

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Caterpillar Insurance Company

ORDER

After full consideration and review of the report of the financial examination of Caterpillar Insurance Company for the period ended December 31, 2009, 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 report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER, 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 mentioned in the General Comments and/or 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 1st day of April, 2011.

A handwritten signature in black ink, appearing to read "John M. Huff".

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



REPORT OF
FINANCIAL EXAMINATION

FILED
APR 11 2011
DIRECTOR OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

Caterpillar Insurance Company

As of:
DECEMBER 31, 2009



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

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December 2, 2010

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Mary Jo Hudson, Director
Department of Insurance
State of Ohio
Secretary, Midwestern Zone, NAIC

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Madam and Sirs:

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

Caterpillar Insurance Company

hereinafter referred to as such or as "CIC" or as the "Company." The Company's statutory home office is located at 2120 West End Avenue, Nashville, Tennessee, telephone number (615) 341-8147. This examination began on August 16, 2010 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The last full scope association financial examination of Caterpillar Insurance Company was made as of December 31, 2005, by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

The current full scope financial examination covers the period from January 1, 2006, through December 31, 2009, and was conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC with no other zones participating. This examination also included material transactions or events occurring subsequent to December 31, 2009.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration ("DIFP") or 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, identifying and assessing inherent risks within the Company, and evaluating systems controls and procedures used to mitigate those risks. An examination also includes 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 following key activities were identified: Investments, Treasury, Reserves, Premiums and Underwriting, Reinsurance, Claims Handling.

The examiners relied upon information and workpapers provided by the Company's independent auditor, PricewaterhouseCoopers LLP, for its audit covering the period from January 1, 2009, through December 31, 2009. Such reliance included fraud risk analysis, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings.

SUBSEQUENT EVENTS

CIC insures the post-retirement medical exposures of Caterpillar Inc. on an excess basis via a stop-loss insurance policy issued by CIC to a Voluntary Employee Benefit Association (VEBA) trust to cover the risk of loss of Caterpillar Inc. in excess of a certain specified deductible. CIC cedes the business 100% to Caterpillar Life Insurance Company (CLIC). CLIC establishes annual life reserves for this coverage, which in 2009, amounted to approximately \$108 million.

Effective January 1, 2010, Caterpillar Inc. terminated the retiree medical voluntary benefit program for all non-bargained employees and surviving spouses except for employees retiring prior to February 1, 1991. The policy was amended to decrease the individual claim attachment point from \$100 to \$0 and raise the individual maximum claim amount from \$3,000 to \$4,400 as well as delete ineligible members from the Covered group.

COMPANY HISTORY

General

Caterpillar Insurance Company was formed when Caterpillar Insurance Holdings Inc., a Delaware insurance holding company and a wholly owned subsidiary of Caterpillar Inc., acquired the shell of Integral Insurance Company on June 1, 2000, with approval from

the DIFP. The name of the Company was changed to Caterpillar Insurance Company on June 5, 2000.

Capital Stock and Paid-In Surplus

The Company is authorized to issue 5 million shares of common stock at a par value of \$3.50 per share. The Company reported 1 million common shares issued and outstanding as of December 31, 2009, resulting in a common capital stock account of \$3.5 million. The Company also reported gross paid in and contributed surplus of \$92,170,000. Capital contributions totaling \$37,170,000 were made prior to the examination period. In 2008, \$55 million in additional contribution was made.

Dividends

The Company has paid no dividends.

Acquisitions, Mergers and Major Corporate Events

There were no mergers or acquisitions during the examination period, however, CIC received a \$55 million capital contribution in 2008 that it used to form a Swiss Branch known as Caterpillar Insurance Company, Jefferson City, Zurich Branch.

Surplus Debentures

The Company has had no outstanding surplus notes during the examination period.

CORPORATE RECORDS

The Company's Articles of Incorporation and bylaws were reviewed. There were no amendments to either during the examination period.

The minutes of the shareholder, board of directors, committee meetings, and relevant Caterpillar Inc. committee meetings were reviewed and appear to properly support 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 of directors which per the Articles of Incorporation and resolution of the Board of Directors is fixed at nine members. The Company's nine Directors serving at December 31, 2009, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Kent M. Adams Nashville, TN	Vice President of Caterpillar Inc. President of Caterpillar Financial Services Corporation
Michael D. Reeves Nashville, TN	President of Caterpillar Insurance Company
Steven B. Resnick Nashville, TN	CFO & Treasurer of Caterpillar Insurance Company

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Michael D. Faoro Nashville, TN	Vice President of Caterpillar Insurance Company
Brian P. LePage Nashville, TN	Vice President of Caterpillar Insurance Company
Jeffrey L. Pridgen Nashville, TN	Vice President of Caterpillar Insurance Company
Larry K. Smith Nashville, TN	Vice President of Caterpillar Insurance Company
Glen H. Strandquist Nashville, TN	Vice President of Caterpillar Insurance Company
Federico Folchi-Vici-D'Arcevia Nashville, TN	Vice President of Caterpillar Insurance Company

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2009, were as follows:

<u>Name</u>	<u>Position</u>
Michael D. Reeves	President
Steven B. Resnick	Vice President and Treasurer
Donald J. Meyers	Vice President, General Counsel and Secretary
Michael D. Faoro	Vice President
Brian P. LePage	Vice President
Jeffrey L. Pridgen	Vice President
Larry K. Smith	Vice President
Federico Folchi-Vici-D'Arcevia	Vice President
Glen H. Strandquist	Vice President
Robin D. Beran	Assistant Treasurer

Committees

In accordance with the bylaws, the board has established various committees with responsibility for managing the Company's affairs between meetings of the board. Annually, the full board reviews and approves the actions of the committees.

Established committees include the following:

Investment Committee:

Kent Adams	President of Caterpillar Financial Services Corporation
Michael Reeves	President of Caterpillar Insurance Company

Steven Resnick
James Cotton
Donald Meyers
David Kacynski
CT Urban

Vice President and Treasurer
Investment Portfolio Manager
Vice President, General Counsel and Secretary
Treasurer of Caterpillar Financial Services Corp.
Chief Investment Officer

Reserve Committee:

Michael Reeves
Steven Resnick
JA Duensing
Larry Smith
Steve Elsesser
Michael Faoro

President of Caterpillar Insurance Company
Vice President and Treasurer
Treasurer of Caterpillar Financial Services Corp.
Vice President
Comptroller, Caterpillar Financial Services Corporation
Director of Claims

Anti-Fraud Committee:

Michael Faoro
Donald Meyers
Lori Hazlehurst
Todd Day
Larry Beaty
Tim Watts

Vice President, Director of Claims
Vice President, General Counsel and Secretary
Underwriting Specialist
Claims Manager
Audit Manager II
Sr. Regional Insurance Manager

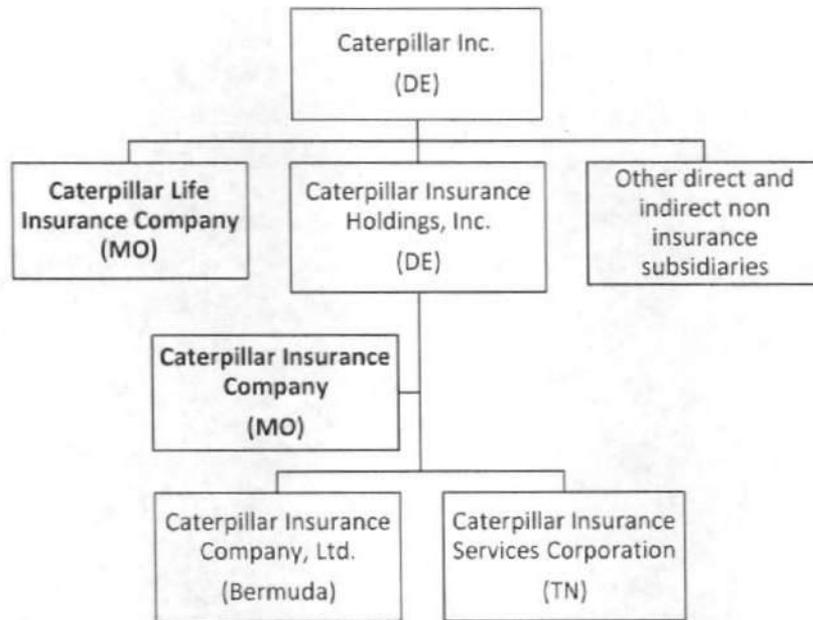
The Company does not have an audit committee. To comply with Sections 375.1025-1062 RSMo, the Company relies on the Audit Committee of Caterpillar Inc., the ultimate parent. That committee comprised three independent directors at December 31, 2009.

Holding Company, Subsidiaries and Affiliates

The Company is part of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is a wholly owned subsidiary of Caterpillar Insurance Holdings, Inc., a Delaware holding company, which in turn is wholly owned by Caterpillar Inc. Caterpillar Inc., the ultimate parent, is the world's largest manufacturer of construction and mining equipment, diesel and natural gas engines and industrial gas turbines.

Organization Chart

The following organizational chart depicts an abbreviated portion of the holding company system at December 31, 2009, including the Company. All subsidiaries shown are wholly owned. A complete list of all companies within the holding company system is included within the annual statement.



Affiliated Transactions

The Company enters into various agreements with affiliates. Active agreements are discussed below:

1) Management Agreement

Parties: CIC, Caterpillar Life Insurance Company (CLIC), Caterpillar Insurance Co. Ltd, Caterpillar Product Services Corporation, Caterpillar Insurance Services Corporation, Caterpillar Insurance Holdings, Inc., and Caterpillar Inc., are all receivers of services. Caterpillar Financial Services Corporation, Caterpillar S.A.R.L., Caterpillar America C.V., and Caterpillar North America C.V., are all providers of services.

Effective: January 1, 2009, non-disapproved by DIFP on May 2, 2008

Terms: The providers of services will provide various administrative, management and accounting services to the receivers of services.

Rate(s): Fees charged under the Agreement are equal to the cost incurred to render such services to the other parties.

2) General Agency Agreement

Parties: CIC and Caterpillar Insurance Services Corporation ("CISC")

Effective: April 1, 2003, non-disapproved by DIFP on March 31, 2003. Amendments were approved on July 15 and September 10, 2009.

Terms: CISC will provide various general agency services to CIC.

Rate(s): Fees, if any, related to this agreement shall be paid for under the Management Agreement between CLIC, Caterpillar Inc., and other affiliates. Services are provided with no commission.

- 3) Administrative Agreement
Parties: CIC and Caterpillar S.A.R.L.
Effective: May 1, 2007, non-disapproved by DIFP on January 3, 2008
Terms: CIC will appoint Caterpillar S.A.R.L. as a program administrator. Caterpillar S.A.R.L. will register and administer extended warranty or service contract claims for equipment issued to customers of Caterpillar dealers in Singapore.
Rates: Fees charged at cost.
- 4) Administrative Agreement - Canada Program
Parties: CIC and Caterpillar S.A.R.L.
Effective: November 1, 2008, non-disapproved by DIFP on September 26, 2008
Terms: CIC will appoint Caterpillar S.A.R.L. as a program administrator. Caterpillar S.A.R.L. will register and administer extended warranty or service contract claims for equipment issued to customers of Caterpillar dealers in Canada.
Rates: Fees charged at cost.
- 5) Administrative Agreement - Latin America Program
Parties: CIC and Caterpillar S.A.R.L.
Effective: November 1, 2008, non-disapproved by DIFP on September 26, 2008
Terms: CIC will appoint Caterpillar S.A.R.L. as a program administrator. Caterpillar S.A.R.L. will register and administer extended warranty or service contract claims for equipment issued to customers of Caterpillar dealers in Latin America.
Rates: Fees charged at cost.
- 6) Administrative Agreement - Latin America Program (Partial Assignment)
Parties: CIC and Caterpillar S.A.R.L. and Caterpillar Used Equipment Services, Inc. (CUESI)
Effective: August 1, 2009, non-disapproved by DIFP on July 23, 2009
Terms: This is a partial assignment of the Administrative Agreement - Latin America Program between CIC and Caterpillar S.A.R.L. to CUESI. This allows CUESI to enroll used equipment under the Caterpillar Americas C.V. Extended Warranty Program.
Rates: Fees charged at cost.
- 7) Retrospective Reinsurance Premium Adjustment Agreement
Parties: CIC and Caterpillar Inc.
Effective: June 1, 2007, non-disapproved by DIFP on July 27, 2007
Terms: CIC is allowed to charge additional premiums in the event of adverse claim development on an extended warranty/service program covering Telehandler machines sold and delivered to Hewden Stuart Limited, and enrolled between January 1, 2007 and December 31, 2007.
Rates: The additional premiums would be paid by Caterpillar, Inc. on behalf of Caterpillar S.A.R.L.

8) Aggregate Excess Stop Loss Commercial Contractual Liability Guarantee Agreement

Parties: CIC and Caterpillar Inc.

Effective: January 1, 2008, non-disapproved by DIFP on April 14, 2008

Terms: Caterpillar Inc. guarantees to cover all losses sustained by CIC related to Telehandler construction equipment extended warranties or service contracts as follows: For business in the United States and Canada, Caterpillar Inc. will pay all losses in excess of an 80% loss ratio up to an aggregate of \$650,000. In Europe, the Middle East, and Africa, Caterpillar Inc. will pay 50% of losses in excess of a 32% loss ratio up to an aggregate of \$2 million.

Rates: CIC will pay Caterpillar Inc. the sum of \$10 for consideration for the guarantee.

9) Tax Sharing Agreement

Parties: CIC and Caterpillar, Inc.

Effective: January 1, 2009, non-disapproved by DIFP on October 26, 2006

Terms: The agreement applies to years ending December 31, 2008, and thereafter. Caterpillar Inc. shall timely file consolidated federal income tax returns, and is responsible for making all payments when due and filing for and collecting any refunds due.

Rates: The tax liability shall be calculated on a separate return basis.

10) Pay On Behalf Agreement

Parties: CIC, Caterpillar S.A.R.L Singapore Branch ("CSSB"), and Caterpillar (China) Investment Company, Ltd. ("CCI")

Effective: May 1, 2009, non-disapproved by DIFP on January 22, 2010

Terms: CCI will pay monthly on behalf of CSSB machine warranty expenses on products that are under extended warranty claims in China. CCI will charge CSSB a mark-up on expenses of 11.11% for this service. CCI will send an invoice to CIC and CSSB for the expenses and mark-up, respectively. Payment is due on or before the 25th day of the second month after invoice date. If payment is late, interest will be payable in accordance with the Caterpillar Inc., Treasury Policy Letter CFS-5, as amended.

Rates: CIC reimburses warranty expenses monthly.

11) Administrative Agreement – Europe, Africa, Mideast (EAME)

Parties: CIC and Caterpillar S.A.R.L.

Effective: January 1, 2007, non-disapproved by DIFP on March 14, 2008

Terms: CIC will appoint Caterpillar S.A.R.L. as a program administrator. Caterpillar S.A.R.L. will register and administer extended warranty or service contract claims for equipment issued to customers of Caterpillar dealers.

Rates: Fees charged at cost.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on an employee theft policy purchased by its parent, Caterpillar, Inc., which provides \$25 million in coverage with a \$5 million deductible. This coverage exceeds the minimum amount of fidelity insurance recommended by the NAIC.

The Company is also a named insured on policies that provide the following liability coverages: general and excess, auto, directors and officers, aircraft, fiduciary, and employment practices. The Company's insurance coverages appear adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. Services are provided by affiliates under service agreements described under "Affiliated Transactions." Affiliates' employees are provided benefits typical of the industry including group health and dental coverage, group life insurance, short- and long-term disability, a flexible spending account, a 401(k) plan, a non-contributory defined benefit pension plan, paid time off, an employee assistance plan and tuition reimbursement. Employee benefit costs, including retirement costs, are included in intercompany charges from affiliates.

TERRITORY AND PLAN OF OPERATION

General

The Company is licensed in Missouri under Chapter 379 RSMo (Insurance other than life) to write accident and health, fidelity and surety, liability, miscellaneous, and property insurance. The Company is licensed in all states, and in the District of Columbia.

The Company provides various forms of insurance to Caterpillar Inc. customers and dealers to support the purchase or lease of Caterpillar Inc. equipment.

Domestic

The Company underwrites inland marine policies to Caterpillar Inc. customers covering physical damage exposure on Caterpillar equipment sold within the United States. These policies are placed with CIC by Caterpillar Insurance Services Corporation (CISC), a Tennessee agency licensed throughout the United States, through licensed dealer employees or direct placement by CISC.

The Company underwrites contractual liability policies to Caterpillar dealerships and other equipment manufacturers (OEM's) covering extended service contracts and warranties issued by dealers or OEM's on equipment and engines in the United States. The Company also underwrites retiree medical exposures of Caterpillar Inc. The Company insures the post-retirement medical exposures on an excess basis via a stop-loss insurance policy issued to a Voluntary Employee Benefit Association (VEBA) trust to cover the risk of loss of Caterpillar Inc. in excess of a certain specified deductible. The Company cedes the business 100% to CLIC.

Caterpillar Insurance Services Corporation (CISC) serves as the distribution network for contractual liability policies issued to dealers covering the dealer's extended service contracts and warranties.

International

On September 17, 2008, the Company opened a branch office in Zurich, Switzerland. The branch office was licensed in Switzerland under the name Caterpillar Insurance Company, Jefferson City, Zurich Branch. It is licensed to write miscellaneous financial risk, which allows the Branch to insure the worldwide-extended warranty and service contract obligations of Caterpillar S.A.R.L., a corporation in Switzerland and wholly owned subsidiary of Caterpillar Inc. that manufactures and sells machines and engines to international Caterpillar dealerships. The Company is required to match foreign currency risk under Swiss law as well as satisfy the financial and investment regulations applicable to insurance companies in Switzerland. In the United Kingdom, Australia and New Zealand, the Company is allowed to insure the Caterpillar dealerships for dealer extended warranty obligations and in Singapore, the Company is allowed to insure Caterpillar S.A.R.L. Singapore Branch without being licensed in these territories.

GROWTH OF COMPANY

Due to the economic crisis which slowed the sales of Caterpillar Inc. equipment, the Company's net written premium declined in 2009, after four years of continuous growth. In 2008, as noted previously, CIC received a \$55 million capital contribution that it used to form a Swiss Branch known as Caterpillar Insurance Company, Jefferson City, Zurich Branch. The combination of fallen premium and increased surplus gave the Company a strong premium to surplus ratio at December 31, 2009.

<u>Year</u>	<u>Direct Premium Written</u>	<u>Policyholder Surplus</u>	<u>Direct Premium Written to Policyholder Surplus</u>
2005	149,274,439	35,868,563	416%
2006	176,540,370	34,633,334	510%
2007	226,230,456	40,756,032	555%
2008	248,360,192	108,898,701	228%
2009	167,830,952	126,176,853	133%

LOSS EXPERIENCE

The following exhibit reflects the underwriting results of the Company over the last four years.

<u>Year</u>	<u>Total Revenues</u>	<u>Total Losses & Expenses</u>	<u>Net Income Before FIT</u>
2009	102,516,450	77,365,894	25,150,156
2008	77,402,804	53,206,913	24,195,891
2007	52,687,543	41,109,761	11,577,782
2006	39,084,643	40,296,541	(1,211,898)

REINSURANCE

General

Premiums written by the Company during the examination period were as follows (in 000's):

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Direct Written	\$176,540	\$199,835	\$248,360	\$167,831
Reinsurance Assumed:				
Affiliates	\$0	\$0	\$0	\$0
Non-Affiliates	\$132	\$26,395	(\$9,693)	(\$13)
Reinsurance Ceded:				
Affiliates	(\$118,807)	(\$140,434)	(\$124,619)	(\$63,278)
Non-Affiliates	(\$164)	(\$18)	(\$415)	(\$517)
Net Premiums	<u>\$57,701</u>	<u>\$85,778</u>	<u>\$113,633</u>	<u>\$104,023</u>

Assumed

The Company assumed a limited amount of business under fronting arrangements during the examination period. Those agreements are no longer effective as of December 31, 2009.

Ceded

Affiliated Agreements

The Company ceded 100% of its Retiree Medical Stop Loss liabilities to affiliate, Caterpillar Life Insurance Company effective May 1, 2004. One-time premiums ceded were \$103,800,000. At year-end 2009, \$108,149,000 of recoverables was due under the agreement.

The Company reinsures its core, "Other Liability" business with affiliate, Caterpillar Insurance Company, Ltd., (CICL). The agreement cedes 90% of non-excluded business in all states except California, Florida and Wyoming. The ceding percentages for those states are 50%, 49% and 79% respectively. The agreement was originally effective June 1, 2000. At year-end 2009, \$180,424,000 of net recoverables was due under the agreement, and secured by funds held in trust.

Unaffiliated Agreements

The Company and its affiliate, CICL annually place excess of loss and catastrophe coverages through an intermediary, Willis Re. The coverage was significantly decreased during the examination period based on experience. The 2009 program provided per risk coverage of \$650,000 excess of \$350,000 per occurrence; and catastrophe coverage of \$1,000,000 excess of \$1,000,000 per occurrence. At year-end 2009, there were no loss or reserve recoverables due under these coverages.

ACCOUNTS AND RECORDS

General

The Company's financial statements were prepared using J.D. Edwards general ledger software supported by PeopleSoft / Oracle.

Reserves and related actuarial items as of December 31, 2009, were reviewed and certified by L. Kevin Smith, ACAS, MAAA, Vice-President and Chief Actuary of the Company.

The Company is implementing a new more flexible policy and claims administration application from Tata Consultancy Services, which is expected to be fully implemented in 2011, to replace the IS4W (Insurance Solutions for Windows) system currently in place.

Independent Auditor

The Company's financial statements for the period January 1, 2006 to December 31, 2009, were audited by PricewaterhouseCoopers LLP, Certified Public Accountants. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuaries

Pursuant to a contract with the DIFP, D. Patrick Glenn, ACAS, ASA, MAAA, of Lewis & Ellis, Inc., reviewed the adequacy of the Company's reserves and related accounts. The Lewis & Ellis, Inc. Statement of Actuarial Opinion concluded that the actuarial items included in the review are computed in accordance with presently accepted actuarial standards and principles; make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements; make a reasonable provision for the unearned premium reserves for long duration contracts of the Company under the terms of its contracts and agreements; and meet the requirements of the insurance laws of the state of Missouri.

Information Systems

In conjunction with this examination, Andrew Balas, AES, Information Systems Financial Examiner with the DIFP, conducted a review of the Company's information systems. His evaluation did not identify any significant weaknesses.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2009, are reflected below. These deposits had sufficient par and market values to meet the deposit requirement for the state of Missouri per Section 379.098 RSMo (Securities to be deposited by all companies, kind and amount).

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
US Treasury Notes	\$ 2,550,000	\$ 2,560,353	\$ 2,553,080

Deposits with Other States

The Company also has funds on deposit with other states to satisfy their statutory deposit requirements. Those funds on deposit as of December 31, 2009, were as follows:

<u>State</u>	<u>Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
Alabama	US Treasury Note	\$ 1,025,000	\$ 1,086,736	\$ 1,068,046
Arizona	US Treasury Note	105,000	105,099	105,254
Arizona	Money Market	1,313	1,313	1,313
Florida	US Treasury Note	260,000	260,091	260,485
Georgia	US Treasury Note	90,000	90,180	90,142
Idaho	US Treasury Note	255,000	258,338	255,304
Maine	US Treasury Note	305,000	306,238	305,368
Massachusetts	US Treasury Note	560,000	593,729	583,518
Nevada	US Treasury Note	205,000	217,347	213,609
New Hampshire	US Treasury Note	505,000	505,475	506,224
New Mexico	US Treasury Note	310,000	310,291	310,751
North Carolina	US Treasury Note	335,000	336,360	335,405
Oregon	US Treasury Note	310,000	310,109	310,578
	US Treasury Note	115,000	116,505	115,137
South Carolina	US Treasury Note	210,000	210,074	210,392
Virginia	US Treasury Note	510,000	510,179	510,951
Totals		<u>\$ 5,101,313</u>	<u>\$ 5,218,064</u>	<u>\$ 5,182,477</u>

Other Special Deposits

In addition to the funds on deposit with the various states, Caterpillar Insurance Company has other securities reported as special deposits. These deposits are not for the benefit of all policyholders. The deposits are funds held on joint deposit with banks to meet regulatory requirements for operations in foreign countries. The statement and market value of these securities at December 31, 2009, was \$2,040,716 and \$2,078,594, respectively.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2009, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 291,954,417	\$ -	\$ 291,954,417
Cash, cash equivalents and short-term investments	31,634,717	-	31,634,717
Receivables for securities	30,770	-	30,770
Investment income due and accrued	2,801,812		2,801,812
Uncollected premiums	2,823,368		2,823,368
Amounts recoverable from reinsurers	12,109,902	-	12,109,902
Net deferred tax asset	13,565,850	7,923,854	5,641,996
Guaranty funds receivable or on deposit	3,354		3,354
Receivables from parent, subsidiaries and affiliates	871,588	-	871,588
Aggregate write-ins for other than invested assets	1,515,598	16,953	1,498,645
Total Assets	\$ 357,311,376	\$ 7,940,807	\$ 349,370,569

LIABILITIES, SURPLUS AND OTHER FUNDS

	Current Year
Losses	\$ 19,503,216
Loss adjustment expenses	72,384
Other expenses	243,124
Current federal and foreign income taxes	7,933,332
Unearned premiums	181,467,773
Advance premium	97,810
Ceded reinsurance premiums payable	8,919,567
Payable to parent, subsidiaries and affiliates	2,554,005
Aggregate write-ins for liabilities	2,402,505
Total liabilities	\$ 223,193,716
Common capital stock	\$ 3,500,000
Gross paid in and contributed surplus	92,170,000
Unassigned funds (surplus)	30,506,853
Surplus as regards policyholders	\$ 126,176,853
Total Liabilities, Capital and Surplus	\$ 349,370,569

STATEMENT OF INCOME

	Current Year
Premiums earned	\$ 91,001,380
Losses incurred	61,763,514
Loss adjustment expenses incurred	398,443
Other underwriting expenses incurred	15,203,943
Aggregate write-ins for underwriting deductions	(6)
Total Underwriting deductions	77,365,894
Net underwriting gain or (loss)	\$ 13,635,486
Net investment income earned	11,237,165
Net realized capital gains or (losses) less capital gains tax	9,712
Net investment gain (loss)	\$ 11,246,877
Miscellaneous Income	268,193
Total other income	\$ 268,193
Net income before dividends, after capital gains tax and before FIT	\$ 25,150,556
Dividends to policyholders	-
Net gain from operations after dividends and before taxes	\$ 25,150,556
Federal and Foreign Income Tax	10,440,261
Net Income	\$ 14,710,295

CAPITAL AND SURPLUS

	Current Year
Surplus as regards policyholders; December 31 prior year	\$ 108,898,701
Net income	\$ 14,710,295
Change in net unrealized capital gains	(350,133)
Change in net unrealized foreign exchange capital gain	1,952,933
Change in net deferred income tax	1,698,950
Change in nonadmitted assets	(733,893)
Change in surplus as regards policyholders for the year	\$ 17,278,152
Surplus as regards policyholders; December 31 current year	\$ 126,176,853

COMMENTS ON THE FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

GENERAL COMMENTS OR RECOMMENDATIONS

There are no general comments or recommendations.

