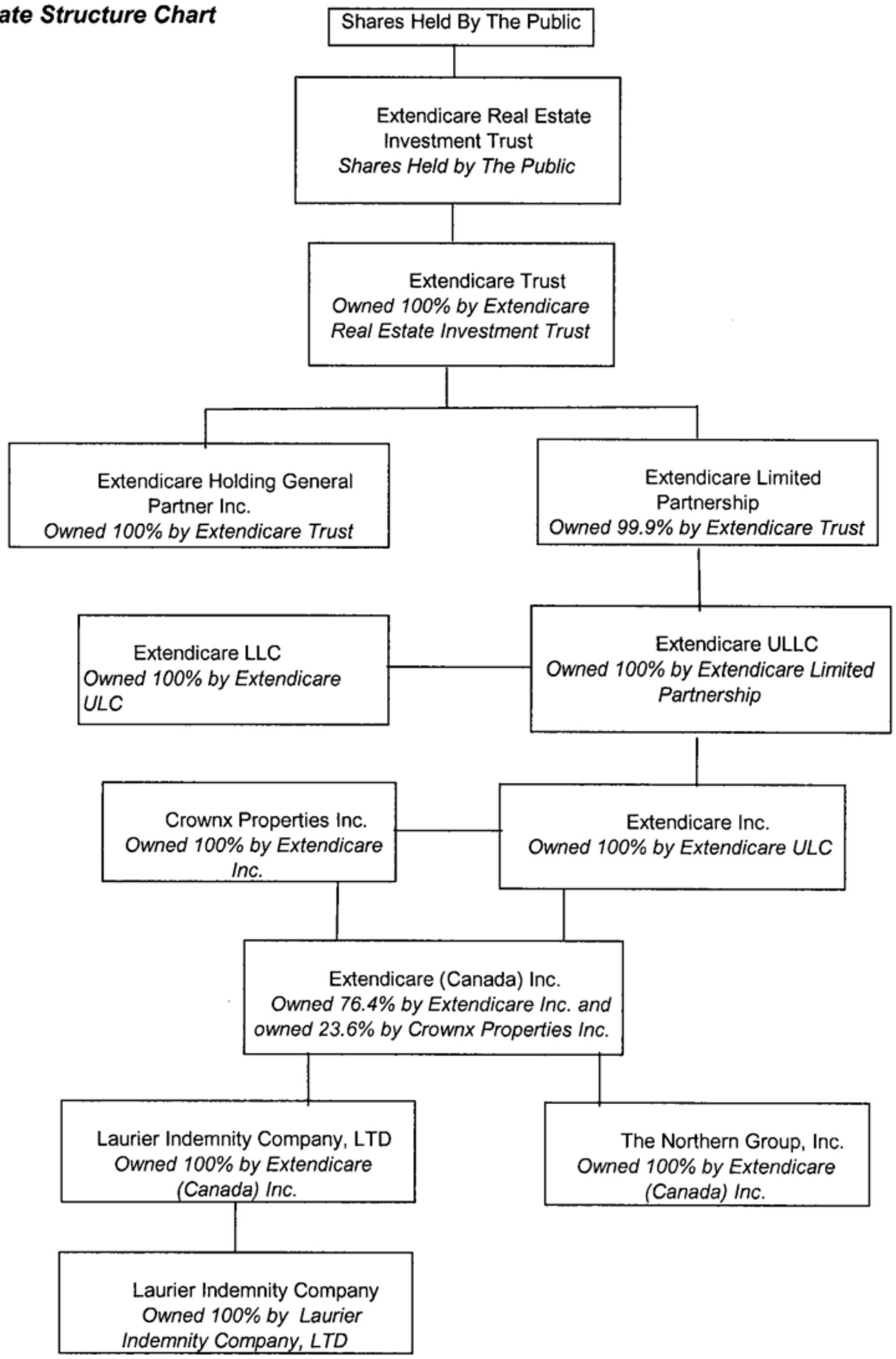
Extendicare Holdings, Inc.

Extendicare Holdings, Inc., is an intermediate U.S. holding company of Extendicare Health Services, Inc. As of December 31, 2008, the unaudited financial statements of Extendicare Holdings, Inc., reported assets of $17,367,675, liabilities of $61,336,573, and a shareholders' deficit of $43,968,898. There are no operating results since the sole purpose of Extendicare Holdings, Inc., is to hold the stock of Extendicare Health Services, Inc., and no dividends were paid to by Extendicare Health Services, Inc.

Extendicare Health Services, Inc.

Extendicare Health Services, Inc. (hereinafter also EHSI), and its subsidiaries operate skilled nursing and assisted living facilities in 19 states and provide medical specialty services such as sub-acute care and inpatient and outpatient rehabilitative therapy. As of December 31, 2008, the audited financial statements of EHSI reported assets of $1,064,510,000, liabilities of $1,039,541,000, and shareholders' equity of $24,969,000. Operations for 2008 produced net income of $20,758,000.

Laurier Indemnity Company
Corporate Structure Chart



Agreements with Affiliates

Consulting Services Agreement with Phil Cook

There is a Consulting Services Agreement by and between The Northern Group, Inc., Laurier Indemnity Company and Philip H. Cook, effective December 19, 2003.

Under this agreement, Mr. Cook provides consulting services including, but not limited to, approving claim payments and settlements according to the policies and accounts, setting reserves on litigated claims, insuring compliance with laws and regulations and reviewing premium adjustments for accuracy. The initial term of the agreement is one year with automatic renewal for successive one-year terms. Any party may terminate the agreement at any time with 90 days' advance written notice to the others. Mr. Cook is entitled to a fee of $1,000 per diem plus travel and required expenses to be billed monthly.

In 2008, Mr. Cook was compensated $6,000 for consulting services rendered under this agreement.

Consulting Services Agreement with J. Wesley Carter

There is a Consulting Services Agreement by and between J. Wesley Carter and Laurier Indemnity Company. Under this agreement, Mr. Carter is to oversee and provide direction for the insurance business of the company in exchange for an annual fee of $48,000. The initial term of the agreement is one year with automatic renewal for successive one-year terms. Any party may terminate the agreement at any time with 90 days' advance written notice to the other party.

Services Agreement with Extendicare Health Services, Inc.

There is a Services Agreement by and between Extendicare Health Services, Inc., and Laurier Indemnity Company effective December 19, 2003. Under this agreement, EHSI is to provide payroll processing, human resources, executive administration, benefits administration, licenses and certifications, records and legal services. The fees to which EHSI is entitled are based on costs reasonably and fairly incurred by EHSI. Either party may terminate the agreement at any time with 60 days' advance written notice to the other party.

In 2008, the company paid $60,000 to EHSI for services rendered under this agreement.

Lease Agreement with Extendicare Health Services, Inc.

There is a Lease Agreement by and between Extendicare Health Services, Inc., and Laurier Indemnity Company effective December 19, 2003. Under this agreement, the company leases 2,000 square feet of office space from Extendicare Health Services, Inc., at amount determined on an annual basis in accordance with any and all costs and expenses reasonably and fairly incurred by Extendicare in providing the Leased Premises. The initial term of the lease is for five years with automatic renewal for additional five-year terms unless either party gives the other 90 days' prior written notice of termination before expiry of a term.

In 2008, the company paid $15,456 to EHSI for rent.

Master Technology Services Agreement

There is a Master Technology Services Agreement by and between Virtual Care Provider, Inc., and Laurier Indemnity Company effective December 19, 2005. Under this agreement, the company receives applications and support services for its computer systems software and hardware. The agreement was set to expire on December 31, 2008, but the company entered into a modification agreement which extended the master agreement through December 31, 2011. The modification agreement increased the total monthly payment from $2,900 to $3,025, effective January 1, 2009.

In 2008, the company paid $36,503 for services rendered under the master agreement.

V. REINSURANCE

The company had no reinsurance contracts in effect at the time of the examination. Effective October 1, 2003, the company commuted a reinsurance contract with Laurier Indemnity Company, Ltd., its Bermuda-domiciled affiliate. The company received cash for this commutation. The company has worker's compensation claims that are covered under a reinsurance contract with Employers Reinsurance Corporation that was terminated effective January 1, 1996. The company has stopped writing worker's compensation for affiliates due to soft market conditions. The company assumes risk from the NCCI National Workers Compensation Pool to remain licensed as a worker's compensation writer.

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."

Laurier Indemnity Company
Assets
As of December 31, 2008

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$15,067,354	$	$15,067,354
Common stocks	4,586,929		4,586,929
Cash, cash equivalents, and short-term investments	4,458,016		4,458,016
Investment income due and accrued	127,140		127,140
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	443,792		443,792
Reinsurance:			
Amounts recoverable from reinsurers	2,597		2,597
Current federal and foreign income tax recoverable and interest thereon	573,610		573,610
Net deferred tax asset	1,036,958	808,306	228,652
Electronic data processing equipment and software	3,193		3,193
Health care and other amounts receivable	4,000		4,000
Write-ins for other than invested assets:			
Oregon Imprest fund	42,770		42,770
Total Assets	$26,346,359	$808,306	$25,538,053

Laurier Indemnity Company
Liabilities, Surplus, and Other Funds
As of December 31, 2008

Losses		$ 7,092,171
Loss adjustment expenses		1,649,052
Other expenses (excluding taxes, licenses, and fees)		114,481
Taxes, licenses, and fees (excluding federal and foreign income taxes)		74,148
Unearned premiums		2,097,766
Payable to parent, subsidiaries, and affiliates		15,432
Total liabilities		11,043,050
Common capital stock	$3,420,000	
Gross paid in and contributed surplus	2,280,000	
Unassigned funds (surplus)	8,795,003	
Surplus as regards policyholders		14,495,003
Total Liabilities and Surplus		$25,538,053

Laurier Indemnity Company
Summary of Operations
For the Year 2008

Underwriting Income		
Premiums earned		$2,636,107
Deductions:		
Losses incurred	$2,532,895	
Loss adjustment expenses incurred	487,180	
Other underwriting expenses incurred	642,638	
Total underwriting deductions		3,662,713
Net underwriting gain (loss)		(1,026,606)
Investment Income		
Net investment income earned	772,133	
Net realized capital gains (losses)	(554,427)	
Net investment gain (loss)		217,706
Net income (loss) before federal and foreign income taxes		(808,900)
Federal and foreign income taxes incurred		(154,622)
Net Loss		$ (654,278)

Laurier Indemnity Company
Cash Flow
For the Year 2008

Premiums collected net of reinsurance			$2,828,781
Net investment income			887,856
Total			3,716,637
Benefit- and loss-related payments		$ 1,573,279	
Commissions, expenses paid, and aggregate write-ins for deductions		1,049,098	
Federal and foreign income taxes paid (recovered)		145,000	
Total deductions			2,767,377
Net cash from operations			949,260
Proceeds from investments sold, matured, or repaid:			
Bonds	$10,410,645		
Stocks	1,599,813		
Miscellaneous proceeds	804,295		
Total investment proceeds		12,814,753	
Cost of investments acquired (long-term only):			
Bonds	9,006,678		
Stocks	3,320,566		
Total investments acquired		12,327,244	
Net cash from investments			487,509
Cash from financing and miscellaneous sources:			
Other cash provided (applied)			(3,852)
Reconciliation:			
Net change in cash, cash equivalents, and short-term investments			1,432,917
Cash, cash equivalents, and short-term investments:			
Beginning of year			3,025,101
End of Year			$4,458,018

Laurier Indemnity Company
Compulsory and Security Surplus Calculation
December 31, 2008

Assets		$25,538,053
Less liabilities		11,043,050
Adjusted surplus		14,495,003
Annual premium:		
Lines other than accident and health	$2,717,542	
Factor	20%	
Compulsory surplus (subject to a minimum of $2 million)		2,000,000
Compulsory Surplus Excess (or Deficit)		$12,495,003
Adjusted surplus (from above)		$14,495,003
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%)		2,800,000
Security Surplus Excess (or Deficit)		$11,695,003

Laurier Indemnity Company
Reconciliation and Analysis of Surplus
For the Five-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	2004
Surplus, beginning of year	$16,808,040	$15,908,742	$14,025,113	$12,355,079	$10,444,463
Net income	(654,278)	733,415	1,628,342	1,518,444	1,730,871
Change in net unrealized capital gains/losses	(1,077,866)	117,285	7,524	151,590	179,745
Change in net deferred income tax	(11,505)	28,502	387,780		
Change in non-admitted assets	(569,385)	20,096	(259,017)		
Write-ins for gains and (losses) in surplus:					
Change in net deferred income taxes—correction of error			234,963		
Deferred tax effect of unrealized gain/ loss—correction of error			(115,963)		
Surplus, End of Year	$14,495,006	$16,808,040	$15,908,742	$14,025,113	$12,355,079

Laurier Indemnity Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2008

The company's NAIC Insurance Regulatory Information System (IRIS) 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	2004
#1	Gross Premium to Surplus	19%	16%	17%	16%	29%
#2	Net Premium to Surplus	19	16	17	16	29
#3	Change in Net Premiums Written	(1)	(1)	24	(38)*	94*
#4	Surplus Aid to Surplus	0	0	0	0	0
#5	Two-Year Overall Operating Ratio	87	51	33	14	55
#6	Investment Yield	3.1	3.5	3.2	3.2	2.9*
#7	Gross Change in Surplus	(14)*	6	13	14	21
#8	Change in Adjusted Surplus (established in 2005)	(14)*	6	13	14	
#9	Liabilities to Liquid Assets	46	38	39	36	46
#10	Agents' Balances to Surplus	3	3	4	2	0
#11	One-Year Reserve Development to Surplus	8	3	(1)	(6)	(13)
#12	Two-Year Reserve Development to Surplus	13	2	(3)	(14)	(6)
#13	Estimated Current Reserve Deficiency to Surplus	0	8	22	3	(5)

The unusual results for Ratio #7, "Gross Change in Surplus," and Ratio #8, "Change in Adjusted Surplus," in 2008 was mainly due to losses incurred and realized and unrealized capital losses. The unusual result for Ratio #3, "Change in Net Premiums Written," in 2005 was attributable to the decrease of 38% in net premiums written in that year, while the unusual result for that ratio in 2004 was due to an increase of 94% in net premiums written in that year. These premium fluctuations are attributable to fluctuations in premium associated with a professional liability policy with its affiliate, Extendicare Health Services, Inc. The unusual result for Ratio #6, "Investment Yield," in 2004 was due to the company investing in highly rated bonds in a low interest rate environment.

Growth of Laurier Indemnity Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2008	$25,538,053	$11,043,050	$14,495,003	$ (654,278)
2007	26,728,030	9,919,991	16,808,037	733,415
2006	25,567,078	9,658,336	15,908,742	1,628,342
2005	23,715,181	9,690,068	14,025,113	1,518,444
2004	22,648,138	10,293,059	12,355,079	1,730,871
2003	20,178,236	9,733,773	10,444,463	(11,624)

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2008	$2,717,542	$2,717,542	$2,636,107	114.6%	23.6%	138.2%
2007	2,742,864	2,742,864	2,746,912	72.8	25.4	98.2
2006	2,762,147	2,762,147	2,759,740	35.4	25.3	60.7
2005	2,223,858	2,223,858	2,101,634	36.4	28.2	64.6
2004	3,558,439	3,558,439	1,757,140	13.8	11.7	25.5
2003	1,834,119	1,834,119	1,993,783	98.2	55.0	153.2

The trend in surplus was positive until 2008, when surplus decreased by 13.8% from the prior year-end. The combined ratio for 2008 was 138.2%, which contributed to a net loss of $(654,278). The key components to the decrease in surplus are the net loss of $654,278, which consists of an underwriting loss of $1,026,606 partly offset by net investment income of $217,706 and a tax recovery of $154,622. The company also incurred an unrealized capital loss of $1,077,866 due to decline in market value of its securities. The company's portfolio of bonds and stocks declined in value consistent with the turmoil in the financial markets that occurred in the second half of 2008.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The $14,495,003 in surplus as regards policyholders reported by the company as of December 31, 2008, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were 17 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. Disaster Recovery Plan—It is recommended that the company continue to update its disaster recovery plans to properly address issues necessary for the company to continue operations in the event of a disaster. Once completed, the plan should be tested and updated on an annual basis.

   Action—Compliance.

2. Conflict of Interest—It is recommended that the company obtain individual conflict of interest statements from all directors.

   Action—Compliance.

3. Unclaimed Funds—It is recommended that the company comply with ch. 177, Wis. Stat., and the equivalent laws of other states in which it operates.

   Action—Compliance.

4. Unclaimed Funds—It is further recommended that a liability for unclaimed funds be established in future statutory financial statements to account for all checks outstanding for over one year.

   Action—Compliance.

5. Cash and Short-term Investments—It is recommended that procedures be implemented to require management initials and dating of invoice documentation to provide an audit trail evidencing review and approval for subsequent payment.

   Action—Compliance.

6. Bonds and Stocks—It is recommended that the company report acquisitions and dispositions as of the trade date on Schedule D, Part 3, Long-Term Bond and Stocks Acquired, and Schedule D, Part 4, Long-Term Bonds and Stocks Sold, in accordance with SSAP No. 26 and SSAP No. 30.

   Action—Compliance.

7. Reinsurance Recoverable—It is recommended that the company nonadmit any amounts it cannot reconcile or prove are less than 90 days old in order to ensure compliance with the NAIC Accounting Practices and Procedures Manual and the Annual Statement Instructions.

   Action—Compliance.

8. Holding Company—It is recommended that the company comply with s. Ins 40.11 (2) (b), Wis. Adm. Code, and provide a translation into United States currency with its Form B filings.

   Action—Non-Compliance.

9. Holding Company—It is recommended that the company submit all affiliated agreements not submitted for non-disapproval in accordance with s. Ins 40.04, Wis. Adm. Code, and s. 611.60 (1) (c), Wis. Stat.

   Action—Compliance.

10. Holding Company—It is also recommended that the company submit all future affiliated agreements to the Office of the Commissioner of Insurance for review at least 30 days prior to the effective date in accordance with ss. Ins 40.04 and 40.17, Wis. Adm. Code, and after board approval for contracts with directors or officers pursuant to s. 611.60 (1) (c), Wis. Stat. Subsequent to field work, the company has filed several Form D filings, which have been approved by this office.

    Action—Compliance.

11. Holding Company—It is recommended that the board review and approve all contracts with officers, employees, retirees or consultants and document such in the minutes of the board meetings pursuant to s. 611.60 (1) (c), Wis. Stat.

    Action—Compliance.

12. Premium-Underwriting—It is recommended that the company take measures to improve the consistency of records between the Premium System and related Policy Declarations and Endorsements System.

    Action—Compliance.

13. Premium-Underwriting—It is recommended that the company file all rates for all lines of business for which it is licensed in this state in accordance with s. 625.13, Wis. Stat., except for worker's compensation rates that are required to be filed by the Worker's Compensation Rating Bureau.

    Action—Compliance.

14. Premium-Underwriting—It is recommended that the company hire an on-site Risk Manager to provide ongoing management oversight of underwriting related areas and ensure future business continuity.

    Action—Compliance.

15. Report on Executive Compensation—It is recommended that the company file an amended 2004 Report on Executive Compensation to include apportioned amounts paid to all officers and directors of the company and to correctly disclose membership in a holding company system on the form.

    Action—Compliance.

16. Report on Executive Compensation—It is further recommended that the company properly complete the Report on Executive Compensation in the future.

Action—Compliance.

17. Annual Statement and Quarterly Filings—It is recommended that the company complete its annual and quarterly statutory financial statements in accordance with NAIC Quarterly and Annual Statement Instructions – Property and Casualty and 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.

Holding Company Registration Statement

Section Ins 40.11 (2) (b), Wis. Adm. Code, requires, among other matters, that if a financial statement filed with the annual holding company registration statement reports monetary values in a foreign currency, then the financial statement shall be accompanied by an exhibit that converts monetary values into United States currency. The company is properly filing its ultimate parent’s annual statement with its Form B “Insurance Holding Company System Annual Registration Statement” each year. This annual statement expresses monetary values in Canadian dollars. The compliance examination as of December 31, 2004, noted that these financial statements were not accompanied by an exhibit that converts monetary values into United States currency. It is again recommended that the company comply with s. Ins 40.11 (2) (b), Wis. Adm. Code, and provide a translation into United States currency with its Form B filings.

Subsequent Events

Early in 2009, the company determined that there was no longer any significant benefit to Extendicare Health Services, Inc., in maintaining Laurier Indemnity Company as a going concern, as most of the coverage provided to EHSI is readily available in the open market and the cost and capital required to maintain the insurer was difficult to justify. The company is actively seeking to contractually terminate its exposures in a manner that affords its policyholders reasonable opportunity to make other arrangements. Once the company has been effectively rendered into a clean shell, it is the intention of the company to canvass the market to identify a potential buyer. Absent identification of a suitable opportunity to sell the company to a reputable party, the company has indicated it will seek the dissolution the company.

VIII. CONCLUSION

Policyholders' surplus has increased from $12,307,085 as of year-end 2004 to $14,495,003 as of year-end 2008. This represents an increase of 17.8% during the period under examination.

The examination resulted in no adjustments or reclassifications to the reported figures in the balance sheet as of December 31, 2008. The company complied with 16 of the 17 recommendations made in the prior examination report. The one repeated recommendation, relating to provision of a currency translation exhibit for the key pages of the financial statement of Extendicare Real Estate Investment Trust with the annual holding company registration statement, was the only recommendation of this examination.

Early in 2009, the company determined that there was no longer any significant benefit to Extendicare Health Services, Inc., in maintaining Laurier Indemnity Company as a going concern, as most of the coverage provided to EHSI is readily available in the open market and the cost and capital required to maintain the insurer was difficult to justify. The company is actively seeking to contractually terminate its exposures in a manner that affords its policyholders reasonable opportunity to make other arrangements. Once the company has been effectively rendered into a clean shell, it is the intention of the company to canvass the market to identify a potential buyer. Absent identification of a suitable opportunity to sell the company to a reputable party, the company has indicated it will seek the dissolution the company.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 26 - Holding Company Registration Statement—It is again recommended that the company comply with s. Ins 40.11 (2) (b), Wis. Adm. Code, and provide a translation into United States currency with its Form B filings.

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
Stephen Elmer	Insurance Financial Examiner – Journey
Jerry DeArmond	Policy and Claim Reserve Specialist

Respectfully submitted,

Satinderjit Dhillon
Examiner-in-Charge