REPORT OF EXAMINATION
OF THE

ULICO STANDARD OF AMERICA
CASUALTY COMPANY

AS OF
DECEMBER 31, 2008

Filed June 29, 2010

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Los Angeles, California
April 1, 2010

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

ULICO STANDARD OF AMERICA CASUALTY COMPANY

(hereinafter also referred to as the Company) at its administrative office located at 1625 Eye Street, N.W., Washington, D.C. 20006. The Company's statutory home office was located at 14726 Ramona Avenue, Suite 202, Chino, California 91710. During the 2nd quarter of 2009 the Company moved its statutory home office to 180 Montgomery Street, Suite 1200, San Francisco, California 94104.

SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 2005. This examination covers the period from January 1, 2006 through December 31, 2008. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and a determination of liabilities as of December 31, 2008, as deemed necessary under the circumstances.

The examination was conducted concurrently with the examination of the Company's affiliate ULLICO Casualty Company, a Delaware domiciled company.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; accounts and records; and sales and advertising.

SUBSEQUENT EVENTS

Effective July 1, 2009, the Company commuted all reinsurance agreements with its affiliate ULLICO Casualty Company. The commutation was approved by the California Department of Insurance (CDI) on October 28, 2009. As a result of the commutation of these agreements, the Company no longer carries reserves for loss and loss adjustment expenses. The remaining liabilities are an accrual for the triennial examination by the CDI and inter-company payables to affiliates. The inter-company payables were settled in the first quarter of 2010 and the triennial examination costs will be paid throughout 2010.

The Company's surplus as regards to policyholders as of December 31, 2009 totaled $4.3 million. The minimum capital and surplus requirement for the Company was calculated to be $5.4 million. The Company's affiliate, ULLICO Casualty Company, is in the process of drafting a surplus note for $2.0 million that will provide the needed capital and surplus to the Company. This transaction will be subject to the approval of the CDI.

COMPANY HISTORY

The Company was a wholly-owned subsidiary of Ulico Holding Company, Inc. (UHC) through December 31, 1996. UHC was a Delaware domiciled property and casualty holding company that owned, in addition to the Company, 100% of Ulico Casualty Company (UCC). UHC was, in turn, owned by ULLICO Inc. (ULLICO), a Maryland domiciled insurance holding company organized in 1987.

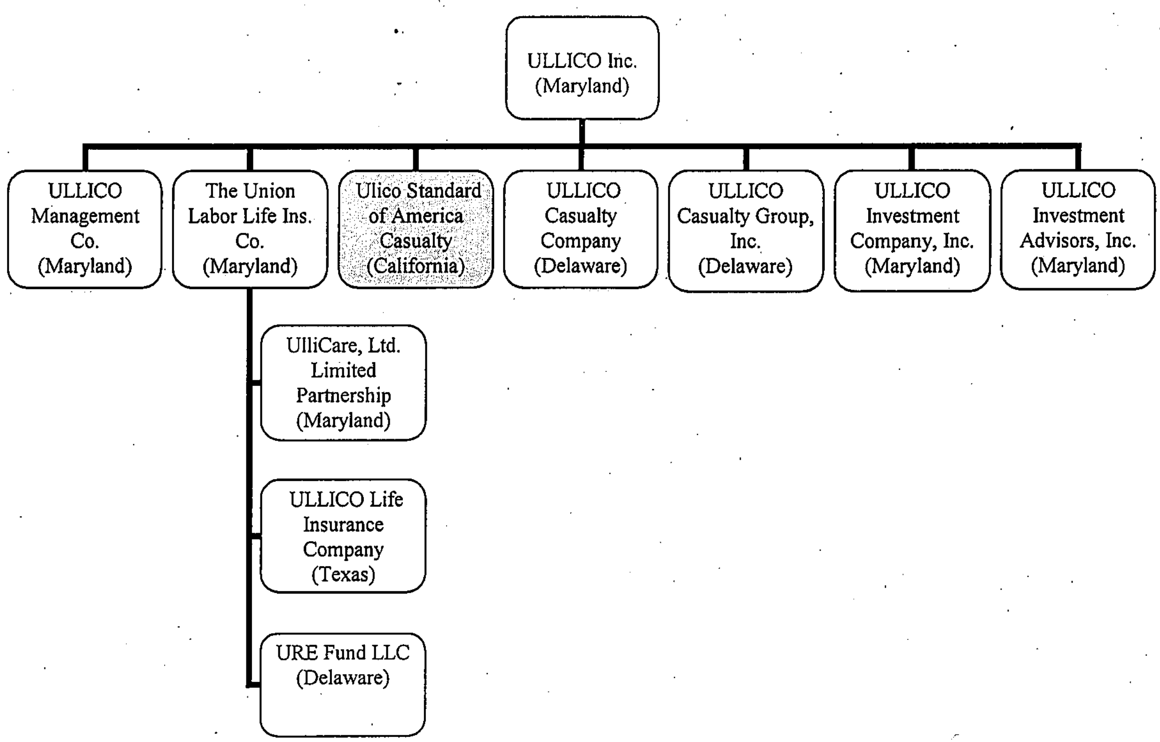
In 1997, UHC was dissolved and the ownership of the Company was transferred to ULLICO. On December 31, 1997, the Company was contributed to UCC. On June 30, 2000, the Company was sold back to ULLICO. The Company's wholly-owned subsidiary, USACC Property, was dissolved in January 2003.

During the examination period, it was not necessary for ULLICO to contribute any capital to the Company under the terms of a guaranty agreement entered into by ULLICO in favor of and for the benefit of the Company.

On June 18, 2008, the California Department of Insurance approved an extraordinary dividend of $10 million which was paid to the Company's parent, ULLICO.

MANAGEMENT AND CONTROL

The following abridged organization chart, which is limited to the Company's parent along with certain other affiliated companies, depicts the Company's relationship within the holding company system:



All ownership is 100%

Management of the Company is vested in an eight-member board of directors elected annually. A listing of the members of the board and principal officers serving on December 31, 2008 follows:

Directors

Name and Residence	Principal Business Affiliation
Daniel Aronowitz McLean, Virginia	President ULLICO Casualty Company Ulico Standard of America Casualty Company
David Joseph Barra Washington, DC	Senior Vice President and Chief Financial Officer ULLICO Casualty Company Ulico Standard of America Casualty Company
David A. Christhilf South Riding, Virginia	Assistant Vice President and Actuary ULLICO Casualty Company Ulico Standard of America Casualty Company
Damon Gasque Baltimore, Maryland	Treasurer ULLICO Casualty Company Ulico Standard of America Casualty Company
Sarah C. Gustafson Vienna, Virginia	Vice President and Controller ULLICO Casualty Company Ulico Standard of America Casualty Company
John Francis Hoffen, Jr. Silver Spring, Maryland	Assistant Vice President and Tax Director ULLICO Inc.
James McKee Paul Washington, DC	Senior Vice President ULLICO Casualty Company Ulico Standard of America Casualty Company
Mark E. Singleton * Woodbine, Maryland	Chairman and Chief Executive Officer ULLICO Casualty Company Ulico Standard of America Casualty Company

*Left the Company as of April 27, 2009 and was replaced by Edward J. McElroy.

Principal Officers

Name	Title
Daniel Aronowitz	President
Mark E. Singleton *	Chairman and Chief Executive Officer
Damon Gasque **	Treasurer and Acting Chief Financial Officer
Adam Mark Fried	Assistant Vice President, Tax
James McKee Paul	Senior Vice President and Human Resources
Sarah C. Gustafson	Vice President and Controller
Teresa E. Valentine	Senior Vice President, General Counsel, and Secretary
David A. Christhilf	Assistant Vice President and Actuary

*Left the Company as of April 27, 2009 and was replaced by Edward J. McElroy.
**Resigned as Acting Chief Financial Officer on January 1, 2009 and was replaced by David J. Barra.

Management Agreements

Consolidated Services Agreement: Under the terms of a Consolidated Services Agreement, effective May 1, 1999, the Company's parent and affiliate ULLICO Inc., and ULLICO Casualty Company (UCC) provide the Company with certain administrative and special services relating to its insurance operations: including accounting, tax and auditing, legal, actuarial, employee benefit plans and personnel administration, sales, electronic data processing, communications, and investment services. The agreement specifies that, to the extent possible, reimbursement is on an actual cost basis and include a fixed annual fee for corporate oversight. In 2006, 2007, and 2008, the Company paid $1,409,000, $1,880,000, and $1,215,000 respectively, to its affiliates under this agreement. The California Department of Insurance (CDI) approved this agreement on December 10, 2007.

Consolidated Income Tax Allocation Agreement: The Company, along with other subsidiaries of ULLICO Inc., are party to a Consolidated Income Tax Allocation Agreement, effective December 31, 1987 and amended on May 1, 2000. The agreement provides that the consolidated tax liability of the affiliates will be allocated to each member based on the percentage of the income tax liability of each member, computed on a separate return basis.

The previous examination report recommended that the Company submit the Consolidated Income Tax Allocation Agreement amendment to the CDI for review and approval pursuant to California Insurance Code (CIC) Section 1215.5 (b)(4). The Company did not comply. It is again recommended the Company submit the amended agreement to the CDI for approval pursuant to CIC Section 1215.5 (b)(4).

TERRITORY AND PLAN OF OPERATION

The Company is only licensed in California. The Company has not written any direct business since its inception in 1993. The Company only existed to runoff the surety, commercial multiperil, and certain discontinued workers' compensation lines of business assumed from its affiliates under the terms of a loss portfolio transfer (LPT) agreement. Effective October 1, 2007, the Company commuted the commercial multiperil line of business LPT agreement. Effective July 1, 2009, the Company commuted the remaining lines under the LPT agreement with ULLICO Casualty Company which were the discontinued workers' compensation and surety business. The Company has no immediate or long-term plans to write business.

LOSS EXPERIENCE

The following is a summary of the Company's loss experience, as reported by the Company, for the last five years:

Year	Net Underwriting Income/(Loss)	Net Income
2004	$ (1,182,593)	$ 1,030,899
2005	(2,130,131)	1,025,790
2006	3,002,036	4,348,175
2007	(1,790,938)	741,139
2008	114,124	1,118,506

The reported underwriting losses were primarily due to the runoff workers' compensation block of business. However, the underwriting losses have been offset by net investment income during the examination period. In 2006, 2007, and 2008, the Company reported net income of $4,348,175, $741,139, and $1,118,506 respectively.

REINSURANCE

Assumed

Effective July 1, 2000, the Company was no longer part of the pool with ULLICO Casualty Company (UCC) and Ulico Indemnity Company (UIC) which was sold to Darwin National on May 2, 2005. Upon termination of its participation in the pooling agreement, the Company paid $4.9 million to UCC and transferred all liabilities previously assumed under the terms of the pooling agreement. The California Department of Insurance (CDI) approved the termination of participation in the intercompany pooling agreement and the 100% assumption of UCC's and UIC's business under the terms of the loss portfolio transfer agreement on February 23, 2001.

Simultaneous with the commutation of the Intercompany Pooling Agreement in July 2000, the Company entered into a loss portfolio transfer agreement (LPT) with UCC and UIC for each of the following: surety, commercial multiperil, and certain discontinued workers' compensation lines of business. Under the terms of the LPT agreements, UCC and UIC ceded 100% of its losses incurred to the Company. In addition, UCC and UIC transferred to the Company unearned premium reserves and loss and loss adjustment expense reserves of $2.6 million and $47.7 million, respectively. Assets transferred under the terms of these agreements were maintained with UCC in accordance with the funds withheld provisions of the agreements.

Effective October 1, 2007, UCC commuted the LPT agreement with the Company for the discontinued commercial contractors' business. There was no gain or loss on the commutation as the treaty was commuted at the book value of the reserves. Subsequent to the examination period, effective July 1, 2009, UCC commuted the remaining LPT agreements with the Company for the discontinued workers' compensation and surety lines of business. These commutations received approval from both the Delaware Insurance Department (September 24, 2009) and CDI (October 28, 2009). There was no gain or loss on the commutations as the treaties were commuted at the book value of the reserves.

Ceded

The Company is a named participant on various quota share and excess of loss reinsurance agreements with its parent and affiliates. The Company does not cede business under these treaties since it does not write business on a direct basis.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2008

Underwriting and Investment Exhibit for the Year Ended December 31, 2008

Reconciliation of Surplus as Regards Policyholders
from December 31, 2005 through December 31, 2008

Statement of Financial Condition
as of December 31, 2008

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 15,079,352	$	$ 15,079,352	
Mortgage loans on real estate – First liens	88,204		88,204	
Cash and short-term investments	4,835,302		4,835,302	
Investment income due and accrued	125,414		125,414	
Federal income tax recoverable	194,348		194,348	
Net deferred tax asset	867,440	580,440	287,000	
Receivable from parent, subsidiaries and affiliates	11,975		11,975	
Total assets	$ 21,202,035	$ 580,440	$ 20,621,595	

Liabilities, Surplus and Other Funds				
Losses			$ 10,277,056	(1)
Reinsurance payable on paid losses and loss adjustment expenses			461,854	
Loss adjustment expenses			1,841,491	(1)
Other expenses			10,209	
Taxes, licenses and fees			120,000	
Payable to parent, subsidiaries and affiliates			664,463	
Total liabilities			13,375,073	
Common capital stock		$ 3,000,000		
Gross paid-in and contributed surplus		52,828,581		
Unassigned funds (surplus)		(48,582,059)		
Surplus as regards policyholders			7,246,522	
Total liabilities, surplus and other funds			$ 20,621,595	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2008

Statement of Income

Underwriting Income		
Premiums earned		$ 0
Deductions:		
Losses incurred	$ (2,287,542)	
Loss expenses incurred	1,784,740	
Other underwriting expenses incurred	388,677	
Total underwriting deductions		(114,125)
Net underwriting income		114,125
Investment Income		
Net investment income earned	1,104,059	
Net realized capital gains	163,908	
Net investment gain		1,267,967
Other Income		
Net gain from agents' or premium balances charged off	$ 2,429	
Aggregate write-ins for miscellaneous income	828	
Total other income		3,257
Net income before federal income taxes		1,385,348
Federal income taxes incurred		266,842
Net income		$ 1,118,506

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2007		$ 15,980,018
Net Income	$ 1,118,506	
Change in net unrealized capital gains	998	
Change in net deferred income tax	(234,028)	
Change in nonadmitted assets	381,028	
Dividends to stockholders	(10,000,000)	
Change in surplus as regards policyholders		(8,733,496)
Surplus as regards policyholders, December 31, 2008		$ 7,246,522

Reconciliation of Surplus as Regards Policyholders
from December 31, 2005 through December 31, 2008

Surplus as regards policyholders, December 31, 2005, per Examination			$10,076,769
	Gain in Surplus	Loss in Surplus	
Net income	$ 6,207,820	$	
Net unrealized capital gain	674,934		
Change in net deferred income tax		2,533,420	
Change in nonadmitted assets	2,820,420		
Dividends to stockholders		10,000,000	
Totals	$ 9,703,174	$ 12,533,420	
Net decrease in surplus as regards policyholders			(2,830,246)
Surplus as regards policyholders, December 31, 2008, per Examination			$ 7,246,523

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

Based on an analysis of the Company's loss and loss adjustment expense reserves by a Casualty Actuary engaged by the Delaware Department of Insurance, and a review of their work by a Casualty Actuary from the California Department of Insurance, the Company's reserves for losses and loss adjustment expenses as of year-end 2008 were determined to be reasonably stated.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management and Control – Consolidated Tax Allocation Agreement (Page 5): It is again recommended the Company submit the amended agreement to the California Department of Insurance for approval pursuant to California Insurance Code Section 1215.5 (b)(4).

Previous Report of Examination

Management and Control – Consolidated Services Agreement (Page 5): It was recommended that the Company submit its Consolidated Services Agreement (Agreement) to the California Department of Insurance (CDI) for review and approval pursuant to California Insurance Code (CIC) Section 1215.5(b) 4. The Company was also required to disclose this Agreement and any related amendments in its Holding Company (Form B) filings each year pursuant to CIC Section 1215.4(b) (3) (E). The Company complied with these recommendations.

Management and Control – Consolidated Income Tax Allocation Agreement (Page 5): It was recommended that the Company submit all amendments to its Consolidated Income Tax Allocation Agreement (Tax Agreement) entered into on or after January 1, 1997 to the CDI for review and approval pursuant to CIC Section 1215.5(b)(4). The Company was also required to disclose this Tax Agreement and all related amendments in its Holding Company (Form B) filing each year pursuant to CIC Section 1215.4(b)(3)(H). The Company has not complied with the filing of the agreement with the CDI for approval. However, the Company did disclose the agreement in its Holding Company (Form B) filings.

Reinsurance - Assumed (Page 8): It was recommended that the Company amend the Loss Portfolio Transfer (LPT) and Escrow Agreements so that they each make reference to these agreements and to state that the funds held in the escrow account are solely to be used as collateral for the reinsurance receivable due from the Company under the terms of the LPT Agreement. The amendment to the LPT Agreement should also be submitted to the CDI for approval pursuant to CIC Section 1215.4(b) (3) (F). The Company has complied with both of these recommendations.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the officers and employees of the Company's parent during the course of this examination are hereby acknowledged.

Respectfully submitted,

/S/

Hilary C. Solomon, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California