REPORT OF EXAMINATION

OF THE

LANDMARK INSURANCE COMPANY

AS OF

DECEMBER 31, 2010

Filed June 27, 2012

TABLE OF CONTENTS

Los Angeles, California
May 31, 2012

Honorable Dave Jones
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

LANDMARK INSURANCE COMPANY

(hereinafter also referred to as the Company) at the primary location of its books and records, 175 Water Street, New York, New York 10038. The Company's statutory home office is located at 2730 Gateway Oaks Drive, Suite 100, Sacramento, California 95833, and its main administrative office is located at 100 Summer Street, Boston, Massachusetts 02110.

SCOPE OF EXAMINATION

California participated in a multi-state examination. The last examination was as of December 31, 2008. This examination covered the period of January 1, 2009, through December 31, 2010, and encompassed a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 2010. Transactions subsequent to the examination date were reviewed where deemed necessary.

The Company was examined concurrently with the examinations of the other member companies in the Chartis Surplus Lines Pool (Pool): Chartis Select Insurance Company (Chartis Select), Delaware; Chartis Specialty Insurance Company (Chartis Specialty), Illinois; and Lexington Insurance Company (Lexington), Delaware. The examination of the Pool was also conducted concurrently with the examination of the Chartis U.S. Admitted Pool (Admitted Pool) companies. To the extent that key processes, related risks and mitigating controls were common to all Chartis U.S., Inc. legal entities, the work performed by the Admitted Pool Examination to determine residual risk and perform any necessary substantive testing was relied upon as much as possible. Specifically, work performed related to investments, reinsurance, financial reporting, taxes, related parties, corporate governance, assessment of the audit function and the review of fraud was relied upon in this examination of the Pool Companies.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook). The NAIC Handbook requires that we 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 included 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.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report addresses regulatory issues revealed during the examination process.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, PricewaterhouseCoopers, LLP (PwC). Certain auditor 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.

This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

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; pensions, stock ownership and insurance plans; growth of company; loss experience; accounts and records; statutory deposits; and sales and advertising.

SUBSEQUENT EVENTS

Subsequent to the examination date, the Company took the following actions which were considered material to either operations or results of operations:

The 2010 Annual Statement originally filed was amended and refiled on June 9, 2011 to reflect audit adjustments determined by PricewaterhouseCoopers, LLC in conjunction with their audit of the Company as of December 31, 2010. The adjustments resulted in an approximate $4 million reduction, from $176,742,603 to $172,727,077, in the Surplus as Regards Policyholders originally reported by the Company. The financial statements reviewed and presented in this examination report reflect the accounts and balances indicated in the amended 2010 Annual Statement.

Effective January 1, 2012, Landmark Insurance Company was merged with and into National Union Fire Insurance Company of Pittsburgh, Pa. (NUFIC). NUFIC is the surviving company and has assumed all of the existing obligations of Landmark, which are then ceded to an affiliate, Lexington Insurance Company, a member of the Pool.

COMPANY HISTORY

The Company was incorporated on February 10, 1977 under the laws of the State of California and has been a member of the American International Group, Inc. (AIG) holding company system since its incorporation. Effective December 29, 2006, ownership of Company was transferred to AIG Commercial Insurance Group, Inc., a Delaware corporation which was subsequently renamed Chartis U.S. Inc. on July 27, 2009.

The Company writes multi-line property and casualty business in ten states, and operates on a surplus lines or non-admitted basis in several other states.

Capitalization

The Company is authorized to issue 200,000 shares of common capital stock with a par value of $100 per share. As of December 31, 2010, there were forty-one thousand (41,000) shares issued and outstanding representing total capital of $4,100,000.

During the period covered by this examination, gross paid-in and contributed surplus increased $39,818 from $4,733,158 in 2008 to $4,772,976 in 2010. The increase for the period, which all occurred in 2009, was a direct result of the Company's tax sharing agreement with its parent company. Under the terms of the agreement, which was approved by the California Department of Insurance (CDI), any resulting settlements of FIN 48 tax reserves are to be treated as "deemed capital contributions" or "deemed dividends" as the case may be. This was confirmed by the examiner per review of the agreement. Details of these transactions are illustrated in the following schedule:

Gross Paid In and Contributed Surplus: 12/31/08	$4,733,158
6/30/09: Capital Contribution from Chartis Inc. (1)	1,249,574
9/30/09: Return of Capital to Chartis Inc. (2)	(1,213,780)
12/31/09: Capital Contribution from Chartis Inc. (1)	4,024
Subtotal	$ 39,818
Gross Paid In and Contributed Surplus: 12/31/10	$4,772,976

(1) Represents two contributions to the Company that were both non-cash "deemed contributions" booked pursuant to provisions of the Company's tax sharing agreement: $1,249,574 as a deemed contribution for the three months ended June 30, 2009 and $4,024 as a deemed contribution for the three months ended December 31, 2009.

(2) Represents non-cash "deemed distribution" also booked pursuant to provisions of the Company's tax sharing agreement, for the three months ended September 30, 2009.

Dividends

On September 23, 2009, the Company paid an ordinary cash dividend to its parent, Chartis U.S., Inc., in the amount of $15 million. The amount declared and paid was subject to and complied with the requirements of the California Insurance Code Section 1215.4(f).

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of Chartis U.S., Inc. (formerly AIG Commercial Insurance Group, Inc.), which is a wholly-owned subsidiary of Chartis Inc. Chartis Inc. is a wholly-owned subsidiary of AIUH, LLC, a special purpose vehicle established by American International Group, Inc. (AIG) as an intermediate holding company for certain domestic general and foreign general property and casualty insurance companies owned by AIG. The following abridged organizational chart, which is limited to the Company's ultimate parent along with certain of its other affiliated companies, depicts the Company's relationship within the holding company system as of December 31, 2010:

- American International Group, Inc. (1)
  - AIUH, LLC
    - Chartis Inc.
      - Chartis U.S., Inc.
        - **Landmark Insurance Company (California)**
        - National Union Fire Insurance Company of Pittsburgh, Pa. (Pennsylvania)
          - Chartis Select Insurance Company (Delaware) (2)
          - Chartis Specialty Insurance Company (Illinois)
          - Lexington Insurance Company (Delaware) (2)
        - Chartis Property and Casualty Company (Pennsylvania)
        - The Insurance Company of the State of Pennsylvania (Pennsylvania)

All ownership is 100% unless otherwise noted

(1)Owned 79.8% - AIG Credit Facility Trust - Series C Preferred Stock (subsequently U.S. Treasury); 20.2% - Public Shareholders

On January 14, 2011, as part of a recapitalization, AIG repaid to the Federal Reserve Bank of New York all amounts owed under the Credit Agreement dated as of September 22, 2008, which was then terminated. The shares of Series C Preferred Stock held by the AIG Credit Facility Trust were exchanged for 562,868,096 shares of Common Stock which were subsequently transferred by the AIG Credit Facility Trust to the United States Department of the Treasury.

(2)Owned 70% - National Union Fire Insurance Company of Pittsburgh, Pa; 20% - The Insurance Company of the State of Pennsylvania; 10% - Chartis Property Casualty Company.

Management of the Company is vested in the board of directors, the members of which are elected annually. The number of Directors is fixed at seven per the Company's bylaws. A listing of the members of the board and principal officers serving at December 31, 2010 follows:

Directors[a]

Name and Residence	Principal Business Affiliation
John Quinlan Doyle Rye, New York	Executive Vice President Chartis Inc. and President and Chief Executive Officer Chartis U.S., Inc.
David Neil Fields New York, New York	Senior Vice President, Chief Reinsurance Officer and Chief Underwriting Officer Chartis Inc.
David Lawrence Herzog St. Albans, Missouri	Executive Vice President and Chief Financial Officer American International Group, Inc.
Monika Maria Machon New York, New York	Senior Vice President and Chief Investment Officer American International Group, Inc.
Kristian Philip Moor Fairfield, Connecticut	President and Chief Executive Officer Chartis Inc.

Directors (continued)

Robert Scott Higgins Schimek Newtown, Pennsylvania	Executive Vice President and Chief Financial Officer Chartis Inc.
Mark Timothy Willis Naperville, Illinois	Executive Vice President Chartis U.S., Inc.

Principal Officers

Name	Title
Peter James Eastwood[(b)]	President and Chief Executive Officer
Sean Thomas Leonard	Chief Financial Officer and Senior Vice President
Denis Martin Butkovic	Secretary
Russell Mark Johnston[(c)]	Chief Operating Officer and Executive Vice President
Nicholas Edward Anselmo	Executive Vice President
David Joseph Bresnahan[(b)]	Executive Vice President
Frank Hienmen Douglas, Jr. [(d)]	Executive Vice President and Actuary
David Neil Fields	Executive Vice President
Sanjay Godhwani	Executive Vice President
Matthew Francis Power	Executive Vice President
Robert Scott Higgins Schimek	Executive Vice President

It was noted that written correspondence was submitted to the California Department of Insurance regarding the changes in officers and directors during the period under examination, in compliance with the California Insurance Code (CIC), Section 1656.1 (b).

The following changes in management occurred subsequent to the examination date:

[(a)] Peter D. Hancock was appointed as Director, effective March 30, 2011. David J. Bresnahan was appointed as Director effective August 19, 2011. Kristian Moor resigned March 31, 2011. The Board elected Peter D. Hancock as Chairman.

[(b)] Peter J. Eastwood resigned August 18, 2011. The Board elected David J. Bresnahan as President.

[(c)] Russell M. Johnston resigned August 18, 2011. The Board elected Christopher L. Sparro as Chief Operating Officer.

[d] Frank H. Douglas, Jr. resigned March 31, 2011. The Board appointed Mark W. Scully as Actuary.

Intercompany Agreements

The Pool Companies entered into significant transactions and agreements with affiliates. These agreements are disclosed in the Annual Holding Company Registration Statements (Forms B and C). Each of the following has been properly filed with the CDI in compliance with CIC Section 1215 (Holding Company Act).

Service and Expense Agreement: Effective February 1, 1974, pursuant to the provisions of the AIG Service and Expense Agreement (Agreement), AIG and its subsidiaries may provide various services to the named parties to the Agreement at cost, including, but not limited to, advertising, accounting, actuarial, tax, legal, data processing, claims and adjustment, employee cafeteria, office space and payroll. The Company is a party to the Agreement. Effective December 28, 2009, April 1, 2010 and June 30, 2010, Addendums Nos. 39, 40 and 41, to the Agreement added additional parties. Pursuant to this Agreement, Chartis Claims, Inc. (f/k/a AIG Domestic Claims, Inc. and f/k/a AIG Claim Services, Inc.) performs claims services for the Company. The Company paid $2,476,980 in claims adjustment fees to Chartis Claims, Inc. in 2010.

Investment Management Contract: Effective January 1, 1991, the Company entered into an Investment Management Contract with PineBridge Investments LLC (f/k/a AIG Global Investment Corp.). The agreement provides for PineBridge Investments LLC to act as the investment manager for the Company, subject to the direction of the Company's board of directors. As compensation, the Company shall pay a set fee per amount under management, which fees are billed quarterly in advance. The agreement may be terminated by either party without notice.

In conjunction with a sale of AIG's third party asset management business, effective March 26, 2010, PineBridge Investments LLC (now no longer an affiliate) entered into an agreement with AIG Asset Management (U.S.), LLC (AMG) to assign to AMG all of its rights, title and interest in and obligations under the above agreement, excluding any obligations and liabilities relating to the management of investments/portfolios to be retained by PineBridge Investments companies which will be managed under newly executed agreements. A new Investment Management Contract was concurrently entered into with PineBridge Investments LLC (PineBridge), also effective March 26, 2010. This agreement provides for PineBridge to continue to manage specific named/type investments in exchange for a fee as established under the agreement. These investments primarily represent the alternative type of investments as reported in Schedule BA of the Annual Statement. The Company paid AMG $186,430 in investment advisory fees for 2010.

Program Administration Agreement: Effective January 1, 2006, the Company entered into a Program Administration Agreement with Risk Specialists Companies Insurance Agency, Inc. (f/k/a New England Risk Specialists, Inc.), Risk Specialists Company of Kentucky, Inc. and Risk Specialists Company of Tennessee, Inc. (hereinafter collectively referred to as the Risk Specialists companies). Under the terms of the Program Administration Agreement the Risk Specialists companies assist the Company in developing producer and underwriting guidelines which address advertising, program implementation and placing insurance. In addition, the Risk Specialists companies process applications for insurance; collect and account for premiums; issue quotes, cover notes, policies of insurance, and certificates of insurance; provide proper and timely cancellation or non-renewal notice to policyholders; and ensure that all surplus lines taxes, fees, assessments and charges on premiums are paid in full and on a timely basis. The Risk Specialist companies have no authority to negotiate, adjust, compromise, settle, or in any way commit the Company to liability with respect to any claim or suit. The Program Administration Fees for these services are equal to defined expenses in the agreement plus 1% of those defined expenses.

Tax Sharing Agreement: The Company is party to an amended tax sharing agreement, effective January 1, 2010, with Chartis, Inc. (Subgroup Parent), which provides that Subgroup Parent will not charge the Company a greater portion of the consolidated tax liability than would have been paid by the Company if it had filed a separate federal income tax return. The Subgroup Parent also has a separate tax sharing agreement with AIG (Parent) , which provides that AIG will not charge Subgroup Parent a greater portion of the consolidated tax liability than would have been paid by the Chartis Subgroup if it had filed a separate federal income tax return. Additionally, the Company's amended tax sharing agreement contains the following significant provisions:

- The Company will settle inter-company income taxes with the Subgroup Parent as if the Company were filing its own separate federal income tax return. Any net liability will be settled with the Subgroup Parent in accordance with federal estimated tax payment requirements with final payments/refunds paid within 30 days after Subgroup Parent makes or receives a final payment to or receipt of refund from Parent.

- Any tax realized by the Company from triggering a deferred inter-company gain (as determined under Treasury regulation Section 1.1502-13) of a Qualifying Transaction will be paid by Subgroup Parent. A Qualifying Transaction is the transfer or sale of the stock or substantially all of the assets of an operating subsidiary which results in a deferred inter-company gain, including the pre-existing deferred inter-company gain from a prior sale or transfer.

- The Subgroup Parent assumes the Company's Tax Reserves in a deemed capital contribution transaction. Tax Reserves mean any liability recorded in accordance with Financial Accounting Standards Board Interpretation No. 48 – Accounting for Uncertainty in Income Taxes (FIN 48). Any tax liability recorded as the result of an agreed upon adjustment with the tax authorities.

As of December 31, 2010, the Company had a receivable of $1,866,869 from Chartis U.S., Inc. for the purpose of settling its current federal tax refund.

During 2009, certain amounts were both received and distributed by the Company as detailed above under the caption, "Capitalization". During 2010, the Company did not receive a deemed net capital contribution, or pay a deemed dividend to Chartis U.S. Inc. pursuant to the Amended Agreement.

The Company has other management and service agreements with its affiliated companies at December 31, 2010. The principal agreements noted below were reviewed and found to be materially compliant with the CIC:

- Capital Maintenance Agreement (CMA) with AIG effective February 23, 2010.
- Capital Maintenance Agreement (CMA) with AIG effective February 25, 2011 (supersedes aforementioned CMA effective February 23, 2010)

TERRITORY AND PLAN OF OPERATION

The Company writes multiple lines of property and casualty insurance on an admitted basis in the following 10 states: Arizona, California, Colorado, Hawaii, Kansas, Massachusetts, Nevada, New York, Oregon, and Washington. In addition, the Company operates on a surplus lines basis in the District of Columbia and the following 34 states: Alabama, Alaska, Arkansas, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Minnesota, Missouri, Montana, Nebraska, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming.

During the examination period, writings have been discontinued and as of December 31, 2010, the Company was effectively in run-off.

At a meeting of the Board of Directors held September 19, 2011, a “Certificate of Resolution” was approved whereby, subject to Section 1101 of the California General Corporation Law, the Company shall be merged with National Union Fire Insurance Company of Pittsburgh, Pa. (NUFIC) (the Merger) whereupon the separate existence of the Company will cease, and NUFIC shall be the surviving corporation. A “Plan and Agreement of Merger” was filed with both the Pennsylvania and California Departments of Insurance. In accordance with the Certificate of Resolution, NUFIC shall pay all costs and expenses incurred in connection with the Merger. This merger was approved by the California Department of Insurance effective December 30, 2011.

REINSURANCE

Intercompany Reinsurance Pooling Agreement

Effective January 1, 2010, the Company, as a pooling participant together with Lexington Insurance Company (Lexington) and Chartis Select Insurance Company, entered into an Amended and Restated Pooling Agreement (the New Pooling Agreement) with Chartis Specialty Insurance Company (Chartis Specialty), whereby Chartis Specialty ceded 100% of its business to Lexington, and became a new 10% pool participant. Due to the addition of this new pool participant, existing insurance obligations between the Company and the other members of the Chartis Surplus Lines Pool (Pool) were commuted. Pursuant to the terms of the New Pooling Agreement, the Company ceded 100% of its business to Lexington and assumed 2% of the new Pool, while Lexington's participation was reduced to 70% The Company's commutation and subsequent entry into the new pooling arrangement led to a net increase in reserves of $109,142. Due to the assumption of additional reserves, the Company's assets increased by $107,277 and the Company paid commissions in the amount of $1,865 to Chartis Specialty.

The Pool is comprised of the following companies as shown with their states of domicile and respective pool percentages at both December 31, 2010 and December 31, 2009:

Company	NAIC Co. Code	Pool Participation as of 12/31/10	Pool Participation as of 12/31/09	State of Domicile
Lexington Insurance Company	19347	70%	80%	Delaware
Chartis Select Insurance Company	10932	18%	18%	Delaware
Landmark Insurance Company	35637	2%	2%	California
Chartis Specialty Insurance Company	26883	10%	Not applicable	Illinois

Reinsurance in General

The Company reported the following distribution of net premiums written for 2010:

Direct	$ (2,425,135)
Reinsurance assumed from affiliates	150,959,161
Reinsurance assumed from non-affiliates	-0-
Total gross (direct and assumed)	$ 148,534,026
Reinsurance ceded to affiliates	$ 16,069,061
Reinsurance ceded to non-affiliates	19,666,313
Total ceded	$ 35,735,374
Net premiums written	$ 112,798,652

The Company retained 75.9% of its gross business in 2010.

Assumed

The amounts reported by the Company as assumed reinsurance reflect the Company's 2% Pool participation in the Pool.

Ceded

The Company's Reinsurance is coordinated and controlled by Chartis Inc. The Company's management in Boston, Massachusetts is responsible for selection of the working and excess treaty reinsurance coverages for the Pool. When purchased, facultative reinsurance is placed on an individual basis by the applicable underwriter. The Global Reinsurance Division (GRD) in New York, is responsible for placing catastrophe reinsurance. All reinsurance treaty contracts are centrally filed and automated into the ETreaty system by the GRD.

During the examination period, the Company had one significant program change, effective January 1, 2010 as detailed above under "Intercompany Reinsurance Pooling Agreement".

The following reinsurance program description is presented on a 100% Pool basis. The Company's share is based on its 2% participation percentage.

The Pool places a major treaty program across all lines of business, which is placed through domestic and foreign reinsurers. The program consists of working and excess layers that cover all property business. Pro rata treaties are placed on Commercial and Personal Lines Property, Primary Casualty, Excess Casualty, Program, Marine and Healthcare business. Property Catastrophe Excess of Loss (XOL) treaties protects the Surplus Lines Pool's net retention. Per Risk XOL treaties are placed on Commercial Property, Program Property and Recreational Marine business. Facultative reinsurance is also purchased in varying amounts on the above-mentioned classes.

The major Excess of Loss, Catastrophe and Quota Share Treaties are summarized below:

Excess of Loss Reinsurance

1st Property per Risk XOL: 20% of $25 million in excess of $25 million

2nd Property per Risk XOL: 5% of $50 million in excess of $50 million

3rd Property per Risk XOL: $150 million in excess of $100 million

Health/Higher Education Property XOL: 9% of $250 million in excess of $250 million

1st Max Loss Property XOL: 5% of $500 million in excess of $500 million

2nd Max Loss Property XOL: $500 million in excess of $1 billion

1st – 3rd Program Property per Risk XOL: $35 million in excess of $5 million

CAT Excess Liability Casualty XOL: $78.055 million in excess of $50 million

Property Catastrophe XOL Reinsurance

The Company has a 12-layered property catastrophe coverage, beginning with coverage of 40% of $250 million in excess of $1 billion, up to coverage of 40% of $250 million in excess of $3.5 billion.

Property Catastrophe XOL (2nd Event) Reinsurance

The Company also has a 13-layered property catastrophe coverage, beginning with coverage of 60% of $250 million in excess of $1 billion, up to coverage of 60% of $250 million in excess of $3.5 billion, at the twelfth layer up to 100% of $750 million in excess of $3.75 billion at the top layer.

Quota Share Reinsurance (QS)

Property QS: Company participation, 81%; reinsurer participation, 19%

Personal Lines Property QS: Company participation, 87%; reinsurer participation, 13%

Program Primary Casualty QS: Company participation, 85.5%; reinsurer participation, 14.5%

Program Professional Liability QS: Co. participation, 85.5%; reinsurer participation, 14.5%

CAT Excess Liability Casualty QS: Co. participation, 85.37%; reinsurer participation, 14.63%

In addition, the Company is a named participant (with all other Chartis domestic insurance subsidiaries) under the Chartis' "external" property catastrophe program. This excess protection covers all Chartis property exposures.

The Company uses reinsurance intermediaries responsible for handling treaties and monitoring the reinsured.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2010

Underwriting and Investment Exhibit for the Year Ended December 31, 2010

Reconciliation of Surplus as Regards Policyholders from December 31, 2008 through December 31, 2010

Statement of Financial Condition
as of December 31, 2010

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 442,019,706	$	$ 442,019,706	
Cash and short-term investments	48,605,226		48,605,226	
Investment income due and accrued	6,567,119		6,567,119	
Premiums and agents' balances in the course of collection	9,025,304	1,142,566	7,882,738	
Deferred Premiums, agents' balances and installments booked but deferred and not yet due	3,095,730	16	3,095,714	
Accrued retrospective premiums	648,241	15,549	632,692	
Amounts recoverable from reinsurers	5,823,390		5,823,390	
Funds held by or deposited with reinsured companies	20,298		20,298	
Current federal and foreign income tax recoverable and interest thereon	2,220,372		2,220,372	
Net deferred tax asset	10,743,185	4,719,820	6,023,365	
Electronic data processing equipment and software	23,397	23,397	0	
Furniture and equipment, including health care delivery assets	1,180	1,180	0	
Receivables from parent, subsidiaries and affiliates	12,740,263		12,740,263	
Aggregate write-ins for other than invested assets	6,816,012		6,816,012	
Total assets	$ 548,349,423	$ 5,902,528	$ 542,446,895	

Liabilities, Surplus and Other Funds

Losses		$ 235,022,258	(1)
Reinsurance payable on paid loss and loss adjustment expenses		287,778	
Loss adjustment expenses		46,216,701	(1)
Commissions payable, contingent commissions and other similar charges		39,558	
Other expenses		48,982	
Taxes, licenses and fees		527,311	
Unearned premiums		70,918,414	
Ceded reinsurance premiums payable		4,102,698	
Funds held by company under reinsurance treaties		1,043,980	
Amounts withheld or retained by company for account of others		2,595	
Remittances and items not allocated		471,906	
Provision for reinsurance		6,694,748	
Payable to parent, subsidiaries and affiliates		163,254	
Payable for securities		25,371	
Aggregate write-ins for liabilities		4,154,264	
Total liabilities		$ 369,719,818	
Aggregate write-ins for special surplus funds	$ 2,306,566		
Common capital stock	4,100,000		
Gross paid in and contributed surplus	4,772,976		
Unassigned funds (surplus)	161,547,535		
Surplus as regards policyholders		172,727,077	
Total liabilities, surplus and other funds		$ 542,446,895	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2010

Statement of Income

Underwriting Income

Premiums earned		$ 94,753,045
Deductions:		
Losses and loss adjustment expenses incurred	$ 81,524,372	
Other underwriting expenses incurred	20,477,426	
Total underwriting deductions		102,001,798
Net underwriting loss		(7,248,753)

Investment Income

Net investment income earned	$ 17,250,810	
Net realized capital gain	18,085	
Net investment gain		17,268,895

Other Income

Net gain from agents' or premium balances charged off (amount recovered $357,571 amount charged off $0)	$ 357,571	
Aggregate write-ins for miscellaneous income	1,416,563	
Total other income		1,774,134
Net income before federal and foreign income taxes		11,794,276
Federal and foreign income taxes incurred		3,528,521
Net income		$ 8,265,755

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2009		$ 170,635,242
Net income	$ 8,265,755	
Change in net deferred income tax	(4,250,551)	
Change in non-admitted assets	2,216,913	
Change in provision for reinsurance	(376,150)	
Aggregate write-ins for losses in surplus	(3,764,132)	
Change in surplus as regards policyholders for the year		2,091,835
Surplus as regards policyholders, December 31, 2010		$ 172,727,077

Reconciliation of Surplus as Regards Policyholders from December 31, 2008 through December 31, 2010

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2008 per Examination			$ 155,801,902
Net income	$ 29,143,590	$	
Change in net deferred income tax		6,229,652	
Change in non-admitted assets	5,498,624		
Change in provision for reinsurance	1,879,570		
Surplus adjustments: Paid-in	39,818		
Dividends to Stockholders		15,000,000	
Aggregate write-ins for gains and losses in surplus	1,593,225		
Total	$ 38,154,827	$ 21,229,652	
Net increase in surplus as regards policyholders			16,925,175
Surplus as regards policyholders, December 31, 2010, per Examination			$ 172,727,077

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses (LAE) were reviewed at the Chartis Surplus Lines Pool (Pool) level by a consulting actuary from INS Consultants, Inc. (INS). The conclusions set forth in the consulting actuary's report are based on information provided by the Pool. The examination team from INS performed substantive testing of the underlying losses and LAE data provided to the consulting actuary and concluded that the data was reliable. Based on work performed, the consulting actuary found the Pool's carried December 31, 2010 net and gross losses and LAE reserves to be reasonably stated. An actuary from the California Department of Insurance reviewed the consulting actuary's report and concurred with the findings.

Reserves as of December 31, 2009, restated for the impact of changes to the New Pooling Agreement effective January 1, 2010, were $218.2 million. As of December 31, 2010, $7 million has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. A re-estimation of unpaid claims and claim adjustment expenses, principally increases on Asbestos and certain Excess Casualty classes, offset by favorable emergence on other classes of business such as Property, Healthcare and Miscellaneous Errors & Omissions, resulted in a $0.5 million unfavorable prior-year development from December 31, 2009 to December 31, 2010. The increase is generally the result of ongoing analysis of recent loss development trends. Reserves remaining for prior years are now $211.7 million. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None

Previous Report of Examination

None

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

_____/S/____________________
Barry Armstrong, CFE
Examiner-In-Charge
Department of Insurance
State of California