STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Essentia Insurance Company as of December 31, 2006

ORDER

After full consideration and review of the report of the financial examination of Essentia Insurance Company for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Douglas M. Ommen, 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 Essentia 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 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 April 17, 2008.

DOUGLAS M. OMMEN, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE

ASSOCIATION FINANCIAL EXAMINATION OF

ESSENTIA INSURANCE COMPANY

AS OF

DECEMBER 31, 2006

FILED

APR 27 2008

DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Canton, Massachusetts
February 28, 2008

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

Honorable Merle Scheiber, Commissioner
South Dakota Division of Insurance
Secretary, Midwestern Zone, NAIC

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

Gentlemen:

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

Essentia Insurance Company

hereinafter referred to as such, as Essentia, or as the Company. Its administrative office is located at One Beacon Lane, Canton, Massachusetts, 02021, telephone number (781) 332-7000. This examination began on November 5, 2007, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Essentia was made as of December 31, 2004, and was conducted 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 association financial examination covered the period from January 1, 2005, through December 31, 2006, 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 the material transactions and/or events occurring subsequent to the examination date, which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed.

The examination was conducted concurrently with the examinations of affiliated insurance companies in OneBeacon Insurance Group, LLC (OneBeacon Group), which were performed by various other state insurance departments. The Pennsylvania Insurance Department was the lead state in the examinations of the pooled insurers of OneBeacon Group. Essentia is not one of the pooled insurers; however, the non-pooled and pooled insurers of OneBeacon Group are managed together as one company with common management, even though there are numerous legal entities. Workpapers, documents, and other information was provided by the Pennsylvania Insurance Department from its examination of the pooled companies in OneBeacon Group. We relied upon some of this information during our examination of Essentia.

The examiners relied upon information supplied by the Company's independent auditor, PricewaterhouseCoopers, LLP, of Boston, Massachusetts, for its audit covering the period from January 1, 2006, through December 31, 2006. Information relied upon included fraud risk assessment and legal representation letters.

Comments - Previous Examination

The previous financial examination of Essentia was conducted by the Missouri DIFP for the period ending December 31, 2004. There were no comments, recommendations, or notes to the financial statements in the previous examination report.

HISTORY

General

The Company was originally incorporated as American Central Insurance Company on April 27, 1979 and commenced business on January 1, 1983. The Company operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life). The Company's name was changed to Essentia Insurance Company on September 27, 2007.

Capital Stock

As of the examination date, the Company's Articles of Incorporation allowed for the issuance of 25,000 shares of common stock with a par value of $100 per share. As of December 31, 2006, all 25,000 shares were issued and outstanding to Pennsylvania General Insurance Company (Penn General) for a total capital stock balance of $2,500,000.

The Articles of Incorporation were amended on April 9, 2007 to increase the total amount of authorized common stock to 60,000 shares. A stock dividend of 20,000 shares was issued to Penn General on June 1, 2007. This increased the total shares issued and outstanding to 45,000 and increased the total capital stock balance to $4,500,000.

Dividends

There were no dividends declared or paid in 2005. The Company paid a cash dividend of $4,100,000 to Penn General in 2006. A stock dividend was issued in 2007, as explained in the Capital Stock section above.

Management

The management of the Company is vested in a Board of Directors which is appointed by the shareholders. The Company's Articles of Incorporation and Bylaws specify that the Board of Directors shall consist of at least nine, but no more than twenty-five members. Most of the insurance companies in OneBeacon Group, including Essentia, have the exact same Board of Directors. The Board of Directors appointed and serving, as of December 31, 2006, were as follows:

Name	Address	Principal Occupation and Business Affiliation [1]
T. Michael Miller	Chanhassen, MN	Chairman, President and Chief Exec. Officer
Alexander C. Archimedes	Bridgewater, NJ	Senior Vice President
Andrew C. Carnase	Norfolk, MA	Senior Vice President
Mark K. Dorcus	Guilford, CT	President, White Mountains Advisors, LLC
Thomas L. Forsyth [2]	Dover, MA	Senior Vice President and General Counsel
Paul H. McDonough	Wellesley, MA	Senior VP and Chief Financial Officer
Brian D. Poole	Wrentham, MA	Senior Vice President and Chief Actuary
Thomas N. Schmitt	Duxbury, MA	Senior VP and Chief Human Resources Officer
Roger M. Singer [3]	Belmont, MA	Senior Vice President

[1] All Directors employed by OneBeacon Insurance Company, unless otherwise noted
[2] Mr. Forsyth resigned effective February 19, 2007
[3] Mr. Singer resigned effective January 1, 2007

New directors appointed to fill vacancies in 2007 were as follows:

Name	Address	Position at One Beacon Insurance Company
Dana P. Hendershott	Milford, CT	Senior VP and Chief Administrative Officer
Jennifer E. Lawrence [4]	Boston, MA	Senior Vice President and General Counsel
Bradford W. Rich	Boston, MA	Senior Vice President and General Counsel

[4] Ms. Lawrence resigned, effective December 31, 2007

Committees

The Articles of Incorporation and Bylaws do not require and do not allow for the creation of any committees. Therefore, the Company did not have any committees, as of December 31, 2006.

Officers

Most of the insurance companies in OneBeacon Group, including Essentia, have the exact same officers. The senior officers elected by the Board of Directors and serving as of December 31, 2006, were as follows:

Officer	Position
T. Michael Miller	Chairman, President and Chief Executive Officer
Paul H. McDonough	Senior Vice President and Chief Financial Officer
Dana P. Hendershott	Senior Vice President and Chief Admin. Officer
Michael F. Natan	Senior Vice President and Chief Information Officer
Brian D. Poole	Senior Vice President and Chief Actuary
Thomas L. Forsyth [5]	Senior Vice President and General Counsel
Thomas N. Schmitt	Senior VP and Chief Human Resources Officer
Dennis R. Smith	Secretary
Frederick J. Turcotte [6]	Treasurer and Director of Tax
Ann M. Andrews	Controller
Alexander C. Archimedes	Senior Vice President
Andrew C. Carnase	Senior Vice President
Michael J. Daly	Senior Vice President
Eugene C. Fazzie	Senior Vice President
Michael R. Keane	Senior Vice President
Michael J. McSally	Senior Vice President
John M. Meuschke	Senior Vice President
Donald P. Nibouar	Senior Vice President
Roger M. Singer [7]	Senior Vice President

[5] Mr. Forsyth resigned, effective February 19, 2007

[6] Mr. Turcotte resigned as Treasurer, effective January 24, 2007, and was elected Assistant Treasurer, effective May 1, 2007. Mr. Turcotte resigned the Assistant Treasurer position, effective December 31, 2007.

[7] Mr. Singer resigned, effective January 1, 2007

New officers appointed to fill vacancies in 2007 were as follows:

Officer	Position
Jennifer E. Lawrence [8]	Senior Vice President and General Counsel
Todd C. Mills	Treasurer and Vice President
Kevin J. Rehnberg	Senior Vice President
Bradford W. Rich	Senior Vice President and General Counsel
Philip A. Sebilia	Senior Vice President

[8] Ms. Lawrence resigned, effective December 31, 2007

Conflict of Interest

The Company has a policy that requires all officers, directors, and certain designated employees to complete a conflict of interest statement each year. The responses to the conflict of interest statements were reviewed for the examination period. No significant exceptions were noted.

Corporate Records

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

The Company amended its Articles of Incorporation on April 9, 2007 to accomplish two changes. An Article was amended to change the principal place of business from Boston, Massachusetts to Canton, Massachusetts. A new home office for OneBeacon Group necessitated this change. Another Article was amended to increase the authorized number of shares of common stock from 25,000 to 60,000. The Company's filing for these amendments stated that the reason for increasing the authorized shares was to comply with the minimum capital requirements of certain states in which the Company is seeking to be licensed.

The Company also amended its Articles of Incorporation on July 24, 2007 to change its name from American Central Insurance Company to Essentia Insurance Company. The name change was made to facilitate the new business program described in the Territory and Plan of Operation section of this report.

The minutes of the Board of Directors' meetings and stockholder's meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

Acquisitions, Mergers and Major Corporate Events

American Employers' Insurance Company (AEIC) was the 100% direct parent of Essentia, as of the prior examination date, December 31, 2004. AEIC transferred 100% of its ownership of Essentia stock to Penn General, a parent company, in the form of an extraordinary dividend on June 30, 2005. The purpose of this transfer was to prepare AEIC to be sold from OneBeacon Group to an outside party, which occurred during 2007.

Surplus Debentures

No surplus debentures were issued or outstanding for the period under examination.

AFFILIATED COMPANIES

The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by an affiliate, OneBeacon Insurance Company, on behalf of Essentia Insurance Company for each year of the examination period. The Company is ultimately owned by White Mountains Insurance Group, Ltd.

The operations of the Company's significant parent companies are described as follows:

OneBeacon Insurance Group, LLC (OneBeacon Group) – A holding company that includes 19 insurance companies, including Essentia. Insurers in the OneBeacon Group write numerous property and casualty products in personal, commercial, and specialty lines of business. Nine of the insurers in the OneBeacon Group have an intercompany agreement to pool the combined operating results, assets, and liabilities. These nine pooled insurers represent most of the premium volume for OneBeacon Group. Essentia was included in the pooling agreement until it was removed in 2004.

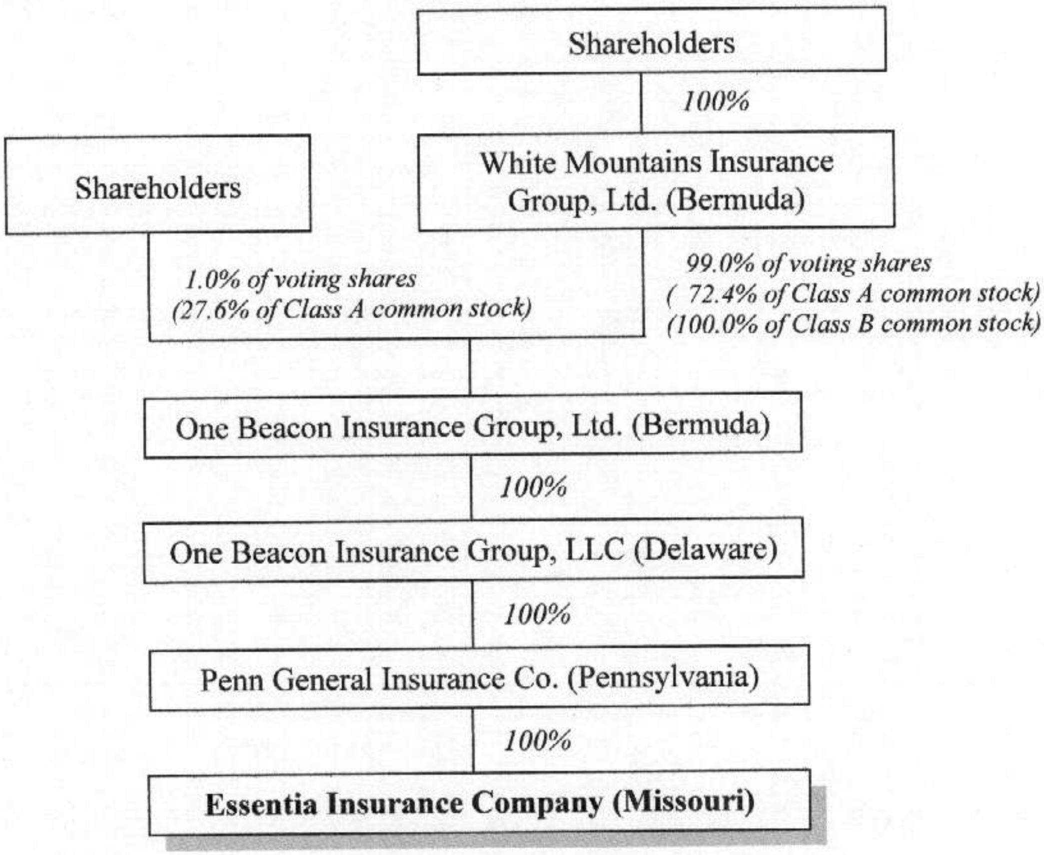
OneBeacon Insurance Group, Ltd. (OBIG, Ltd.) – A holding company consisting primarily of the OneBeacon Group insurance operations. The only other currently operational segment includes entities involved in financing activities. Essentia files a consolidated federal income tax return with one of the financing entities – Fund American Financial Services, Inc. The Class A common stock of OBIG, Ltd. is publicly traded. The Class B common stock, which represents 96.3% of the voting power, is owned by White Mountains Insurance Group, Ltd.

White Mountains Insurance Group, Ltd. (WMIG) – A publicly traded stock company that includes the OBIG, Ltd. segment and three other operational segments. A reinsurance segment provides reinsurance coverage for property, liability, accident and health, aviation, and marine risks through its reinsurance entities. The Esurance segment sells personal auto insurance directly through the internet and with online agents. The Other Operations segment consists mostly of a weather risk management business, variable annuity reinsurance business, and an investment management subsidiary, White Mountains Advisors, LLC, which provides services for Essentia.

There are no individuals or other entities that have a controlling interest in WMIG, in accordance with Section 382.010 RSMo (Definitions). This statute states that the power to vote 10% or more of the voting securities of an insurer must exist to establish control. There are shareholders of WMIG that own more that 10% of the outstanding stock, but the Bylaws limit the voting power of any shareholder to less than 10%, regardless of the actual percentage of shares owned.

Organizational Chart

Essentia Insurance Company has 11 layers of parent companies. The following table depicts the significant parent companies and ownership of the Company, as of December 31, 2006:



Intercompany Transactions

The Company's intercompany agreements in effect, as of December 31, 2006 and subsequent periods, are outlined below.

1. **Type:** Tax Allocation Agreement

   Affiliates: Fund American Financial Services, Inc. (Fund American) and numerous other entities

   Effective: December 31, 2001

   Terms: All of the parties to the Agreement will annually file a consolidated federal income tax return commencing with the 2001 tax year. Each entity's share of the consolidated tax liability or refund shall be calculated as the amount that would have been incurred if each entity would have filed a tax return on a stand-alone basis. The settlements of tax payments or refunds between each entity and Fund

American are to be made within 30 days of the date that the net consolidated payment is made to or received from the Internal Revenue Service.

2. **Type:** Investment Management Agreement

Affiliate: White Mountains Advisors, LLC (WMA)

Effective: November 14, 2006

Terms: WMA agrees to supervise and direct the Company's investments in accordance with the investment guidelines established by Essentia. WMA will also provide treasury management services which will include the following: executing investment transactions, settling intercompany and dividend transactions, settling quarterly tax liability transactions, provide valuations for securities, evaluate securities lending programs, and provide treasury transaction support to custodians and accounting service providers. An investment management fee equal to 0.01875% (0.075% annually) of the value of the investments under management will be paid on a quarterly basis to WMA. Essentia will also pay WMA a quarterly fee for treasury management services equal to 0.004375% (0.0175% annually) of the value of the investments under management.

Employees of an affiliate, OneBeacon Insurance Company (OBIC), provide administrative and management services to conduct the day-to-day business operations of Essentia. There currently is no written agreement for the services provided by OBIC employees, such as accounting, data processing, legal, tax preparation, and regulatory affairs. Essentia has not reimbursed OBIC and OBIC has not requested any compensation for the administrative and management services it has provided through the examination period and subsequent periods. The value of the services received from OBIC for these time periods is not deemed to be a material amount, although such amounts cannot be quantified.

The Company plans to begin writing direct business again by the end of the first quarter of 2008, as described in the Territory and Plan of Operations section of this report. In conjunction with the new business plans, the Company and OBIC have drafted an administrative services agreement. OBIC intends to provide the following services: policy development, policy administration, underwriting, loss settlement, purchasing, accounting, personnel, data processing, facilities management, and marketing. The agreement is scheduled to be finalized and submitted to the Missouri DIFP in early 2008.

The Company also has reinsurance agreements with affiliates. Refer to the Reinsurance section of this report for further information.

Intercompany Payments

The following table summarizes the payments made during the examination period, between Essentia and its affiliates, pursuant to intercompany agreements and other transactions.

		Net Paid / (Received)	
Affiliate	Agreement / Transaction	2005	2006
Fund American	Tax Allocation	$276,076	$ 390,123
White Mountains Advisors, LLC	Investment Management	96,596	124,514
Penn General	Dividend	0	4,100,000
TOTAL		$404,192	$4,662,637

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured, along with other subsidiaries of White Mountains Insurance Group, Ltd., on a financial institution bond that covers losses resulting from dishonest or fraudulent acts of employees. This bond has a liability limit of $20,000,000 with a $500,000 deductible, which exceeds the minimum coverage recommended by the NAIC. Essentia is also a named insured on the following insurance policies: workers' compensation and employment practices liability, general and umbrella liability, directors' and officers' liability, fiduciary liability, computer crime liability, and business automobile liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Essentia does not have any direct employees and thus, does not directly incur any expenses for employee benefits. Most of the Company's daily business operations are conducted by the employees of an affiliate, OneBeacon Insurance Company. No fees were paid to OBIC for administrative services provided during the examination period. An allocated portion of the benefit costs of OBIC employees will be paid by Essentia through a planned Administrative Services Agreement, which is scheduled to begin in 2008. Investment management services are provided by another affiliate, White Mountains Advisors, LLC, pursuant to an Investment Management Agreement. Both of these Agreements are described in the Intercompany Transactions section of this report.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP, as of December 31, 2006, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 379.098 RSMo (Securities Deposit). The funds on deposit as of December 31, 2006, were as follows:

Type of Security	Par Value*	Fair Value	Statement Value
U.S. Treasury Notes	$1,200,000	$1,517,194	$1,532,099

Deposits with Other States

The Company also has funds on deposit with other states. Those funds on deposit, as of December 31, 2006, were as follows:

State	Type of Security	Par Value*	Fair Value	Statement Value
Georgia	U.S. Treasury Notes	$100,000	$126,433	$127,675
Louisiana	U.S. Treasury Notes	20,000	25,287	25,535
New Mexico	U.S. Treasury Notes	325,000	410,907	414,943
South Carolina	U.S. Treasury Notes	150,000	189,649	191,512
Virginia	U.S. Treasury Notes	210,000	265,509	268,117
Total		$805,000	$1,017,785	$1,027,782

* Amounts listed are the par values, as of the acquisition date. The U.S. Treasury Notes are Treasury Inflation Protected Securities (TIPS), which have the principal amount adjusted on a daily basis value for changes in the Consumer Price Index.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

Essentia is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other than Life). As of December 31, 2006, the Company was licensed in a total of 37 states and the District of Columbia. However, the Company did not write any direct business during the examination period of 2005 and 2006, or the subsequent year of 2007. Management had planned to sell Essentia during 2007, but these plans were changed due to a new business opportunity.

The Company's upstream parent, OneBeacon Group, entered into a business relationship in April 2007 with Hagerty Insurance Agency, Inc. and Hagerty Classic Marine Insurance Agency, Inc. ("Hagerty Insurance Agency") of Traverse City, Michigan. Hagerty Insurance Agency sells property and liability insurance for classic and collectible autos and wooden boats throughout the United States. Under this arrangement, Essentia will be the direct insurer for the policies sold by Hagerty Insurance Agency commencing at the end of the 1st quarter of 2008. This new business is expected to generate direct written premiums in excess of $130 million per year.

Additional insurance licenses were necessary to accommodate the new business to be produced by the Hagerty Insurance Agency. The Company obtained licenses to write business in Illinois, Massachusetts, New Jersey, North Carolina, Ohio, Washington, and Wyoming during 2007. There are pending license applications in California, Florida, Minnesota, New Hampshire, and Rhode Island, which are expected to be approved in 2008. After the licensing efforts are completed, the Company intends to be licensed in all 50 states, except Alaska.

Policy Forms & Underwriting
Advertising & Sales Materials
Treatment of Policyholders

The Missouri DIFP has a market conduct staff that performs a review of these issues and generates a separate market conduct report. However, no market conduct examination reports were issued by the Missouri DIFP or any other states during the examination period or subsequent periods.

REINSURANCE

General

Essentia did not have any assumed or direct premiums during the exam period of 2005 and 2006. The last time that the Company issued new or renewal policies was in 2003. The Company had no in-force policies and zero net loss reserves, as of the examination date, December 31, 2006.

Assumed

Essentia did not assume any premiums during the exam period and there are no plans to assume business in the future.

Ceded

The Company had a 100% quota share reinsurance agreement with an affiliate, OneBeacon Insurance Company, effective January 1, 2004, which transferred all net liabilities incurred under policies of insurance issued before and after January 1, 2004. This agreement was terminated effective June 30, 2006, to correspond with the execution of another agreement, as described below.

The Company entered into a Transfer and Assumption Agreement with its direct parent, Pennsylvania General Insurance Company, effective June 30, 2006, to transfer all existing assets and liabilities to Penn General. One exception was that the Company would retain $11,000,000 in assets. The Transfer and Assumption Agreement states "(a)ll liabilities of every nature and description of American Central (Essentia) at the time of the Transfer and Assumption shall attach to and be assumed by Pennsylvania General and may be enforced against Pennsylvania General to the same extent as if such liabilities had been originally incurred or contracted by Pennsylvania General."

The purpose of the Transfer and Assumption Agreement was to essentially liquidate the Company to prepare it for sale to an unaffiliated buyer. An extraordinary dividend of $27,600,000 was approved by the Missouri DIFP to be paid to Penn General by November 30, 2006. This dividend would have reduced Essentia's assets and surplus to $11,000,000.

However, the plans to sell Essentia were cancelled in 2007 due to a new business opportunity. This new opportunity is an arrangement to be the exclusive insurer for the classic and collectible car and wooden boat policies sold by the Hagerty Insurance Agency. This business is scheduled to commence at the end of the 1st quarter of 2008. The extraordinary dividend of $27,600,000 was never paid to Penn General in order to keep Essentia well capitalized for the new business to be produced by Hagerty Insurance Agency.

As a result of the new business starting in 2008, the Company executed a quota share agreement with OneBeacon Insurance Company, effective May 1, 2007. The terms of the agreement require Essentia to retain 10% of all new and renewal business written and the remaining 90% of risks will be ceded to OneBeacon Insurance Company. This will be the Company's only active reinsurance 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

The CPA firm, PricewaterhouseCoopers, LLP, of Boston, Massachusetts, issued audited statutory financial statements of the Company for both years in the examination period.

The actuarial opinion regarding the Company's reserves for losses and loss adjustment expenses (LAE), as of December 31, 2005, was issued by Maryellen J. Coggins, FCAS, MAAA, of PricewaterhouseCoopers, LLP in Boston, Massachusetts. The actuarial opinion regarding the Company's reserves for losses and LAE, as of December 31, 2006, was issued by Brian D. Poole, FCAS, MAAA, a Senior Vice President and Chief Actuary of OneBeacon Group. Essentia reported $0 of loss and LAE reserves, as of December 31, 2005 and 2006.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Essentia Insurance Company for the period ending December 31, 2006. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements." 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 "Notes to the Financial Statements." 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 Annual Statement item.

Assets
as of December 31, 2006

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$35,500,787	$ 0	$35,500,787
Cash and Short-Term Investments	3,039,957	0	3,039,957
Investment Income Due and Accrued	388,176	0	388,176
Guaranty Funds Receivable	63	0	63
TOTAL ASSETS	**$38,928,983**	**$ 0**	**$38,928,983**

Liabilities, Surplus and Other Funds
as of December 31, 2006

Losses	$ 0
Loss Adjustment Expenses	0
Other Expenses	33,870
Current Federal Income Taxes	132,000
Net Deferred Tax Liability	3,477
Payable to Parent, Subsidiaries and Affiliates	7,602
TOTAL LIABILITIES	**$ 176,949**
Common Capital Stock	2,500,000
Gross Paid In and Contributed Surplus	27,255,000
Unassigned Funds (Surplus)	8,997,034
Capital and Surplus	**$38,752,034**
TOTAL LIABILITIES AND SURPLUS	**$38,928,983**

Summary of Operations
For the Year Ended December 31, 2006

Premium Earned	**$ 0**
DEDUCTIONS:	
Losses Incurred	0
Loss Expenses Incurred	0
Other Underwriting Expenses Incurred	0
Total Underwriting Deductions	**$ 0**
Net Underwriting Gain	**$ 0**
Net Investment Income Earned	1,683,940
Net Realized Capital Gains	18,769
Net Investment Gain	**$ 1,702,709**
Other Income	0
Federal Income Taxes Incurred	469,123
Net Income	**$ 1,233,586**
CAPITAL AND SURPLUS ACCOUNT:	
Surplus as Regards Policyholders, December 31, 2005	$41,572,497
Net Income	1,233,586
Change in Net Unrealized Capital Gains or (Losses)	28,835
Change in Net Unrealized Foreign Exchange Capital Gain	6
Change in Net Deferred Income Tax	(32,122)
Change in Non-Admitted Assets	49,232
Dividends to Stockholders	(4,100,000)
Surplus as Regards Policyholders, December 31, 2006	**$38,752,034**

Notes to the Financial Statements

None.

Examination Changes

None.

General Comments and/or Recommendations

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Essentia Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Shannon Schmoeger, CFE, examiner for the Missouri DIFP, participated in this examination.

VERIFICATION

State of Missouri)
)
County of Boone)

I, Tim L. Tunks, 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 Essentia 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.

Tim L. Tunks

Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri DIFP

Sworn to and subscribed before me this 28th day of February, 2008.

My commission expires: March 12, 2009 Judy A. Weitkemper
Notary Public

NOTARY PUBLIC STATE OF MISSOURI NOTARY SEAL

JUDY A. WEITKEMPER
My Commission Expires
March 12, 2009
Boone County
Commission #05501326

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.

Vicki L. Denton

Vicki L. Denton, CFE
Acting Audit Manager
Missouri DIFP