

Report on Examination
of
YORK INSURANCE COMPANY
Providence, Rhode Island
as of
December 31, 2013



State of Rhode Island and Providence Plantations
Department of Business Regulation
Insurance Division



State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Insurance Division

DIRECTOR'S ORDER

The attached Report of Examination as of December 31, 2013, of the condition and affairs of YORK INSURANCE COMPANY, was recently completed by duly qualified examiners, pursuant to the provisions of the Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the operation of the Company and its financial condition, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this Department as of this date.

DEPARTMENT OF BUSINESS REGULATION

Macky McCleary
Director / Insurance Commissioner

ORDER # 15-23

DATED: 6-10-15

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April 27, 2015

Honorable Macky McCleary
Insurance Commissioner
State of Rhode Island and Providence Plantations
Department of Business Regulation
1511 Pontiac Avenue, Bldg. 68-2
Cranston, Rhode Island 02920

Dear Commissioner McCleary:

In accordance with your instructions and pursuant to Chapters 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2013, of the financial condition and affairs of

YORK INSURANCE COMPANY

at its home office located at 475 Kilvert St., Suite 330, Warwick, Rhode Island. The report of such examination is herewith submitted.

York Insurance Company, also referred to within this report as “York,” or “the Company,” was previously examined as of December 31, 2010. Both the current and prior examinations have been conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”) representing the Northeast Zone of the National Association of Insurance Commissioners (“NAIC”).

SCOPE OF EXAMINATION

The last examination of the Company covered the four-year period of January 1, 2007 through December 31, 2010. The current examination covered the three-year period of January 1, 2011 through December 31, 2013 and was performed in compliance with the above mentioned sections of the General Laws of the State of Rhode Island, as amended. We conducted our examination in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”), and it was performed in conjunction with the full scope coordinated multi-state risk-focused examination (“Coordinated Exam”) of the Enstar Group. The Coordinated Exam consisted of a property and casualty sub-group and a life sub-group. The lead states for the Coordinated Exam were New Jersey (property and casualty insurance sub-group) and Delaware (life insurance sub-group). The states of California, Illinois, New York and Rhode Island participated in the Coordinated Exam, which included the following insurers.

Name of Insurer	State of Domicile
Property and Casualty Sub-Group	
Seabright Insurance Company	Illinois
Clarendon American Insurance Company	New Jersey
Clarendon National Insurance Company	New Jersey
Harbor Specialty Insurance Company	New Jersey
Claremont Liability Insurance Company	California
Constellation Reinsurance Company	New York
Providence Washington Insurance Company	Rhode Island
Seaton Insurance Company	Rhode Island
York Insurance Company	Rhode Island
Life Sub-Group	
Pavonia Life Insurance Company of Delaware	Delaware
Pavonia Life Insurance Company of New York	New York
Pavonia Life Insurance Company of Arizona	Arizona
Pavonia Life Insurance Company of Michigan	Michigan

The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to other regulators and/or the Company.

The examination was performed concurrently with the examination of the Company's parent, Providence Washington Insurance Company ("PWIC") and its affiliate, Seaton Insurance Company ("Seaton").

COMPANY HISTORY

The Company commenced business on September 1, 1955, following incorporation on August 3, 1955, under the name of Farmers Equitable Insurance Company.

The name of the Company was changed to York Insurance Company on January 2, 1968, pursuant to the approval of the stockholders and the Illinois Director of Insurance.

In the first quarter of 2005, the Company was redomesticated from Illinois to Rhode Island.

The Company is a wholly owned subsidiary of Providence Washington Insurance Company, which in turn, is a wholly-owned subsidiary of PW Acquisition Company

The Company voluntarily entered into runoff on May 28, 2004 and undertook actions to cease writing new and renewal business at the earliest possible date. For the year ending December 31, 2013, the Company had no direct written premium.

In connection with the change in ownership commencing July 20, 2010, the Company is restricted from paying stockholder dividends of any kind for a period of five years, without prior written approval of the Insurance Division.

MANAGEMENT AND CONTROL

Stockholders

The Bylaws provide that the annual meeting shall be held prior to or on April 30th in each and every year, for the purpose of electing directors and transacting such other business as may be properly presented. Special meetings may be called at any time by the President, by order of the Board of Directors or by a stockholder or group of stockholders holding at least ten percent (10%) of the outstanding shares. At all meetings of the stockholders, each share of common stock shall be entitled to one (1) vote.

The Bylaws stipulate that two-thirds (2/3) of the shares of issued and outstanding capital stock entitled, by the Articles of Incorporation and by the applicable Rhode Island statutes, to vote on the business proposed to be transacted at such meeting of stockholders represented by the holders or record thereof, in person or by proxy, shall constitute a quorum for the transaction of business.

Board of Directors

The Bylaws provide that the property, affairs and business of the Company shall be managed by the Board of Directors (“Board”), and the Board shall have, and may exercise, all of the powers of the Company, except such as are conferred by the Bylaws upon the stockholders. The Board shall have the power by vote to create such committee or committees of directors, officers, employees or other persons designated by it for the purpose of advising with the Board, and the officers and employees of the Company in all such matters as the Board shall deem advisable and with such sanctions and duties as the Board by vote may prescribe.

The Bylaws stipulate that the number of directors shall be such number, not less than five (5), as shall be fixed from time to time by the stockholders at any meeting called for such purpose. Each director shall be elected each year by a majority vote of the stockholders present in person or by proxy at the annual meeting of the stockholders and shall hold office until the next annual meeting of stockholders and until his successor is elected and qualified. Vacancies occurring in the Board of Directors may be filled by a majority of the remaining members of the Board or by the stockholders at any meeting called for such purpose, and any director so elected shall hold office until the next annual meeting of stockholders and until his successor is elected and qualified.

Regular meetings of the Board of Directors shall be held at least four (4) times per year, immediately following the annual meetings of the stockholders and at three (3) other dates as may be fixed by the resolution of the Board of Directors. Special meetings of the Board of Directors may be held at any time or place upon the call of the Chairman of the Board of Directors, or of the President, or of any two members of the Board of Directors, or unanimous consent of the Board of Directors. The attendance at a meeting of a majority of the duly elected and qualified directors shall constitute a quorum for the transaction of business at such meeting.

The members of the Board of Directors serving at December 31, 2013 were as follows:

Name	Business Affiliation	Term Expires
Karl J. Wall	Chairman, President and Chief Executive Officer Enstar (US) Inc.	2014
Thomas J. Nichols	Executive Vice President and Chief Financial Officer Enstar (US) Inc.	2014

Joseph P. Follis	Senior Vice President Enstar (US) Inc.	2014
Robert F. Redpath	Senior Vice President and Chief Legal Counsel Enstar (US) Inc.	2014
Donald E. Woellner	Senior Vice President and Client Director Enstar (US) Inc.	2014
Steven W. Given	Chief Operating Officer, Enstar (US) Inc.	2014

Other Committees

The Bylaws also provide that the Board of Directors may, by resolution adopted by a majority of the Board, designate such standing and special committees as may be necessary or desirable to manage the affairs of the Company, fix the number of members thereof, and specify the duties thereof. At December 31, 2013, the only standing committee of the board of directors was an investment committee which was comprised of the following individuals:

Steven W. Given
Thomas J. Nichols
Donald E. Woellner

Officers

The Bylaws provide that the officers of the Company shall consist of the chairman of the board of directors, the president, the corporate secretary, the treasurer, and such vice presidents, assistant vice presidents, assistant corporate secretaries, assistant treasurers and other officers as may be elected by the Board of Directors or appointed by the Chairman of the Board. Any two or more offices may be held by the same person, except that the duties of the president and the corporate secretary shall not be performed by one person. The chairman of the board and the president shall be chosen from the board of directors.

The officers of the Company specifically designated above shall be elected annually by the board of directors to hold office until the next annual meeting of the stockholders and until other officers are elected.

The officers serving, and their respective titles at December 31, 2013, are as follows:

Steven W. Given	Chief Executive Officer and Chairman of the Board
Donald E. Woellner	President, Treasurer and Chief Operating Officer
Thomas J. Nichols	Chief Financial Officer
Joseph P. Follis	Executive Vice President – Claims
Nadja Stavenhagen	Assistant Secretary
Thomas J. Balkan	Corporate Secretary

Organizational Structure

At December 31, 2013, 100% of the issued and outstanding common capital stock of the Company is owned by Providence Washington Insurance Company (“PWIC”), a Rhode Island insurer. PWIC is a wholly owned subsidiary of PW Acquisition Company, a Delaware holding company, which in turn, is wholly owned by PWAC Holdings, Inc., a Delaware holding company. PWAC Holdings, Inc. is ultimately owned by Enstar Group Ltd., a Bermuda corporation, the ultimate controlling entity in the holding company system.

The following represents an abbreviated organizational chart as of December 31, 2013, which illustrates the identities and interrelationships between the Company, its parent, affiliated insurers and other members of the holding company system:

<u>Company</u>	<u>Domicile</u>	<u>% Owned</u>
Enstar Group Limited	Bermuda	
Kenmare Holdings Ltd.	Bermuda	100%

Harper Holdings SARL	Luxembourg	100%
Enstar Holdings (US) Inc.	Delaware	100%
Enstar Investments Inc.	Delaware	100%
PWAC Holdings, Inc.	Delaware	100%
PW Acquisition Company	Delaware	100%
Providence Washington Insurance Company	Rhode Island	100%
York Insurance Company	Rhode Island	100%
Providence Washington Insurance Solutions, LLC	Rhode Island	100%

Intercompany Agreements

Insurance Services Management Agreement

Effective September 1, 2006, the Company, PWIC and ACIC (the “Companies”) entered into an Insurance Services Management Agreement (“Services Agreement”) with Providence Washington Insurance Solutions, LLC (“PWIS”). Under the terms of the Services Agreement, PWIS provides comprehensive runoff management services to the Companies, including claims adjustment, regulatory compliance, policyholder administration and financial reporting. In consideration for providing the services under the Services Agreement, the Companies paid a management fee as calculated in accordance with Schedule C of the Services Agreement. PWIS is entitled to earn additional incentive fees for attaining certain performance objectives related to operating expense management, premium and reinsurance collections, and commutation savings.

Effective October 1, 2013, the Company and Providence Washington Insurance Company entered into a new service agreement with Enstar (US) Inc. The terms of the new service agreement to provide services for runoff management are similar to the prior agreement, however, no management fee or additional incentive fees are called for. The former agreement was effectively terminated on September 30, 2013.

Tax Sharing Agreement

Effective July 21, 2010, the Company, PWIC and ACIC became parties to the existing Tax Sharing Agreement (“Tax Agreement”) between Enstar Holdings (US) Inc. and various affiliates (individually, the “Members,” collectively, the “Consolidated Group”). Under the terms of the Tax Agreement, the allocation to the Members is based on the separate tax return calculations except the benefits related to utilization of losses and credits, that are allocated to the Member generating such attributes to the extent the losses and credits are utilized in the consolidated federal income tax return for the applicable tax year.

Under the terms of the Tax Agreement, any obligation of a Member owed to another Member of the Consolidated Group shall be paid within thirty (30) days of the payment of any tax due, including estimated taxes or taxes owed in the event of a redetermination of taxes, or within thirty (30) days of any tax refund actually received.

Prior to July 21, 2010, the Company, PWIC and ACIC were parties to a Tax Allocation Agreement previously entered into on October 23, 1998 and amended on September 22, 2005, between PW Acquisition Company and its affiliates. The Tax Allocation Agreement was terminated effective July 21, 2010.

Minimum Surplus Guarantee

Pursuant to a resolution adopted by PWIC’s Board of Directors, at December 31, 2013, PWIC has a guarantee in place whereby it will maintain the minimum combined capital and surplus of York Insurance Company in the amount of \$4,000,000.

TERRITORY AND PLAN OF OPERATION

On May 28, 2004 the Company announced to the public and its agency force its intentions to enter into a self-administered runoff. A runoff plan was prepared by management and reviewed with representatives of the Rhode Island Insurance Division. Withdrawal plans were approved by each state in which the Company is licensed to operate, and an orderly process of non-renewal commenced shortly thereafter. New business ceased immediately upon the announcement of the rating downgrade to B- by A.M. Best on May 30, 2004. The Company worked aggressively with agents, policyholders, and mortgagors to remarket virtually all of the in-force business subsequent to the runoff announcement.

A new management team was identified to prepare for and manage the runoff. It continues to be the intent of the Company to abide by all state rules and regulations as they pertain to this self-administered managed runoff. The Company intends to maintain sufficient staffing to perform all required functions related to policyholder services, billing and collections, claims administration and financial reporting. Runoff activities are anticipated to continue for many years, specifically in claims administration and financial reporting.

At December 31, 2013, the Company continues to be licensed to transact business in thirty-one (31) jurisdictions. Certain jurisdictions have requested Stipulation and Consent Orders not to engage in new business without specific authorization; however, there are no plans to write new business in the future.

REINSURANCE

The Company protected itself from excessive losses through reinsurance on both treaty and facultative bases. Although the reinsurer is liable to the Company to the extent of the reinsurance ceded, the Company remains primarily liable to the policyholders as the direct insurer on all risks reinsured. The Company evaluated the financial condition of its reinsurers to minimize its exposure to losses from reinsurer insolvencies.

The Company's reinsurance program included coverage for losses incurred on years 1997 and prior for \$26,000,000 in excess of aggregate losses exceeding \$226,100,000. In addition, the Company was reinsured up to \$20,000,000 in excess of \$115,700,000 for accident years 1992 and prior. The Company ceded amounts up to treaty limits on both reinsurance treaties, and during 2005 received payment for the final paid recovery on the latter treaty and received payment for the final paid recovery on the former treaty in 2010.

As a result of the Company's announcement to enter into a self-administered managed runoff, the Company's lead reinsurer provided notification of cancellation of reinsurance effective July 31, 2004 for the Property Per Risk Treaty and Casualty Excess of Loss Treaty. Effective September 1, 2004, the Umbrella Treaty was canceled on a runoff basis. The Company replaced the canceled reinsurance with no lapse in coverage. Effective August 1, 2004, the Company's Property Per Risk Treaty covers in force, new and renewal policies with total limits of \$5,500,000 excess of \$500,000 per risk. The Casualty Per Occurrence Treaty provides clash protection of \$9,000,000 excess of \$1,000,000 and an additional

\$10,000,000 excess \$10,000,000 for workers' compensation. There is a two policy warranty, which applies to all casualty business other than workers' compensation.

The Umbrella Treaty was not replaced. Effective August 1, 2005, the Company's Property Per Risk Treaty covered new and renewal policies with limits of \$750,000 excess of \$500,000. The clash protection provided by the Casualty Per Occurrence Treaty remained in effect for policies written with effective dates prior to August 1, 2005. All reinsurance was terminated or lapsed when the Company's in force premium expired. The aforementioned termination of reinsurance has no impact on reinsurance recoverables as of December 31, 2013.

Effective January 1, 1995 and amended on August 25, 1997, April 1, 1999, April 13, 2005 and June 1, 2006, the Company and its affiliates entered into a Quota Share Reinsurance Treaty ("Pooling Agreement") whereby the lead company, Providence Washington Insurance Company, assumes all business from York Insurance Company and American Concept Insurance Company. During 2012, American Concept Insurance Company, a wholly-owned subsidiary of the Company, was merged with and into the Company, with the latter being the surviving entity. In accordance with the Pooling Agreement, all accident year premiums, losses and expenses, and all other reinsurance activity including any involving the coverages noted in the preceding paragraphs, are pooled and the business is retroceded back to the pool members in the following quota share percentages:

Providence Washington Insurance Company	Eighty-eight percent (88%)
York Insurance Company	Twelve percent (12%)

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Rhode Island Department of Business Regulation and present the financial condition of the Company for the period ending December 31, 2013. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements:

Comparative Statements of Assets
December 31, 2013 and December 31, 2010

Comparative Statements of Liabilities and Capital and Surplus and Other funds
December 31, 2013 and December 31, 2010

Statement of Income
Year ended December 31, 2013

Capital and Surplus Account
December 31, 2012 to December 31, 2013

Reconciliation of Capital and Surplus
December 31, 2010 to December 31, 2013

Analysis of Examination Adjustments
December 31, 2013

YORK INSURANCE COMPANY
Comparative Statement of Assets
December 31, 2013 and 2010

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2010</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$16,950,702	\$16,503,579	\$447,123
Cash, cash equivalents and short term investments	551,232	3,882,473	(3,331,241)
Investment income due and accrued	71,576	118,850	(47,274)
Uncollected premiums and agents' balances in the course of collection	38,046	147,647	(109,601)
Current federal and foreign income tax recoverable	0	30,576	(30,576)
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$17,611,556</u>	<u>\$20,683,125</u>	<u>(\$3,071,569)</u>

YORK INSURANCE COMPANY
Comparative Statement of Liabilities and Surplus and Other Funds
December 31, 2013 and 2010

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2010</u>	<u>Increase</u> <u>(Decrease)</u>
Losses	\$4,449,934	\$7,009,420	(2,559,486)
Loss adjustment expenses	2,649,540	1,703,756	945,784
Commissions payable, contingent commissions and other similar charges	0	(1,378)	1,378
Other expenses	941,580	1,101,901	(160,321)
Taxes, licenses and fees	75,794	176,324	(100,530)
Payable to parent, subsidiaries and affiliates	68,346	304,413	(236,067)
Drafts outstanding			
Total Liabilities	8,185,194	10,294,435	(2,109,241)
Common capital stock	3,100,000	3,100,000	0
Gross paid in and contributed surplus	8,458,525	8,458,525	0
Unassigned funds (surplus)	(2,132,163)	(1,169,835)	(962,328)
Surplus as regards policyholders	9,426,362	10,388,690	(962,328)
Total Liabilities, Surplus and Other Funds	\$17,611,556	\$20,683,125	(\$3,071,569)

YORK INSURANCE COMPANY
Statement of Income
Year ending December 31, 2013

UNDERWRITING INCOME

Premiums earned \$69,819

DEDUCTIONS

Losses incurred 391,207
Loss adjustment expenses incurred 2,079,509
Other underwriting expenses incurred 321,784

Total underwriting deductions 2,792,500

Net underwriting gain or (loss) (2,722,681)

INVESTMENT INCOME

Net investment income earned 238,864
Net realized capital gains or (losses) less capital gains tax 6,795

Net investment gain or (loss) 245,659

OTHER INCOME

Net gain (loss) from agents' or premium balances charged off 0
Aggregate write-ins for miscellaneous income 0

Total other income 0

Net income, after dividends to policyholders, after capital gains
tax and before all other federal and foreign income taxes (2,477,022)

Less: Federal and foreign income taxes incurred (207,923)

Net Income (loss) (\$2,269,099)

YORK INSURANCE COMPANY
Capital and Surplus Account
December 31, 2012 to December 31, 2013

Surplus as regards policyholders, December 31, 2012	\$11,103,848
Net income or (loss)	(2,269,099)
Change in net deferred income tax	201,148
Aggregate write-ins for gains and losses in surplus	<u>390,465</u>
Change in surplus as regards policyholders for the year	<u>(1,677,486)</u>
Surplus as regards policyholders, December 31, 2013	<u><u>\$9,426,362</u></u>

YORK INSURANCE COMPANY
Reconciliation of Capital and Surplus
December 31, 2010 to December 31, 2013

Surplus as regards policyholders, December 31, 2010			\$10,388,689
	<u>Gains</u>	<u>Losses</u>	
Net income		779,704	
Change in net deferred income tax		4,298,323	
Change in nonadmitted assets	4,236,231		
Aggregate write-ins for gains and losses in surplus	<u> </u>	<u>120,531</u>	
Total gains and losses	<u>\$4,236,231</u>	<u>\$5,198,558</u>	
Net increase (decrease) in surplus as regards policyholders			<u>(962,327)</u>
Surplus as regards policyholders, December 31, 2013			<u>\$9,426,362</u>

YORK INSURANCE COMPANY
Analysis of Examination Adjustments
December 31, 2013

The examination of the Company, performed as of December 31, 2013, did not disclose any material misstatements to the financial statements contained in its 2013 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

COMMENTS ON FINANCIAL STATEMENTS

ASSETS

Bonds **\$16,950,702**

The above amount is the net admitted value of bonds held by the Company and is the same as that reported in its 2013 Annual Statement. All of the bonds owned at year-end 2013 are held in accordance with a custodial agreement with a third party. Approximately 21.5% of the Company's bond portfolio, which amounts to \$3,757,815, is held in the form of special deposits (See "Statutory Deposits" section for details).

Eighty-one percent (81%) of all bonds in the Company's portfolio at December 31, 2013, were rated as Class 1 based upon evaluation methods established by the National Association of Insurance Commissioners Securities Valuation Office. All other bonds were rated as Class 2. Class 1 and Class 2 securities are considered "highest" and "high quality" respectively.

The amortized book value of bonds owned at December 31, 2013, represents 73.2% of the Company's total admitted assets. The book value, fair value, actual cost and par value of the bond portfolio at December 31, 2013, are as follows:

<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Actual Cost</u>	<u>Par Value</u>
<u>\$16,950,702</u>	<u>\$17,035,841</u>	<u>\$17,050,494</u>	<u>\$16,674,205</u>

LIABILITIES

<u>Losses and Loss Adjustment Expenses</u>		<u>\$7,099,474</u>
Losses	\$4,449,934	
Loss Adjustment Expenses	<u>2,649,540</u>	
Total	<u>\$7,099,474</u>	

The reserves for losses and loss adjustment expenses reflected above are the same as those reported by the Company in its 2013 Annual Statement. The reserve calculation prepared by the Company was reviewed by Merlinos & Associates, Inc. (“Merlinos”), consulting actuaries for the Rhode Island Insurance Division. Merlinos relied upon the underlying data reported by the Company, and their analyses included a review of the actuarial assumptions and methods used by the Company in determining the reserves, and such tests of actuarial calculations as deemed necessary.

In assisting Merlinos with the reserve analysis, the examiners either independently performed or relied upon the procedures performed by the Enstar Internal Audit Department to verify the integrity of the underlying claims data, including completeness testing. A combination of subjective and statistical sampling techniques was utilized in testing the claims data, as deemed appropriate.

SUBSEQUENT EVENTS

A review of the minutes of the stockholder's and board of directors' meetings for the period subsequent to the examination period was performed to ascertain whether any subsequent events have occurred which would have a material impact on the Company's operations or financial statements. In addition, an inquiry was made of the Company's management regarding subsequent events. Based upon our review, the following significant events occurred subsequent to the period covered by this examination requiring disclosure:

Change in Management

- Effective March 7, 2014, Karl J. Wall resigned as a member of the Board of Directors.
- Effective December 11, 2014, Steven W. Given resigned his position as Chairman of the Board and Chief Executive Officer. Paul Brockman was appointed Chairman of the Board and Chief Executive Officer, also effective December 11, 2014.

Merger

- Pursuant to a Plan and Agreement of Merger dated December 1, 2014, the Company was merged with and into its parent, Providence Washington Insurance Company, effective December 31, 2014. This transaction was approved by the Rhode Island Insurance Division on December 15, 2014.

CONCLUSION

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of any errors or irregularities that could have a material effect on the financial condition of the Company as presented in this report.

Acknowledgment is made of the services rendered by Merlinos & Associates. Inc., the Rhode Island Insurance Division's consulting actuaries.

Assisting in the examination with the undersigned and representing the Rhode Island Insurance Division were David A. Paolantonio, CFE, CFSA, CISA, AES; Insurance Examiner-In-Charge and Louis Gabriele Jr., CPA, CFE; Insurance Examiner-In-Charge.

Respectfully submitted,

John Tudino Jr.

John Tudino Jr., CFE, CIE, CFSA
Insurance Examiner-In-Charge