

CERTIFICATION

June 17, 2011

I, Bruce R. Range, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of

Report of Examination of Financial Condition

Platte River Insurance Company

Omaha, Nebraska

as of

December 31, 2009

Now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



Bruce R. Range

DIRECTOR OF INSURANCE

Platte River Insurance Company

1600 Aspen Commons

Middleton, WI 53562

**Report of
Financial Condition Examination**

as of

December 31, 2009

States Participating

**Wisconsin
Nebraska**

**STATE OF NEBRASKA
DEPARTMENT OF INSURANCE**

JUN 17 2011

FILED

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Middleton, Wisconsin
May 27, 2011

Honorable Joseph Torti, III
Chair, Financial Condition (E) Committee, NAIC
Superintendent of Insurance & Banking
Rhode Island Division of Insurance
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Honorable James J. Wrynn
Chair, Northeastern Zone,
Superintendent of Insurance
New York State Insurance Department
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Honorable Linda S. Hall
Chair, Western Zone
Director of Insurance
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Division of Insurance
550 West 7th Avenue, Suite 1560
Anchorage, AK 99501-3567

Honorable Bruce Ramge
Director of Insurance
Nebraska Department of Insurance
941 "O" Street, Suite 401
Lincoln, NE 68508

Sirs:

Pursuant to your instructions and in accordance with statutory requirements, an association examination has been conducted of the financial condition and business affairs of:

Platte River Insurance Company
1600 Aspen Commons
Middleton, WI, 53562

with its registered office located at

**10306 Regency Parkway Drive
Omaha, Nebraska 68114**

(hereinafter referred to as the “Company”) and the report of such examination is respectfully presented herein.

INTRODUCTION

The Company was last examined as of December 31, 2005, under the Association Plan, with examiners from the State of Nebraska representing the Midwestern Zone, N.A.I.C. The current financial condition examination covered the intervening period to and including the close of business on December 31, 2009, and incorporated such 2010 transactions as were considered pertinent. Examiners from the States of Nebraska and Wisconsin, representing the Midwestern Zone, N.A.I.C., participated in this examination and assisted in the preparation of this report.

SCOPE OF EXAMINATION

The examination was called as of December 31, 2009 on a coordinated basis involving the Wisconsin Office of the Commissioner of Insurance as the coordinating state and the Nebraska Department of Insurance. The affiliates, Capitol Indemnity Corporation and Capitol Specialty Insurance Corporation, Wisconsin domesticated insurers, and Platte River Insurance Company, a Nebraska domesticated insurer, collectively known as the Capitol Insurance Companies within the Alleghany group, benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applied procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook and Section 44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

A general review and survey was made of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. Its history was traced and has been summarized in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The

minutes of the meetings of the stockholders, Board of Directors and committees, held during the examination period, were read and noted. Attendance at meetings, proxy information, election of directors and officers, and approval of investment transactions were noted.

The fidelity bond and other insurance coverage's protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed Annual Statements for the examination period, is reflected in the "Body of Report" section of this report.

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary, including a review of internal controls and allocation procedures. Its method of claim handling and all procedures pertaining to the adjustment and payment of incurred losses were also noted.

The assets were verified and evaluated and the liabilities and reserves determined, as deemed necessary by the pre-planning process, in order to present herein a statement of the Company's financial condition as of December 31, 2009. This included a review of the work papers prepared by KPMG, LLP, the Company's auditors, during their audit of the Company's accounts for the year ended December 31, 2009. A portion of the auditors' work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. Said utilization was performed pursuant to Title 210 (Rules of Nebraska Department of Insurance), Chapter 56, Section 013.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated under the laws of the State of North Carolina on January 6, 1972 as AMI Credit Insurance Company (later changed to AMIC Credit Insurance Company) and commenced business on January 14, 1972 to engage in the business of credit insurance.

Control of the former parent, AMIC Corporation (later changed to General Electric Mortgage Insurance Services, Inc.) was acquired by General Electric Mortgage Capital Corporation effective March 1, 1983. The name of the Company was subsequently changed from AMIC Credit Insurance Company to General Electric Equity Insurance Corporation. All of the stock of the Company was transferred to General Electric Mortgage Capital Corporation effective December 31, 1989, due to the voluntary liquidation of General Electric Mortgage Insurance Services, Inc.

The Company amended its Articles of Incorporation on July 10, 1991 to change the Company name to Pinnacle Property and Casualty Insurance Corporation and to expand its authority to include other fire and casualty business. Effective November 23, 1994, the Company redomiciled to the State of Nebraska.

On December 9, 1994, the Company was sold to Underwriters Reinsurance Company. Effective December 16, 1994 the name of the Company was changed from Pinnacle Property and Casualty Insurance Corporation to Underwriters Insurance Company. On May 17, 2000, Swiss Reinsurance Company and Swiss Re America Holding Corporation acquired the Company.

The Director of Insurance approved Alleghany Corporation's Form A, filed December 28, 2001, with the Nebraska Department of Insurance, seeking to acquire the Company. On January 3, 2002 Alleghany Corporation's acquisition of the Company was finalized. In addition, on May 8, 2002, the Company changed its name to Platte River Insurance Company.

Under the provisions of its charter and in conformity with Nebraska Statutes, the Company is presently authorized to write the kinds of insurance prescribed by Section 44-201, Subsections 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 16, 18 and 20 of the Nebraska Insurance Laws.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. Following is an abbreviated organization listing flowing from the "Ultimate Controlling Person." Subsidiaries are indicated by indentations and, are wholly owned unless otherwise indicated.

- Alleghany Corporation (Delaware)
 - Alleghany Insurance Holding Company (Delaware)
 - Capital Transamerica Corporation (Wisconsin)
 - Russ Edwards & Associates, LLC (Washington)
 - Capital Indemnity Corporation (Wisconsin)
 - Capital Specialty Insurance Corporation (Wisconsin)
 - Capital Facilities Corporation (Wisconsin)
 - Platte River Insurance Company (Nebraska)
 - Employers Direct Corporation (Delaware)
 - Employers Direct Insurance Company (California)
 - eDirect Insurance Services, Inc. (Delaware)
 - AIHL Re LLC (Vermont)
 - RSUI Group, Inc. (Delaware)
 - Resurgens Specialty Underwriting (Georgia)
 - RSA Surplus Lines Insurance Services, Inc. (Delaware)
 - RSUI Indemnity Company (New Hampshire)
 - Covington Specialty Insurance Company (New Hampshire)
 - Landmark American Insurance Company (Oklahoma)

Alleghany Capital Partners LLC (Delaware)
Homesite Group Incorporated (Delaware)
Homesite Securities Company, LLC (Delaware)
Homesite Insurance Company (Connecticut)
Homesite Ins. Company of the Midwest (North Dakota)
Homesite Ins. Company of Pennsylvania (Pennsylvania)
Homesite Insurance Company of Illinois (Illinois)
Homesite Insurance Company of Florida (Florida)
Homesite Insurance Company of California (California)
Homesite Insurance Agency, Inc. (Massachusetts)
Homesite Insurance Company of New York (New York)
Texas-South of Homestie Inc. (Texas)
Homesite Lloyd's of Texas (Texas)
Homesite Indemnity Company (Kansas)

Shareholders

Article IV of the Company's Amended and Restated Articles of Incorporation states that: "The authorized number of shares of the Corporation shall be 3,000,000, all of which shall be common shares with a par value of \$1.60 each. The aggregate par value of common shares is \$4,800,000." Company records indicate that all authorized shares were issued and outstanding and that Alleghany Insurance Holdings, LLC as of December 31, 2009, owned all such shares. On March 31, 2008, the Company paid a cash dividend of \$3,000,000 to Alleghany Insurance Holdings, LLC.

Board of Directors

The Company's By-Laws state that "the Board of Directors shall consist of not less than five (5) directors; provided that the directors may be increased or decreased from time to time by amendment adopted by: (a) the shareholders, (b) the Board of Directors, or (c) if the Directors remaining in office constitute fewer than a quorum of the Board of Directors, the Directors, by affirmative vote of the majority of all Directors remaining in office." Each Director shall be elected at the annual meeting of the shareholders and serve until the next annual meeting and until his or her successor is elected.

Directors serving the Company at December 31, 2009 were as follows:

Name and Residence Principal Occupation

David Frank Pauly Madison, Wisconsin	Chief Executive Officer, Platte River Insurance Company
Christopher Kent Dalrymple Mount Kisco, New York	Vice President, General Counsel, Alleghany Corporation
Roger B. Gorham Hillsborough, New Jersey	Senior Vice President, Finance, Alleghany Corporation
Lawrence Francis Harr Omaha, Nebraska	Partner, Lamson, Dugan, Murray, LLP
James J. McIntyre Wausau, Wisconsin	President and Chief Operating Officer, Platter River Insurance Company

Officers

According to the By-Laws, the Board of Directors shall appoint a President, a Secretary a Treasurer, and may also appoint one or more Vice Presidents, none of whom need be directors. The Officers of the Company are elected annually by the Board of Directors at the first meeting of Board of Directors, which is held immediately after the annual meeting of shareholders.

Officers elected and serving the Company December 31, 2009 are listed in the following schedule:

<u>Name</u>	<u>Office</u>
David Frank Pauly	Chief Executive Officer
James Joseph McIntyre	President and Chief Operating Officer
Frederick Merle Taransky	Vice President, Chief Financial Officer, Treasurer
Alan Scott Ogilvie	Vice President, General Counsel, and Secretary
Richard Walter Allen III	President, Surety and Fidelity Operations
Roger Bryce Gorham	Vice President
Lawrence John Seymour	Vice President, Chief Actuary
David Robert Finkelstein	Vice President
Weston Milliken Hicks	Vice President
Ronald Eugene Mayor Jr.	Vice President

Name

Office

Dominick Tassone Jr.
Carmen Joan Raha

Vice President
Controller

Committees

Provisions of the By-Laws establish that the Board of Directors may appoint an Executive Committee and other committees as they deem necessary and appropriate. During the examination period, an Executive Committee was formed made up of the following three members as of December 31, 2009:

David F. Pauly
Roger B. Gorham
James J. McIntyre

The board minutes remained silent as to the activities of the Executive Committee during the examination period.

In addition to the Executive Committee, an Investment Committee has been established. The three appointed members of the Investment Committee are:

Roger B. Gorham
James J. McIntyre
David F. Pauly

Minutes of the Investment Committee meetings held during the exam period were read and noted. Approval of investment transactions were noted in the minutes.

TRANSACTIONS/AGREEMENTS WITH AFFILIATES

The Company is a participant in several inter-company agreements covering various aspects of the Company's operations.

Effective May 15, 2002 the Company entered into an Inter-company Federal Income Tax Allocation Agreement with Alleghany Corporation whereby the Company joined in the filing of the consolidated Federal tax return as a member of the “affiliated group.”

Effective January 4, 2002 The Company entered into an Administrative Services Agreement with Capitol Indemnity Corporation (CIC) whereby CIC agrees to provide facilities, services of management and other personnel as may be requested from time to time. This includes all facilities and services necessary to conduct the business of insurance and facilitate the issuance of policies, including without limitation, product design, regulatory filing and compliance, and the making of any payments required in connection with: billing and collection, claims administration, payment and litigation, underwriting, customer service, policy and booklet printing and mailing, advertising, sales, marketing, and administration of sales commissions.

In conjunction with the Administrative Services Agreement, CIC and the Company entered into a pooling agreement, effective January 1, 2002. An amended pooling agreement was entered into on January 1, 2007 to include Capitol Specialty Insurance Company (CSIC). Such agreement is described in this report under the caption “Reinsurance”

Effective June 1, 2003 the Company entered into a Management Underwriting Agreement with Darwin Professional Underwriters, Inc. (Darwin), an affiliate at the time. Under the agreement the Company appointed Darwin as its exclusive agent for directors and officers liability, error and omissions, professional liability, employment practices, and fiduciary insurance. These responsibilities include the soliciting and evaluation of applications; determining the underwriting acceptability of risks according to underwriting guidelines; billing, collecting and remitting all premiums to the Company, net of expense reimbursement; and reporting claims to the Company, including administering, settling and maintaining records of

claims. In addition Darwin is responsible for all issues, including compensation, related to the management of subproducers.

An amended Management Underwriting Agreement, effective October 20, 2008 as part of the sale and merger of Darwin into a subsidiary of Allied World Assurance Company Holdings, Ltd., deferred the Company's termination rights. This agreement was terminated on April 27, 2009 and Darwin continues to service policies in-force and claim administration for policies issued under this agreement.

Effective January 1, 2008 the Company entered into a Investment Management Agreement with affiliate, Alleghany Capital Partners LLC. Under the agreement the Company has appointed Alleghany Capital Partners as the investment manager of the Company's assets. These responsibilities include making all investment decisions as directed by the Company.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in the District of Columbia and all states of the United States. The Company is a nationwide writer of commercial and non-construction contract surety business. The Company has appointed approximately 250 professional surety agents and brokers located in all fifty-one U.S. jurisdictions. The Company's bond business is made up of Non-Construction Contract, Fidelity, Court, License & Permit, Subdivision, and Miscellaneous.

REINSURANCE

The Company has an arrangement with Darwin Professional Underwriters, Inc., which fronts business for the Company through an Underwriting Management Agreement, outlined in "Transactions/Agreements with Affiliates." The business underwritten through Darwin

Professional Underwriters, Inc. consists primarily of directors and officers liability, errors and omissions liability, and medical malpractice liability. This business is then 100% ceded to Darwin National Assurance Company, a former affiliate of the Company, through a 100% quota share reinsurance agreement.

Under the amended pooling agreement noted in this report under the caption “Transactions/ Agreements with Affiliate”, the business of Capitol Specialty Insurance Corporation (CSIC) and the Company are pooled with Capitol Indemnity Corporation (CIC). CSIC and the Company cede 100% of all risks written (gross premiums written, losses, loss adjustment expenses, underwriting expenses, and related balance sheet categories), excluding business written on behalf of Darwin National Assurance Company, to CIC, which retrocedes 15% of the pooled business back to both CSIC and the Company and CIC retains the remaining 70%. CIC administers all aspects of the pooled business.

The settlement of all assumed and ceded transactions between CIC, CSIC, and the Company, pursuant to the agreement, will be made on a quarterly basis within 60 days after the end of each fiscal quarter end.

CIC obtains ceded reinsurance agreements with unaffiliated reinsurers covering the pooled business of CIC, CSIC, and the Company prior to the pooling retrocession. Each affiliated entity is named on the reinsurance agreements, but participation is strictly between CIC and the unaffiliated reinsurer. These agreements are considered multi-cedant reinsurance agreements and therefore NAIC Accounting Practices and Procedures Manual SSAP No. 62R, paragraph 9 requires a written allocation agreement. It is recommended that the Company either 1) file a written allocation agreement for each multi-cedant agreement with the Director of the Nebraska Department of Insurance under the provisions of the Insurance Holding Company

System Act, Neb. Rev. Stat. §44-2133(2) and properly disclose all unaffiliated reinsurers in Schedule F, Part 3 of the Company's financial statements or 2) have its name be removed from these agreements, since the Company is not directly participating in these agreements, thereby relying upon CIC to place all unaffiliated reinsurance for the pool.

Each of the above contracts contains an appropriate insolvency clause and termination provision providing for adequate notice of cancellation.

BODY OF REPORT

Growth

The following comparative data reflects the growth of the Company for the period under review:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Bonds	\$ 67,598,084	\$ 78,660,622	\$110,039,705	\$ 97,921,153
Admitted assets	117,333,177	156,431,613	158,142,141	139,357,292
Loss reserves	12,030,307	21,386,301	21,840,765	22,146,184
Unearned premiums	8,963,299	13,882,394	12,455,243	12,250,365
Total liabilities	81,052,133	116,251,557	128,419,659	102,690,681
Capital and surplus	36,281,044	40,180,056	29,722,482	36,666,611
Premiums earned	16,823,358	29,703,022	28,032,013	25,002,272
Losses incurred	5,930,339	11,047,384	10,448,157	9,301,926
Underwriting gain	1,403,581	3,231,059	2,593,361	1,098,597
Net Investment gain	3,753,611	4,944,724	(5,465,367)	3,822,173
Net income	2,795,625	3,886,281	(4,570,049)	2,894,663

Financial Statements

The following statement of admitted assets and liabilities, together with the accompanying statement of income, reflects the financial condition of the Company as of December 31, 2009, and its transactions for the year 2009 as determined through this examination. A reconciliation of the surplus account for the four-year period under review is also included:

FINANCIAL STATEMENT
December 31, 2009

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 97,921,153		\$ 97,921,153
Common stock	12,743,080		12,743,080
Cash	5,389,255		5,389,255
Short-term investments	11,121,571		11,121,571
Other invested assets	<u>2,180,389</u>		<u>2,180,389</u>
Subtotal, cash and invested assets	\$129,355,448		\$129,355,448
Investment income due and accrued	730,898	\$ 52,931	677,967
Premiums and considerations:			
Uncollected premiums and agents' balances	2,589,173	1,457,799	1,131,374
Booked but deferred and not yet due	3,107,985		3,107,985
Reinsurance:			
Amounts recoverable from reinsurers	116,573		116,573
Current federal and foreign income tax recoverable	103,974		103,974
Net deferred tax asset	3,432,250	2,006,534	1,425,716
Receivable from parent, subsidiaries, and affiliates	3,257,908		3,257,908
Rent deposit	9,627	9,627	
Other assets	1,870	1,870	
Other receivables	4,198		4,198
State income tax recoverable	10,390		10,390
Premium taxes recoverable	<u>165,759</u>		<u>165,759</u>
Totals	<u>\$142,886,053</u>	<u>\$3,528,761</u>	<u>\$139,357,292</u>

Liabilities Surplus and Other Funds

Losses	\$ 22,146,184
Loss adjustment expenses	4,031,423
Commissions payable, contingent commissions and other similar charges	581,665
Other expenses	767,264
Taxes, licenses and fees	38,749
Unearned premiums	12,250,365
Ceded reinsurance premium payable	4,669,862
Amounts withheld or retained by company for account of others	57,271,156
Remittances and items not allocated	99,346
Payable to parent, subsidiaries, and affiliates	164
Funds held-unclaimed property	<u>834,503</u>
Total liabilities	<u>\$102,690,681</u>
Common capital stock	\$ 4,800,000
Gross paid in and contributed surplus	30,739,907
Unassigned funds (surplus)	<u>1,126,704</u>
Surplus as regards policyholders	<u>\$ 36,666,611</u>
Total liabilities, capital and surplus	<u>\$139,357,292</u>

STATEMENT OF INCOME - 2009

Underwriting Income

Premiums earned	<u>\$25,002,272</u>
Deductions:	
Losses incurred	\$ 9,301,926
Loss expenses incurred	3,271,962
Other underwriting expenses incurred	<u>11,329,787</u>
Total underwriting deductions	<u>\$23,903,675</u>
Net underwriting gain	<u>\$ 1,098,597</u>

Investment Income

Net investment income earned	\$ 2,519,559
Net realized capital gain	<u>1,302,614</u>
Net investment gain	<u>\$ 3,822,173</u>

Other Income

Net loss from agents' or premium balance charged off	(468,729)
Finance and service charge not included in premiums	250
Other income	18,916
Interest expense on funds held under reinsurance treaties	<u>\$ (1,276,622)</u>
Total other income	<u>\$ (1,726,185)</u>
Net income before dividends to policyholders and federal income taxes	\$ 3,194,585
Dividends to policyholders	7,999
Federal income taxes incurred	<u>291,923</u>
Net income	<u>\$ 2,894,663</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Surplus, beginning	\$33,483,954	\$36,281,044	\$ 40,180,056	\$29,722,482
Net income	\$ 2,795,625	\$ 3,886,281	\$ (4,570,049)	\$ 2,894,663
Change in net unrealized capital gain(loss)		(189,648)	(843,212)	2,241,812
Change in net deferred income tax	281,768	814,263	3,070,800	(947,455)
Change in non-admitted assets	(279,976)	(612,212)	(5,115,113)	2,755,109
Change in provision for reinsurance	(328)	328		
Dividends to stockholders			(3,000,000)	
	_____	_____	_____	_____
Net change for the year	\$ 2,797,089	\$ 3,899,012	\$(10,457,574)	\$ 6,944,129
Surplus, ending	\$36,281,044	\$40,180,056	\$ 29,722,482	\$36,666,611

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

There were no changes to unassigned funds (surplus) as a result of this examination. The unassigned funds (surplus) of \$1,126,704 reported in the Company's 2009 Annual Statement has been accepted for purposes of this examination.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the last previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

1. **Management and Control – Articles of Incorporation and By-Laws Conflict** - It is therefore recommended that the Company change either the Articles of Incorporation or By-Laws to reconcile the conflict, and that said change(s) be filed as required by Nebraska Statute, and that the election and makeup of the Board going forward comply with the revision(s) filed.

Action: The Company has complied.

2. **Information Systems Disaster Recovery Plan** - It is recommended that the Company insure that the disaster recovery plan's documentation is upgraded in sufficient detail so

that identified processes for critical functions can be performed in the event systems are not available and that the plan be tested on an annual basis or whenever a significant change occurs within the computer systems environment.

Action: The Company has complied.

3. **Reinsurance- Multi-Cedant Reinsurance Contracts** – It is recommended that the Company establish an allocation agreement to formalize provisions for sharing amongst affiliates participating in Multi-cedant Reinsurance Contracts. It is also recommended that this allocation agreement be filed with the Director of the Nebraska Department of Insurance under the provisions of the Insurance Holding Company System Act, Neb. Rev. Stat. §44-2133(2).

Action: The Company has not complied. See comment contained in this report under the heading “Reinsurance”.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There were no additional comments or recommendations made as a result of this examination.

SUMMARY OF RECOMMENDATIONS

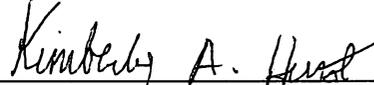
1. **Reinsurance – Multi-Cedant Reinsurance Contracts** – In order to comply with NAIC Accounting Practices and Procedures Manual SSAP No. 62R, paragraph 9, it is recommended that the Company either 1) file a written allocation agreement for each multi-cedant agreement with the Director of the Nebraska Department of Insurance under the provisions of the Insurance Holding Company System Act, Neb. Rev. Stat. §44-2133(2) and properly disclose all unaffiliated reinsurers in Schedule F, Part 3 of the Company’s financial statements or 2) have its name be removed from these agreements, since the Company is not directly participating in these agreements, thereby relying upon CIC to place all unaffiliated reinsurance for the pool.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Financial Examiners Andrea D. Szwaneck, AFE with the Nebraska Department of Insurance, participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Kimberly A. Hurst, CFE
Financial Examiner
Department of Insurance
State of Nebraska
Representing Midwestern Zone, NAIC