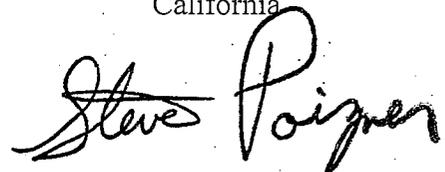


REPORT OF EXAMINATION
OF THE
TIG INDEMNITY COMPANY

AS OF
DECEMBER 31, 2008

Participating States
and Zone:

California

A handwritten signature in black ink that reads "Steve Poizner". The signature is written in a cursive style with a large, looped initial "S".

Insurance Commissioner

FILED 06-17-10

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Los Angeles, California
May 6, 2010

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable Christina Urias
Secretary, Zone IV-Western
Director of Insurance
Arizona Department of Insurance
Phoenix, Arizona

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

Dear Chairman, Secretary, and Commissioner:

Pursuant to your instructions, an examination was made of the

TIG INDEMNITY COMPANY

(hereinafter also referred to as the Company) at the primary location of its books and records, 250 Commercial Street, Suite 5000, Manchester, New Hampshire 03101. The Company's statutory home office and main administrative office is located at 8880 Rio San Diego Drive, Suite 510, San Diego, California 92108.

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 was made pursuant to the National Association of Insurance Commissioners' plan of examination. 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.

This examination was conducted in conjunction with the examination of the Company's parent, TIG Insurance Company and three affiliates, Fairmont Premier Insurance Company, Fairmont Insurance Company, and Fairmont Specialty Insurance Company.

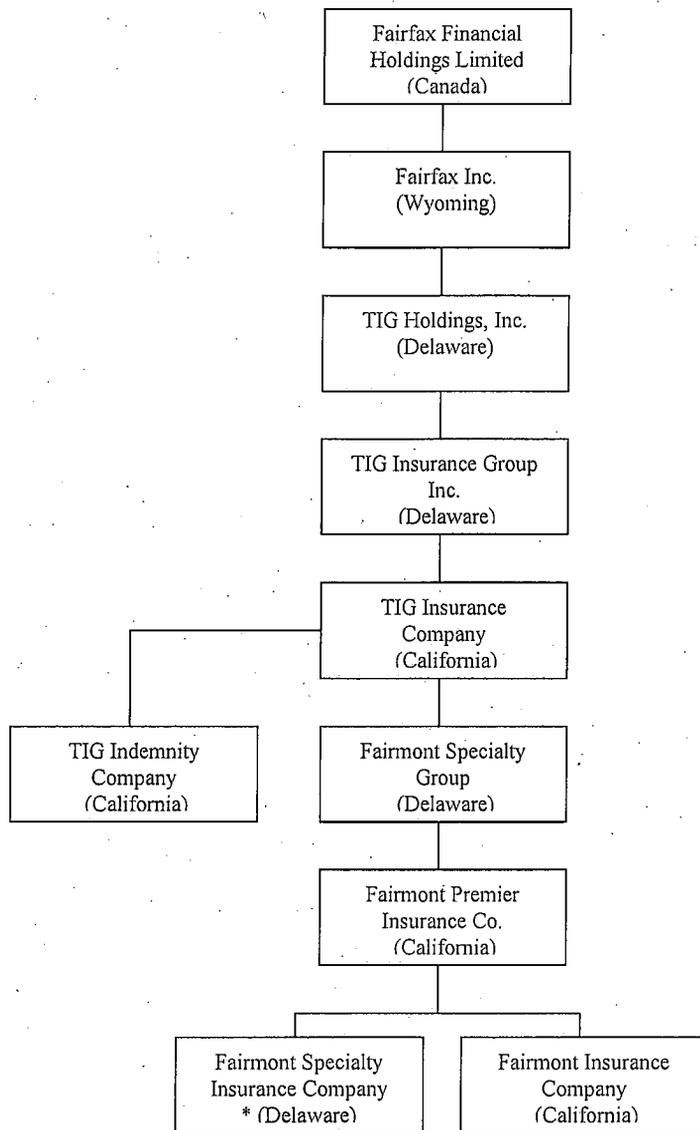
In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: company history; corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare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

SUBSEQUENT EVENTS

TIG Insurance Company executed a stock purchase agreement on January 19, 2010, to sell TIG Indemnity Company to a third-party. The sale is pending. Effective April 30, 2010, the Company was re-domesticated to the State of Delaware.

MANAGEMENT AND CONTROL

The following abridged organizational chart, which is limited to the Company's parents along with its subsidiary insurance companies, depicts the Company's relationship within the holding company system:



All ownership is 100%.

(*) During February 2009, Fairmont Specialty Insurance Company (Delaware) re-domesticated to California.

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

Directors

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John J. Bator Bedford, New Hampshire	Senior Vice President, Chief Financial Officer RiverStone Resources, LLC
Nicholas C. Bentley Exeter, New Hampshire	President and Chief Executive Officer, RiverStone Resources, LLC
Charles G. Ehrlich Amherst, New Hampshire	Senior Vice President, Secretary RiverStone Resources LLC
John M. Parker Manchester, New Hampshire	Senior Vice President RiverStone Resources LLC
Robert D. Warren* Bedford, New Hampshire	Senior Vice President RiverStone Resources LLC

* On March 15, 2009, Robert Warren resigned as a director. Frank J. DeMaria replaced him on May 1, 2009. Mr. DeMaria's residence is in Windham, New Hampshire and his principal business affiliation is Senior Vice President, RiverStone Resources, LLC.

Principal Officers

<u>Name</u>	<u>Title</u>
Nicholas C. Bentley	President and Chief Executive Officer
John J. Bator	Senior Vice President and Chief Financial Officer
Charles G. Ehrlich*	Senior Vice President, Secretary, and General Counsel
Frank J. DeMaria	Senior Vice President
John M. Parker	Senior Vice President

*On February 10, 2009, Charles Ehrlich resigned as General Counsel. However, he remained as Senior Vice President and Secretary. Richard Fabian, also a Senior Vice President, was elected by the Board as General Counsel on February 10, 2009.

Management Agreements

Service Contract and Expense Sharing Agreement: The Company is party to a Service Contract and Expense Sharing Agreement with its parent, TIG Insurance Company (TIG), effective December 31, 1989. The agreement is continuous and unlimited in duration. The agreement applies to all shared functions of the two companies which include: personnel service requirements, office space, supplies, business equipment and all other requirements to conduct the business of the respective parties that may be provided to the Company. No fees were paid under this agreement for 2006, 2007, and 2008.

Tax Allocation Agreement: The Company is a party to an agreement with its higher-tiered parent, TIG Holdings, Inc., dated January 1, 2000, whereby it files its federal income taxes on a consolidated basis along with 41 other affiliated companies. Each company computes its federal income tax liability on a separate basis and estimated tax balances are settled quarterly. This agreement was approved by the California Department of Insurance (CDI) on January 22, 2001. The Company's portion of the federal income taxes paid for 2006, 2007, and 2008 were \$82,263, \$343,574, and \$286,772, respectively.

Investment Agreement: The Company is party to an affiliated agreement with Hamblin Watsa Investment Counsel Ltd. (HWIC) and Fairfax Financial Holdings Limited (Fairfax), effective January 1, 2003. Pursuant to the agreement, HWIC manages the investments of the Company in accordance with specific investment objectives. All fees are paid by the Company to Fairfax and Fairfax then reimburses HWIC for the investment management services. The CDI approved the agreement on December 3, 2003. The fees paid by the Company under this agreement for 2006, 2007, and 2008 were \$58,000, \$61,213, and \$63,956, respectively.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2008, the Company was licensed to transact multiple lines of property and casualty insurance in the District of Columbia and all states except: New Hampshire, New York, North Carolina, Vermont, and Wyoming.

The Company has been in runoff since 2003 and no premiums were written during the examination period.

REINSURANCE

Assumed

The Company has no reinsurance assumed.

Ceded

Pursuant to a long-standing quota share treaty, the Company ceded 100% of its business to its parent, TIG Insurance Company (TIG), on a gross basis. This agreement initially became effective October 1, 1995, and was entered into for an indefinite period. The agreement was approved by the California Department of Insurance on November 3, 1995. The Company has no other ceded treaties.

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

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Note</u>
Bonds	\$ 9,538,663	\$	\$ 9,538,663	
Cash and short-term investments	16,619,039		16,619,039	
Investment income due and accrued	188,189		188,189	
Net deferred tax asset	1,048,625	235,369	813,256	
Receivables from parent, subsidiaries and affiliates	<u>12,064</u>		<u>12,064</u>	
Total assets	<u>\$ 27,406,580</u>	<u>\$ 235,369</u>	<u>\$ 27,171,211</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Losses			\$ 0	
Loss adjustment expenses			0	
Other expenses			3,216,004	
Current federal and foreign income taxes			<u>72,029</u>	
Total liabilities			3,288,033	
Common capital stock		\$ 3,290,000		
Gross paid-in and contributed surplus		12,610,825		
Unassigned funds (surplus)		<u>7,982,353</u>		
Surplus as regards policyholders			<u>23,883,178</u>	
Total liabilities, surplus, and other funds			<u>\$ 27,171,211</u>	

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

Statement of Income

Underwriting Income

Premiums earned		\$ 0
Deductions:		
Losses incurred	\$ 0	
Loss expense incurred	0	
Other underwriting expenses incurred	0	
Total underwriting deductions		0
Net underwriting gain		0

Investment Income

Net investment income earned	\$ 785,526	
Net realized capital gains	246,013	
Net investment gain		1,031,539
Net income before federal and foreign income taxes		1,031,539
Federal income taxes incurred		149,190
Net income		\$ 882,349

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2007		\$ 22,448,417
Net income	\$ 882,349	
Change in net deferred income tax	(90,387)	
Change in nonadmitted assets	642,799	
Change in surplus as regards policyholders		1,434,761
Surplus as regards policyholders, December 31, 2008		\$ 23,883,178

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

Surplus as regards policyholders, December 31, 2005, per Examination		\$ 24,072,445		
	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">Gain in Surplus</td> <td style="text-align: center; border-bottom: 1px solid black;">Loss in Surplus</td> </tr> </table>	Gain in Surplus	Loss in Surplus	
Gain in Surplus	Loss in Surplus			
Net loss	\$	\$ 1,267,601		
Change in net deferred income tax	1,125,014			
Change in nonadmitted assets	_____	46,680		
Total gains and losses	\$ 1,125,014	\$ 1,314,281		
Net decrease in surplus as regards policyholders for the examination		(189,267)		
Surplus as regards policyholders, December 31, 2008, per Examination		\$ 23,883,178		

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

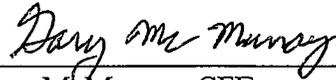
Previous Report of Examination

None.

ACKNOWLEDGEMENT

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

Respectfully submitted,



Gary McMurray, CFE
Examiner-In-Charge
Department of Insurance
State of California