



**DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Savers Property and Casualty Insurance Company for the period ended December 31, 2013

**ORDER**

After full consideration and review of the report of the financial examination of Savers Property and Casualty Insurance Company for the period ended December 31, 2013, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Savers Property and Casualty Insurance Company as of December 31, 2013 be and is hereby ADOPTED as filed and for Savers Property and Casualty Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 19<sup>th</sup> day of June, 2015.

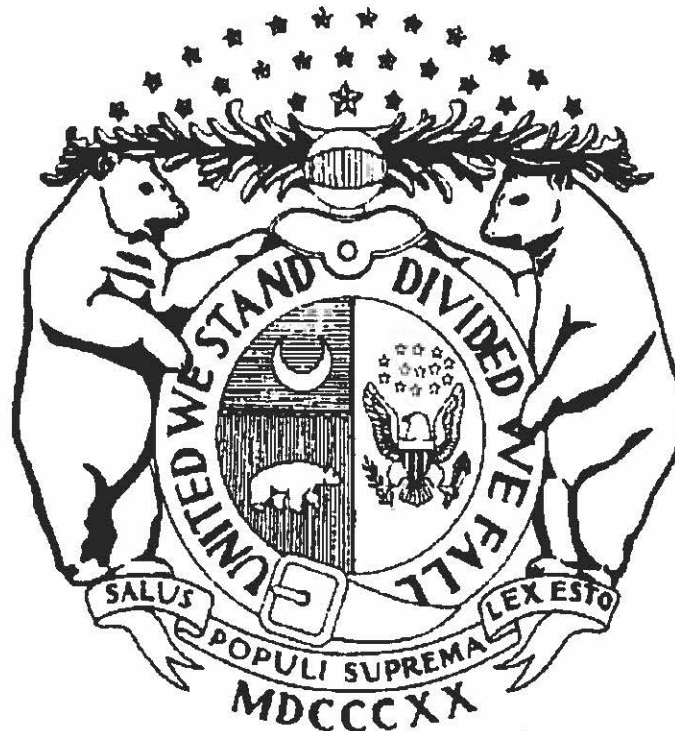


A handwritten signature in blue ink, appearing to read "John M. Huff", is written over a horizontal line.

John M. Huff, Director  
Department of Insurance, Financial Institutions  
and Professional Registration

REPORT OF THE  
FINANCIAL EXAMINATION OF  
**Savers Property and Casualty  
Insurance Company**  
AS OF  
DECEMBER 31, 2013

**FILED**  
JUN 29 2015  
DIRECTOR OF INSURANCE,  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION



STATE OF MISSOURI  
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND  
PROFESSIONAL REGISTRATION  
JEFFERSON CITY, MISSOURI

## TABLE OF CONTENTS

<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
<b>PERIOD COVERED</b> .....	<b>1</b>
<b>PROCEDURES</b> .....	<b>1</b>
<b>RELIANCE UPON OTHERS</b> .....	<b>2</b>
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	<b>2</b>
<b>SUBSEQUENT EVENTS</b> .....	<b>2</b>
<b>CORPORATE HISTORY</b> .....	<b>2</b>
<b>GENERAL</b> .....	<b>2</b>
<b>CAPITAL CONTRIBUTIONS</b> .....	<b>3</b>
<b>DIVIDENDS</b> .....	<b>3</b>
<b>MERGERS AND ACQUISITION</b> .....	<b>3</b>
<b>CORPORATE RECORDS</b> .....	<b>3</b>
<b>MANAGEMENT AND CONTROL</b> .....	<b>3</b>
<b>BOARD OF DIRECTORS</b> .....	<b>3</b>
<b>COMMITTEES</b> .....	<b>4</b>
<b>OFFICERS</b> .....	<b>4</b>
<b>HOLDING COMPANY, SUBSIDIARIES AND AFFILIATES</b> .....	<b>4</b>
<b>ORGANIZATIONAL CHART</b> .....	<b>5</b>
<b>INTERCOMPANY TRANSACTIONS</b> .....	<b>6</b>
<b>FIDELITY BOND AND OTHER INSURANCE COVERAGES</b> .....	<b>8</b>
<b>PENSION, STOCK OWNERSHIP AND INSURANCE PLANS</b> .....	<b>8</b>
<b>INSURANCE PRODUCTS AND RELATED PRACTICES</b> .....	<b>8</b>
<b>GROWTH OF THE COMPANY AND LOSS EXPERIENCE</b> .....	<b>9</b>

<b>REINSURANCE .....</b>	<b>10</b>
GENERAL .....	10
POOLING .....	10
ASSUMED.....	10
CEDED .....	11
<b>ACCOUNTS AND RECORDS.....</b>	<b>11</b>
<b>STATUTORY DEPOSITS.....</b>	<b>11</b>
DEPOSITS WITH THE STATE OF MISSOURI .....	11
DEPOSITS WITH OTHER STATES .....	12
COLLATERAL HELD UNDER REINSURANCE CONTRACTS .....	12
<b>FINANCIAL STATEMENTS.....</b>	<b>12</b>
ASSETS .....	13
LIABILITIES, SURPLUS AND OTHER FUNDS .....	13
STATEMENT OF INCOME.....	14
CAPITAL AND SURPLUS ACCOUNT.....	14
<b>FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION .....</b>	<b>15</b>
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS .....</b>	<b>15</b>
<b>SUMMARY OF RECOMMENDATIONS.....</b>	<b>15</b>
<b>ACKNOWLEDGMENT .....</b>	<b>16</b>
<b>VERIFICATION .....</b>	<b>16</b>
<b>SUPERVISION.....</b>	<b>17</b>

Southfield, MI  
June 12, 2015

Honorable John M. Huff, Director  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration  
301 West High Street, Room 530  
Jefferson City, Missouri 65102

Director Huff:

In accordance with your financial examination warrant, a full scope financial examination has been made of the records, affairs and financial condition of

**Savers Property and Casualty Insurance Company**

hereinafter referred to as Savers or as the Company. Its administrative office is located at 11880 College Boulevard, Suite 500, Overland Park, KS 66210, telephone number (913)339-5000. Its books and records are located at 26255 American Drive, Southfield, MI 48034, telephone number (248)358-1100. The fieldwork for this examination began on January 5, 2015 and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full scope financial examination of Savers Property and Casualty Insurance Company. The last examination of the Company was also performed by the DIFP as of December 31, 2010. This current examination covers the period of January 1, 2011 through December 31, 2013.

This examination was performed concurrently with the examinations of the Company's parent, Star Insurance Company (Star) and its affiliates: Ameritrust Insurance Corporation (Ameritrust), Willamsburg National Insurance Company (Willamsburg) and ProCentury Insurance Company (ProCentury) by the Michigan Department of Insurance and Financial Services (MI DIFS). An affiliate, Century Surety Company (Century) was also examined by the Ohio Department of Insurance (OH DOI). All the companies examined are collectively referred to as the Group.

The examination also includes the material transactions and/or events occurring subsequent to December 31, 2013.

**Procedures**

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri

prevailed. The 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, inherent risks within the Company, system controls, and procedures used to mitigate those risks. This examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions. All accounts and activities of the Company were considered in accordance with the risk-focused examination approach.

### **Reliance Upon Others**

The examination relied upon information provided by the Company and its management. Where deemed appropriate, this information has been tested or verified with external sources. The coordinated examination also relied upon information supplied by the Company's independent auditor, Ernst & Young, of Detroit, MI for its audits covering the period from January 1, 2013 through December 31, 2013.

The examination also relied upon the work performed by the MI DIFS and OH DOI as part of the coordinated examination. The work relied upon included, but was not limited to, review of the information technology environment of the Group, identification of prospective risks of the Group, identification and assessment of controls and substantive testing for investments, underwriting, reinsurance, related parties, claims handling, premiums and reserves.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

## **SUBSEQUENT EVENTS**

The ultimate controlling entity, Meadowbrook Insurance Group, Inc. (MIGI) became the subject of an acquisition, pursuant to a definitive agreement, under which Fosun International Limited (Fosun) will acquire MIGI and its subsidiaries including Savers for approximately \$433 million in cash. Fosun is an investment company based in Shanghai, China that is publicly traded on the Hong Kong stock exchange. The proposed sale was announced on December 30, 2014 and is subject to regulatory and shareholder approvals. According to information contained in the announcement, each of MIGI's entities including Savers will continue to operate as currently structured and overall operation is not anticipated to change. MIGI, along with Fosun have filed the applicable Form A to obtain regulatory approval of the sale in each of the domiciliary states of the MIGI insurance entities. The shareholders approved the transaction on April 27, 2015.

## **CORPORATE HISTORY**

### **General**

Savers Property and Casualty Insurance Company was incorporated on December 17, 1985 as a stock casualty insurance company under the provision of Missouri Law at Chapter 379 (Insurance other than life) and commenced business effective January 28, 1986. Savers was

owned by Franklin Insurance Holdings, Inc. prior to being sold to Star Insurance Company in 1990. Star is wholly owned by the Meadowbrook Insurance Group, Inc.

**Capital Contributions**

Cash surplus contributions from Star in the amount of \$10 million and \$5 million were received by Savers on March 20, 2013 and December 28, 2012, respectively.

**Dividends**

Dividends paid to Star, as approved by the Board of Directors, are indicated below as follows:

<u>Year Paid</u>	<u>Amount Paid</u>
2013	\$5,449,628
2011	6,722,228

**Mergers and Acquisition**

The DIFP received an announcement dated December 30, 2014 to the effect that the ultimate parent is the subject of an acquisition by Fosun International Limited, a Chinese company. See the Subsequent Event section of this report for additional details.

**CORPORATE RECORDS**

A review was made of the Company's Articles of Incorporation and Bylaws for the period under examination. There were no amendments or changes to the Articles of Incorporation and Bylaws during the examination period.

The minutes of the Company's Board of Directors, the sole shareholder meetings and all committee meetings were reviewed and, in general, appear to properly reflect and approve the corporate transactions and events for the period under examination.

**MANAGEMENT AND CONTROL**

**Board of Directors**

The management of the Company is vested in a Board Directors which is appointed by the sole shareholder. Members of the Board of Directors appointed and serving as of December 31, 2013, were as follows:

<b>Directors</b>	<b>Address</b>	<b>Business Affiliation</b>
Kenn R. Allen	Northville, MI	Senior Vice President, MIGI
Robert S. Cubbin	Bloomfield Hills, MI	President and CEO, MIGI
Steven C. Divine*	Northville, MI	Vice President, Chief Accounting Officer, MIGI
Randolph W. Fort	Northville, MI	Senior Vice President, MIGI
James M. Mahoney	Plymouth, MI	Senior Vice President, MIGI
Archie S. McIntyre	Ray Township, MI	Senior Vice President, MIGI
Karen M. Spaun	Farmington Hills, MI	Vice President & CFO, MIGI
Angelo L. Williams#	Southfield, MI	Vice President Compliance, MIGI
Gregg W. Haver	Galena, OH	Vice President Special Risk Group, MIGI
Nathan K. Voorhis	Powell, OH	Senior Vice President General Agency Group, MIGI

### **Committees**

Savers has not established any Board committees. It relies on the functions of the following MIGI Board committees for support, each committee is chaired by an independent member of MIGI's Board: Audit Committee, Compensation Committee, Finance Committee, Governance and Nominating Committee, and Investment Committee.

### **Officers**

The officers elected by the Board of Directors and serving as of December 31, 2013, were as follows:

Robert S. Cubbin	Chairman and President
Michael G. Costello	Senior Vice President, General Counsel, & Secretary
Steven C. Divine*	Vice President & Treasurer
Kenn R. Allen	Vice President
Randolph W. Fort	Vice President
Archie S. McIntyre	Vice President
Karen M. Spaun	Vice President
Angelo L. Williams#	Vice President

\*Steven C. Divine resigned his positions as a director and officer of the Company effective February 6, 2015 and was replaced by Patrick Stewart only in the officer position of Vice President and Treasurer.

#Angelo L. Williams resigned his position as a director and officer of the Company effective April 4, 2014 and was replaced by Roger S. Walleck as a director and officer of the Company as of April 4, 2014.

### **Holding Company, Subsidiaries and Affiliates**

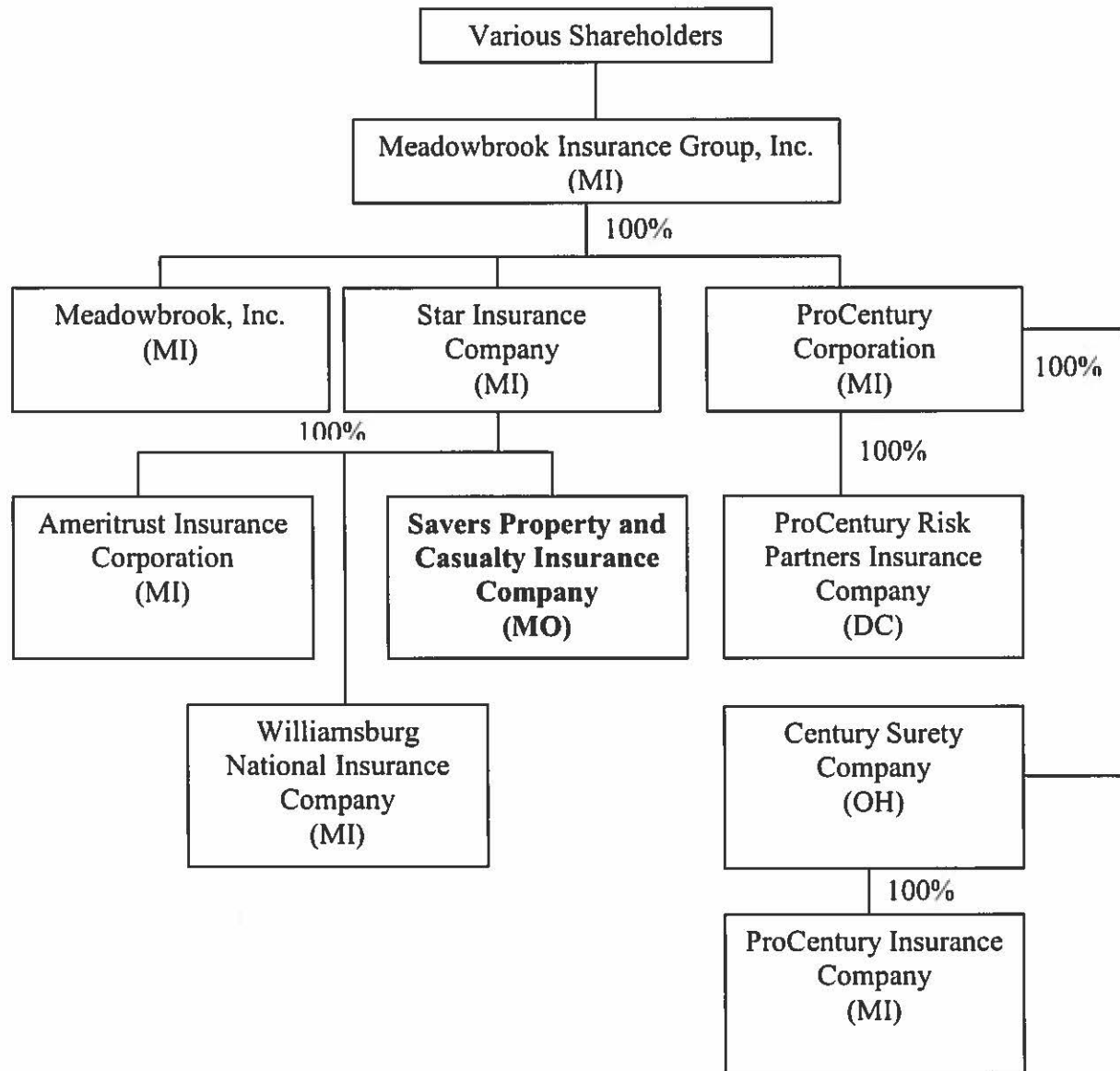
Savers is a member of an Insurance Holding Company System as defined by 382.010 RSMo (Definitions) and is wholly owned by Star Insurance Company. Star, in turn, is a wholly owned subsidiary of Meadowbrook Insurance Group, Inc, an insurance holding company.



MIGI is a publicly traded entity listed on the New York Stock Exchange. No one shareholder owns ten percent (10%) or more of the issued and outstanding stock of MIGI.

**Organizational Chart**

The following organizational chart depicts the ownership of Savers Property and Casualty Insurance Company as of December 31, 2013: The ultimate parent, MIGI, has a number of subsidiaries, which are too numerous to list in this report. Therefore, only entities that have a direct and indirect ownership of Savers and entities that have significant transactions with Savers are listed.



**Intercompany Transactions**

The Company's intercompany agreements as of December 31, 2013 are summarized as follows:

- 1. Type:** Management Services Agreement

**Parties:** MIGI, Savers, Star, Ameritrust, Williamsburg, Century, ProCentury, ProCentury Risk Partners Insurance Company (ProCentury Risk), and Meadowbrook, Inc. (Meadowbrook) as the Manager.

**Effective:** October 1, 2007. Amended effective July 1, 2011 to expire on June 30, 2014, with automatic three-year renewals thereafter.

**Terms:** Meadowbrook will perform for Savers (and all other group insurers listed) the day-to-day operations by providing various administrative and management services. These services include, but are not limited to, accounting and actuarial services, claim and benefit payments, customer services, marketing and sales services, information technology services, legal and government relation services, broker and agent services, and general office services. Meadowbrook may engage a third-party, agents or subsidiaries to perform certain functions under this agreement. The insurers shall have the authority to approve or terminate the third-party as well as approval of commission rates. To the extent Meadowbrook delegates functions to a third-party, the fee for services shall be paid by Meadowbrook (subject to reimbursement by the insurers). Services provided will be reimbursed at the lower of Meadowbrook's actual costs or Savers direct costs.

**Note:** The agreement was amended effective July 1, 2011 to change the method of determining expenses. Pursuant to this change, expenses will be determined annually, based on the costs associated with each insurer's portion of underwritten business. Indirect and shared expenses will be allocated per SSAP #70 (Allocation of Expenses).
- 2. Type:** Agency Agreement

**Parties:** Meadowbrook, Savers, and Meadowbrook's agency affiliates (collectively referred to as the Agent)

**Effective:** October 1, 2009. Addendum #1 amended effective August 1, 2011

**Terms:** The Agent is appointed and provided limited authority to solicit and secure applications for Savers. The Agent is granted binding authority, pursuant to Savers' underwriting guidelines, policies, bulletins, or other documents. The Agent shall submit on the 10<sup>th</sup> of each month an account current indicating the prior month's premium and taxes/surcharges due. The Agent is responsible for billing and collecting from the policyholder, all deposit, installment, endorsement and audit premiums and remitting net of commission to the Company by the 15<sup>th</sup> day of the following month. Compensation to the Agent will be as set forth in the commission schedule attached to the agreement as Addendum #1.

**Note:** Addendum #1 to the agreement was amended effective August, 2011 to add Aircraft and Watercraft lines of business and the associated commission rates.

- 3. Type:** Tax Allocation Agreement  
**Parties:** MIGI and its subsidiaries, including Savers  
**Effective:** October 1, 2008  
**Terms:** Each entity will calculate its tax liability on a stand-alone basis. All settlements will be made in thirty days, unless MIGI is receiving a refund. In a refund situation, the settlements will be made within thirty days of receipt of refund.
- 4. Type:** Loan Agreement  
**Parties:** MIGI; Star and its subsidiaries including Savers, Century, ProCentury, and ProCentury Risk (collectively referred to as the “Parties” and individually as the “Party”); and Meadowbrook  
**Effective:** October 1, 2004  
**Terms:** Meadowbrook is authorized to advance monies (Advances) in Meadowbrook’s control, from any of the Parties (Creditor) to any of the other Parties (Debtor). Meadowbrook is authorized to direct any of the Parties, as Debtor, to receive advances from another of the Parties acting as Creditor. Parties recognize that from time to time one Party may receive payment from or make payments to third parties on behalf of itself and one or more of the other Parties. Payments or advances for third parties shall not exceed the amounts which would have been paid to or received from the third party had the transaction occurred directly. Payments or advances in aggregate shall not exceed the lesser of three percent (3%) of either the Creditor’s or Debtor’s admitted assets or twenty-five percent (25%) of either the Creditor’s or Debtor’s policyholder surplus as of the preceding December 31. Meadowbrook shall maintain a written record of all advances and payments made pursuant to this agreement.
- 5. Type:** Inter-Company Reinsurance Agreement  
**Parties:** Star, Ameritrust, Savers, Williamsburg, Century, and ProCentury (collectively referred to as Affilites)  
**Effective:** January 1, 2009  
**Terms:** Affiliates agree to cede to Star and Star agrees to reinsure 100% of the liabilities and expenses existing as of January 1, 2009 relating to insurance and reinsurance policies issued by or on behalf of the Affiliates with outstanding liabilities as of the effective date and those assumed thereafter. All reinsurance to be ceded to excess of loss and quota share reinsurers, excluding parties hereto, shall be ceded in the name of Star. Star assumes all premium responsibilities associated with any and all unaffiliated reinsurance agreements in effect January 1, 2009 with Affiliates. Affiliates agree to assign all reinsurance recoverables under said unaffiliated reinsurance agreements to Star. The Affiliates assign to Star its agent balances and uncollected premium and any other underwriting assets and related liabilities. Star assigns premium and underwriting expenses and other underwriting assets and related liabilities per Affiliates respective participation percentages (as detailed in the agreement).

## **FIDELITY BOND AND OTHER INSURANCE COVERAGES**

The Company is a named insured along with other insurance affiliates on a Financial Institution Bond purchased by MIGI the ultimate parent. The bond provides coverage with a liability limit of \$10,000,000 and a \$250,000 deductible. This level of coverage is sufficient to meet the suggested minimum amount of fidelity insurance coverage according to NAIC guidelines for MIGI and for the Company.

Savers is also a named insured on various policies purchased by MIGI. These policies include Directors' and Officers' Liability, Errors and Omissions, Employee Practices Liability, General Liability, Excess Liability, and Umbrella Liability.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

Savers Property and Casualty Insurance Company has no direct employees. All of its operations are performed by the employees of its affiliate, Meadowbrook, Inc. pursuant to the terms and provisions of a management services agreement. See the Intercompany Transactions section of this report for a detailed description of the agreement.

Meadowbrook, Inc. provides a variety of standard benefits to its employees, which include, but are not limited to, health coverage, life insurance, short and long-term disability insurance, vacation and sick leave, tuition reimbursement and a 401(k) profit sharing plan. The expenses for these benefits are charged to Savers through intercompany service fees.

## **INSURANCE PRODUCTS AND RELATED PRACTICES**

Savers Property and Casualty Insurance Company is licensed under Chapter 379 RSMo to write the business of property and casualty insurance in the State of Missouri. As of December 31, 2013, the Company was also licensed in the states of Illinois, Kansas, Maine, and Massachusetts. In addition, the Company operates on a surplus lines or non-admitted basis in the District of Columbia and each state except in those jurisdictions where full licensure has been obtained.

The Company is specialized in writing insurance programs for professional trade groups including: appraisers, educators, municipalities, marketing centers, lawyers, and livestock associations. The Company's direct lines of business include fire, allied lines, commercial multiple peril, ocean and inland marine, medical malpractice, workers' compensation, other liability, products liability, commercial auto liability, and auto physical damage. As of December 31, 2013, commercial multiple peril, workers compensation, other liability, commercial auto, and auto physical damage represented approximately 96.8% of aggregate direct written premiums.

The Company has numerous agency agreements with independent agencies and brokers to produce business, including an agreement that names several affiliates as agents. In 2013, approximately 78.7% of the Company's business was produced by two unaffiliated agencies, Missouri Rural Services Corporation (MRSC) 61.2% and Forrest T. Jones and Company (Forrest T. Jones) 17.5%. MRSC writes the Missouri Public Entity Program for various property and liability lines of business while Forrest T. Jones writes the majority of the professional

educators' liability program. In 2013, the Company wrote the majority of its business in Missouri, Virginia, Florida, Massachusetts, California, Michigan, and Arizona.

The Company's plan of operation also includes participation in the Inter-Company Reinsurance Pool Agreement with its parent, Star Insurance Company and the other affiliated insurance companies. See additional details about the reinsurance pool in the Reinsurance section of this report.

### GROWTH OF THE COMPANY AND LOSS EXPERIENCE

The Company's capital and surplus increased \$12.9 million from December 31, 2010. Net premiums written have decreased \$10.7 million during the examination period. While premiums earned have fluctuated slightly during this period, they have decreased \$4.4 million from December 31, 2010. Losses and loss adjustment expenses incurred have increased \$19.5 million during the period under examination. The decrease in premiums earned and the increase in losses and loss adjustment expenses incurred have resulted in underwriting losses in 2012 and 2013.

The Company's parent, Star Insurance Company, made paid-in surplus contributions in the form of cash in the amount of \$10 million on March 20, 2013 and \$5 million on December 28, 2012, respectively. The contributions were made to partially offset reserve strengthening on prior accident year losses and loss adjustment expenses of \$8.9 million in 2013 and \$11.1 million in 2012. The decrease in premiums written reflected the Company's efforts to terminate or runoff unprofitable programs.

The growth and loss experience of the Company is summarized in the following schedule.

	2013	2012	2011
Direct Written Business	\$ 28,618,190	\$ 38,376,878	\$ 35,914,323
Net Written Premiums	89,421,513	103,994,300	100,086,712
Net Underwriting Gain or (Loss)	(11,622,261)	(8,416,276)	(92,950)
Net Income or (Loss)	(3,560,829)	6,050,540	4,991,670
Net Loss & LAE Reserves	144,126,033	139,164,797	113,548,318
Total Capital & Surplus	57,937,463	54,496,283	43,419,270
Direct Written Premium to Surplus	49.4%	70.4%	82.7%
Net Written Premium to Surplus	154.3%	190.8%	230.5%
Net Loss & LAE Reserves to Surplus	248.8%	255.4%	261.5%
Loss and LAE Incurred to Premium Earned	79.2%	79.3%	65.9%

**REINSURANCE****General**

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

<b>Premiums Written</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Direct	\$28,618,190	\$ 38,376,878	\$ 35,914,323
Assumed	0	0	0
Affiliates	89,421,513	103,994,300	100,086,712
Non-Affiliates	34,124,240	449,167	18,387
Ceded	0	0	0
Affiliates	(62,742,430)	(38,826,046)	(35,932,710)
Non-Affiliates	0	0	0
Net Premiums Written	\$89,421,513	\$103,994,299	\$100,086,712

**Pooling**

The Company entered into an Intercompany Reinsurance Pooling Agreement effective January 1, 2009 with its parent, Star, and affiliates, Ameritrust, Williamsburg, Century, and ProCentury. Per the Agreement, each subsidiary is required to cede 100% of its direct and assumed business to Star, the lead insurer of the pool. The participants share all underwriting liabilities and income and expenses related to all insurance and reinsurance policies issued by or on behalf of the Group effective January 1, 2009.

As the lead insurer, Star is responsible for securing external reinsurance on behalf of the entire pool and redistributing the net retained pooled business to each participant in accordance with the percentages stated in the Intercompany Reinsurance Pooling Agreement. The participation percentages for new and existing business as well as loss development as of the January 1, 2009 agreement are as follows:

<b><u>Company</u></b>	<b><u>Respective Percentage</u></b>
Star	35.83
Century	29.07
Savers	13.04
ProCentury	9.44
Williamsburg	6.72
Ameritrust	5.90

**Assumed**

The Company participates in the Missouri Fair Plan, National Workers' Compensation Reinsurance Pool and other mandatory pool plans. The Company also assumes business from its parent, Star Insurance Company, pursuant to the above described Intercompany Reinsurance Pooling Agreement and participates in the 100% quota share reinsurance agreement with State National Insurance Company and its affiliates, National Specialty Insurance Company and United Specialty Insurance Company, effective July 1, 2013.

**Ceded**

The Company cedes 100% of its direct and assumed business to its parent, Star Insurance Company, pursuant to the above described Intercompany Reinsurance Pooling Agreement.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

**ACCOUNTS AND RECORDS**

Savers' information systems are located at its Southfield, Michigan information processing facility. Savers' utilizes this facility in conjunction with its parent, Star, and the other insurance affiliates pursuant to the terms of an intercompany agreement with Meadowbrook. Meadowbrook mostly utilizes Intel 2003 servers with Windows operating systems and Structured Query Language (SQL) databases. The general ledger system currently in use is PeopleSoft.

Meadowbrook has outsourced the hosting and most of the application support for policy and billing application - Point, to the Point vendor, CSC, which is hosted on an AS/400 with DB2 database. Meadowbrook has licensed the source code for its claims system, Vision, and now supports the application. Reinsurance and reserve functions are performed by ProCede and Reserve-Pro, which are vendor purchased applications. The investment function is performed by CAMRA, a common application in the industry.

The CPA firm of Ernst & Young LLP, Detroit, Michigan performed the Company's statutory audit for the years ending December 31, 2013, 2012, and 2011. The actuarial opinions certifying the Company's reserves as of December 31, 2013, 2012, and 2011 were provided by Christopher Tait, FCAS, MAAA, of Milliman, Inc., Wayne, Pennsylvania.

**STATUTORY DEPOSITS****Deposits with the State of Missouri**

The funds on deposit with the DIFP as of December 31, 2013, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with RSMo Section 379.098 (Securities to be deposited by all companies). The Company's required deposit was \$1,200,000. The funds on deposit were as follows:

<u>Description</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
State Special Revenue	\$ 2,315,000	\$ 2,754,565	\$ 2,418,354
U.S. Treasury Notes	325,000	428,758	348,890
<b>Totals</b>	<u>\$ 2,640,000</u>	<u>\$ 3,183,323</u>	<u>\$ 2,767,244</u>

**Deposits with Other States**

The Company also has funds on deposit with various other states. The funds on deposit as of December 31, 2013, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Illinois	U.S. Treasury Note	\$ 200,000	\$ 203,188	\$ 203,108
Massachusetts	Various	225,000	291,409	239,900
New Jersey	Various	300,000	342,064	327,659
New Mexico	U.S. Treasury	110,000	154,378	121,069
New York	U.S. Treasury Note	2,450,000	2,937,455	2,807,162
Oklahoma	Special Revenue	200,000	233,744	205,998
<b>Totals</b>		<u>\$ 3,485,000</u>	<u>\$ 4,162,238</u>	<u>\$ 3,904,896</u>

**Collateral Held Under Reinsurance Contracts**

The Company also has funds on deposit as collateral for business assumed from National Specialty Insurance Company, State National Insurance Company, Inc. and United Specialty Insurance Company. As of December 31, 2013, the total par value, fair value, and statement value of the collateral was \$49,420,000, \$53,824,396, and \$55,115,054, respectively.

**FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of Savers Property and Casualty Insurance Company for the period ending December 31, 2013. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the “Comments on Financial Statement Items”. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items”. These differences were determined to be immaterial concerning their effect on the financial statements, and therefore; were only communicated to the Company and noted in the workpapers for each individual activity.



Assets

	<u>Assets</u>	Non- Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$216,832,906	\$ 0	\$216,832,906
Common Stocks	12,085,643	0	12,085,643
Cash, Cash Equivalents and Short-term Investments	8,022,874	0	8,022,874
Investment Income Due and Accrued	1,895,841	0	1,895,841
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in Course of Collection	18,323,978	267,689	18,056,289
Deferred Premiums and Agents' Balances	1,670,697	102,101	1,568,596
Amounts Recoverable from Reinsurers	5,025,887	0	5,025,887
Federal Income Tax Recoverable	1,996,828	0	1,996,828
Net Deferred Tax Assets	7,392,010	811,667	6,580,343
Guaranty Funds Receivable/Deposit	3,715	0	3,715
Receivable from Parent and Affiliates	20,638	0	20,638
Aggregate Write-ins for Other Assets	17,237	0	17,237
<b>TOTAL ASSETS</b>	<b>\$273,288,254</b>	<b>\$1,181,457</b>	<b>\$272,106,797</b>

Liabilities, Surplus and Other Funds

Losses	\$112,203,454
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	17,069,039
Loss Adjustment Expenses	31,922,579
Commissions Payable, Contingent and Other Similar Charges	8,759
Other Expenses	16,494
Taxes, Licenses and Fees	181,914
Unearned Premiums	37,609,144
Advance Premium	8,026
Ceded Reinsurance Premiums Payable	14,631,707
Payable to Parent, Subsidiaries and Affiliates	446,275
Aggregate Write-ins for Liabilities	71,943
<b>TOTAL LIABILITIES</b>	<b>\$214,169,334</b>
Common Capital Stock	2,500,000
Gross paid in and Contributed Surplus	32,568,926
Unassigned Funds (Surplus)	22,868,538
<b>TOTAL SURPLUS</b>	<b>\$ 57,937,464</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$272,106,798</b>

**Statement of Income****Underwriting Income**

Premiums Earned	\$ 90,441,844
Losses Incurred	54,943,215
Loss Adjustment Expenses Incurred	16,651,299
Other Underwriting Expenses Incurred	30,469,591
Total Underwriting Deductions	<u>\$ 102,064,105</u>
Net Underwriting Gain/(Loss)	<u>\$ (11,622,261)</u>

**Investment Income**

Net Investment Income Earned	5,740,987
Net Realized Capital Gains or (Losses)	332,412
Net Investment Gain or (Loss)	<u>\$ 6,073,399</u>

**Other Income**

Net Gain (Loss) from Agents' or Premium Balances Charged Off	(383,410)
Finance and Service Charges not Included in Premiums	2,845
Aggregate Write-ins for Miscellaneous Income	779
Total Other Income	<u>\$ (379,786)</u>
Net Income Before Dividends to Policyholders and Federal Income Taxes	<u>\$ (5,928,648)</u>
Federal and Foreign Income Taxes Incurred	(2,367,819)
<b>Net Income or Loss</b>	<b><u>\$ (3,560,829)</u></b>

**Capital and Surplus Account**

Capital and Surplus, December 31, 2012	\$ 54,496,282
Net Income	(3,560,829)
Change in Net Deferred Income Tax	753,346
Change in Net Unrealized Capital Gains and (Losses)	914,087
Change in Nonadmitted Assets	784,206
Paid in Surplus	10,000,000
Dividends to Stockholders	(5,449,628)
Net Change in Capital and Surplus	<u>\$ 3,441,182</u>
<b>Capital and Surplus at December 31, 2013</b>	<b><u>\$ 57,937,464</u></b>

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None

**SUMMARY OF RECOMMENDATIONS**

None

**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Savers Property and Casualty Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Karen Baldree, CPA, CFE, Financial Analyst/Examiner for the DIFP, participated in this examination. The actuarial firm of Lewis & Ellis, Actuaries and Consultants, of Arlington, TX also participated as consulting actuaries.

**VERIFICATION**

State of Missouri )  
County of Jackson )

I, Levi N. Nwasoria, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Savers Property and Casualty Insurance Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Levi N. Nwasoria, CPA, CFE  
Examiner-In-Charge  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration

Sworn to and subscribed before me this 11<sup>th</sup> day of June,

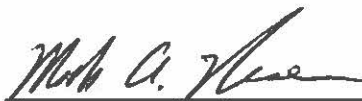
My commission expires: 04-14-2016

  
Notary Public

BEVERLY M. WEBB  
My Commission Expires  
April 14, 2016  
Clay County  
Commission #12464070

## SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed, except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.



Mark A. Nance, CFE, CPA  
Assistant Chief Financial Examiner  
Missouri Department of Insurance, Financial  
Institutions and Professional Registration