STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of First Marine Insurance Company

ORDER

After full consideration and review of the report of the financial examination of First Marine 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, December 31, 2009 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 26th day of May, 2011.

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

REPORT OF THE

ASSOCIATION FINANCIAL EXAMINATION OF

FIRST MARINE 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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Amelia, Ohio
May 20, 2011

Honorable Joseph Torti, III, Deputy Director and
Superintendent of Banking and Insurance
Rhode Island Department of Business Regulation
Chair, NAIC Financial Condition (E) Committee

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Midwestern Zone Secretary

Honorable John M. Huff, 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

First Marine Insurance Company

hereinafter referred to as such, as First Marine, or as the Company. Its administrative office is located at 7000 Midland Boulevard, Amelia, Ohio 45102, telephone number 800-543-2644-5478. This examination began on September 1, 2010, and was completed on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of First Marine Insurance Company was made as of December 31, 2005, and was conducted by examiners from the State of Missouri, representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope association risk-based financial examination covered the four year period from January 1, 2006 through December 31, 2009, and was conducted by examiners from the State of Missouri. The current examination was conducted in conjunction with the Ohio Insurance Department's (OID) examination of the Company's direct parent, American Modern Home Insurance Company (AMH) and other AMH's Ohio domiciled subsidiaries: American Modern Surplus Lines Insurance Company, American Modern Life Insurance Company and American Modern Select Insurance Company. In addition, the examination was conducted concurrently with the examination of other affiliates of the Company by the Insurance Departments of their respective states of domicile, American Modern Lloyd's Insurance Company (TX), American Western Home Insurance Company (OK) and American Southern Home Insurance Company (FL), in combination representing the Midwestern, Southeastern and Western Zones of the National Association of Insurance Commissioners (NAIC).

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 (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 Handbook requires that the DIFP plan and perform the examination to evaluate the financial condition and identify prospective risks of First Marine by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. The State of Ohio was the lead state in the examination by virtue of it being the domiciliary state of the Company's parent and various other affiliates. Accordingly, the DIFP examiners relied on the work of the OID examiners in the aforementioned examination objectives.

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 Company intentionally stopped writing new direct business in the first quarter of 2010. According to information provided by the Company, this was done to rectify compatibility problems that made it difficult for the Company's information technology system to interact with those of the parent company and business partners. The Company, through its parent company, is working to remediate the identified issues. In the interim, in addition to not writing new direct business, renewals of existing policies are been written on other affiliate's paper. The Company projects that the remediation and conversion of the information technology system will be completed in 2011 and intends to introduce new products by 2012, at which time it will begin writing direct business. The Company's current source of premium income is through its participation in an intercompany reinsurance pool agreement.

HISTORY

General

First Marine Insurance Company was incorporated on May 12, 1982 and commenced business on August 2, 1982 under Chapter 379 RSMo, (Insurance Other than Life). The Company's only line of business is inland marine insurance. First Marine Insurance Company is a wholly owned subsidiary of First Marine Financial Services, Inc. (FMFS). FMFS was purchased by American Modern Home Insurance Company, an Ohio domestic in January 2008.

Capital Stock

Pursuant to Article IV of its Articles of Incorporation, the Company is authorized to issue 2,500,000 shares of $1 par value common stock. As of December 31, 2009, all 2,500,000 shares were issued for an outstanding balance of $2,500,000 in the Company's capital account. All shares of common stock are owned entirely by First Marine Financial Services, Inc.

Dividends

No dividends or other non-cash distributions were made or declared during the examination period.

Acquisitions, Mergers and Major Corporate Events

The Company's parent was the subject of an acquisition during the period under examination. In prior years, ownership of the Company was held by one stockholder parent company, First Marine Financial Services, Inc., which in turn was wholly owned by two individuals, James and Lois Muff. On January 6, 2008, the DIFP approved the sale of First Marine Financial Services, Inc., to American Modern Home Insurance Company, an Ohio domestic pursuant to a stock purchase agreement between the parties dated November 30, 2007. The sale was finalized and became effective on January 15, 2008.

AMH's ultimate parent at the time was The Midland Company, an Ohio domiciled company. The Midland Company was subsequently acquired by Munich American Holding Company on April 3, 2008. Munich American Holding Company is wholly owned by Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Re) a German domiciled Company. [see more details in the Holding Company, Subsidiaries and Affiliates section of this report].

CORPORATE RECORDS

The examination reviewed the Company's Articles of Incorporation and Bylaws for the examination period. Neither the Articles of Incorporation nor the Bylaws were amended during the period under examination.

The minutes of the Company's Board of Directors, sole shareholder, and committee meetings were reviewed for proper approval of corporate transactions and events. In general, the minutes appear to properly reflect and approve the Company's major 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 appointed by the sole shareholder. The Company's Bylaws specify that the Board of Directors shall consist of at least nine but no more than twenty-five individuals. The members of Board of Directors elected and serving as of December 31, 2009 were as follows:

Name	Address	Occupation and Business Affiliation
Anthony J. Kuczinski*	Doylestown, PA	Chairman, First Marine
John W. Hayden*	Cincinnati, OH	Vice Chairman and CEO, First Marine
W. Todd Gray	Cincinnati, OH	President, First Marine
Michael Flowers	Cincinnati, OH	Vice President and Secretary, First Marine
Paul F. Gelter	Cincinnati, OH	Senior Vice President, American Modern Home Insurance Company
James P. Tierney	Cincinnati, OH	Senior Vice President, First Marine
Matthew J. McConnell	Cincinnati, OH	Treasurer, First Marine
Charles S. Griffith, III	Cincinnati, OH	Senior Corporate Counsel, The Midland Company
Jürgen E. Kammerlohr	Villa Hills, KY	Senior Vice President, First Marine

* At the Special Shareholder meeting of the Board on February 15, 2010, John W. Hayden was elected as the Chairman and CEO, replacing Anthony J. Kuczinski who resigned. At the same meeting, Daniel J. Gilene was elected to the Board to fill the vacancy left by Anthony J. Kuczinski's resignation.

Committees

The Company's Bylaws authorize an Executive Committee, a Finance Committee and an Audit Committee each with three members of the Board serving as members. As of December 31, 2009, the following individuals were appointed and serving on the committees:

Audit Committee	Executive & Finance Committee
Charles S. Griffith, III	John W. Hayden
Matthew J. McConnell	W. Todd Gray
Paul F. Gelter	James P. Tierney

Officers

Pursuant to the Company's Bylaws, the officers of the Company shall be a Chairman of the Board of Directors, a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers and assistants as deemed necessary. The officers elected and serving as of December 31, 2009 were as follows:

other officers and assistants as deemed necessary. The officers elected and serving as of December 31, 2009 were as follows:

Anthony J. Kuczinski*	Chairman of the Board
John W. Hayden*	Vice Chairman of the Board & CEO
W. Todd Gray	President
Matthew M. McConnell	Treasurer
James P. Tierney	Senior Vice President
Jürgen E. Kammerlohr	Senior Vice President
Michael Flowers	Vice President & Secretary
Craig R. Smiddy	Vice President

Holding Company, Subsidiaries and Affiliates

First Marine Insurance Company is a member of an insurance holding company in accordance with the provisions of Section 382.010 RSMo, (Definitions). In prior years, ownership of the Company was held by one stockholder parent company, First Marine Financial Services, Inc., which in turn was solely owned by two individuals, James and Lois Muff. The ownership of First Marine changed hands in January of 2008 after First Marine Financial Services, Inc. was purchased by AMH.

AMH is a wholly owned subsidiary of American Modern Home Insurance Group, Inc., an Ohio corporation, which in turn is a wholly owned subsidiary of Midland-Guardian Company (Midland-Guardian), also an Ohio corporation. Midland-Guardian Company is a wholly owned subsidiary of The Midland Company. Effective April 3, 2008, the Midland Company became a wholly owned subsidiary of Munich-American Holding Corporation, a Delaware corporation, which is in turn wholly owned by Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (Munich Re).

Munich Re is the ultimate controlling entity of First Marine by virtue of its ownership of the immediate parent company. Munich Re is a reinsurance company based in Munich, Germany. It is one of the world's leading reinsurers. In addition to reinsurance operations, Munich Re has a primary insurance division, asset management and health care division.

Munich Re's shares are listed on all German stock exchanges and on the Xetra electronic trading system. Munich Re is included in the DAX index at the Frankfurt Stock Exchange and the Euro Stoxx 50. As of December 31, 2009, Munich Re reported equity of 21 billion Euros, net income of 1.5 billion Euros, and overall positive cash flow.

Organizational Chart

The following depicts the relevant portion of First Marine's holding company structure, as of December 31, 2009:

- Munich Re
  - Munich-American Holding Corporation
    - The Midland Company
      - Midland-Guardian Company
        - American Modern Insurance Group, Inc.
          - American Modern Life Insurance Company
          - Southern Pioneer Life Insurance Company
          - Union Life Insurance Company
          - Quachita Life Insurance Company
          - Capital Life & Accident Insurance Company
          - Hyneman Life Corp.
          - Arkansas Life Insurance Company
      - American Modern Home Insurance Company
        - American Modern Lloyds Insurance Company
        - First Marine Financial Services
          - **First Marine Insurance Company**
        - American Western Home Insurance Company
          - Modern Life Insurance Company of Arizona
        - American Southern Home Insurance Company
          - American Modern Insurance Company of Florida, Inc.
        - American Modern Select Insurance Company
      - American Modern Family Home Insurance Company
        - American Modern Surplus Lines Insurance Company

Intercompany Transactions

The Company's intercompany agreements as of December 31, 2009 are outlined below.

1. **Type:** General Services and Cost Allocation Agreement

   Affiliates: Munich-American Holding Corporation and its subsidiaries

   Effective: August 1, 2009.

   Terms: Various departmental services are to be allocated including but not limited to: accounting, tax, auditing, underwriting, claims services and functional support services including actuarial services, information technology, telecommunications services, electronic data processing services, facilities and integration, legal services, purchasing, payroll, human resources, corporate finance and planning, public relations, data collection, executive intellectual property, engineering, loss mitigation and inspection services, and other services as agreed. Compensation for providing the services shall be based on the actual cost of the services provided. Group members shall maintain an activity based cost accounting system under which expenses are accumulated in accordance with statutory accounting principles and such other applicable customary insurance industry accounting practices consistently applied. Indirect and shared expenses shall be allocated or apportioned to the lines of business consistent with the provisions of SSAP #70 (Allocation of Expenses). Expenses will be invoiced within 30 days of the end of each quarter with payment due within 60 days of invoicing.

2. **Type:** Investment Management Agreement

   Affiliate: MEAG New York Corporation (MEAG) and The Midland Company and insurance affiliates, including First Marine

   Effective: May 28, 2008

   Terms: MEAG will provide First Marine Insurance Company and other affiliated insurance companies (the Client) various investment management services with respect to the Client's account and the cash, securities or other property contained in the Client's account from time to time and to execute all documentation on the Client's behalf necessary to facilitate investment in securities for the Client account. For services rendered, MEAG will charge each client a fee based on the market value of the fixed income portfolio and equity portfolio under management as described in Exhibit B of the agreement. The fee shall be calculated quarterly based on the market value of the managed portfolio on the last day of the previous quarter. The fee shall be payable quarterly in advance within 60 calendar days of the first date of each quarter.

3. **Type:** Intercompany Tax Allocation Agreement

Affiliates: Munich-American Holding Corporation (MAHC) and certain affiliates, including First Marine.

Effective: September 1, 2008

Terms: MAHC shall prepare and file all MAHC consolidated returns and all MAHC combined returns. Each subsidiary shall pay to MAHC an amount equal to the total of such company's separate federal and state income tax liability computed as if such company will be filling a separate tax return. Payments by the direct subsidiaries to MAHC shall be made on or before the 15th day of each April, June, September and December.

The Company is also a party to an intercompany Reinsurance Pooling Agreement with its parent and other affiliated insurance companies. This agreement is discussed in detail in the Reinsurance section of this report.

The amounts paid to and (received) from parent and affiliates during the years 2008 and 2009 were as follows:

Agreement	**2009**	**2008**
General Services and Cost Allocation Agreement	$ 18,250	$ 350,370
Investment Management Agreement	4,136	1,942
Tax Allocation Agreement	8,200	137,900
Net Amount Paid or (Received)	$30,586	$490,212

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a crime insurance policy maintained by its upstream parent, Munich-American Holding Corporation. The policy provides fidelity coverage with a liability limit of $25 million and a $1 million deductible. This level of fidelity coverage complies with the suggested minimum amount of insurance according to NAIC guidelines.

The Company is also a named insured on the directors and officers coverage and errors and omissions insurance policy issued to the ultimate parent, Munich Re.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

First Marine Insurance Company has no direct employees. The Company's business operations are performed by employees of Munich-American Holding Corporation in accordance with the provisions of a General Services and Cost Allocation Agreement that is described in greater detail in the Intercompany Transactions section of this report. All employees are considered employees of only one affiliate, Munich-American Holding Corporation.

Munich-American Holding Corporation provides a variety of standard benefits to its employees, which include, but are not limited to, health coverage, life insurance, paid time off, a 401(k) plan and a defined contribution plan. The Company appear to have made provisions in its financial statements for its share of these costs.

TERRITORY AND PLAN OF OPERATION

General

First Marine Insurance Company is licensed in the State of Missouri under Chapter 379 RSMo, (Insurance Other than Life). As of December 31, 2009, the Company was also licensed in the following 24 states:

Arkansas	Kentucky	Nevada	Tennessee
Colorado	Louisiana	New Mexico	Texas
Illinois	Minnesota	North Dakota	Utah
Indiana	Mississippi	Oklahoma	Washington
Iowa	Montana	Oregon	Wisconsin
Kansas	Nebraska	South Dakota	Wyoming

As of December 31, 2009, the Company wrote a single line of business, inland marine. The Company insured non-commercial property risks that were separated into either a Yacht Program or a Motorboat Program depending on the motor type and insured value. Coverage varied under each program with insured limits of $1,000,000 for the Yacht Program and $125,000 for the Motorboat Program.

The Company intentionally stopped writing new direct business in the first quarter of 2010. According to information provided by the Company, this was done to rectify compatibility problems that made it difficult for the Company's information technology system to interact with those of the parent company and business partners. The Company, through its parent company, is working to remediate the identified issues. In the interim, in addition to not writing new direct business, renewals of existing policies are been written on other affiliate paper. The Company projects that the remediation and conversion of the information technology system will be completed in 2011 and intends to introduce new products by 2012, at which time it will begin writing direct business. The company's current source of premium income is through its participation in an intercompany reinsurance pool agreement.

COMPANY GROWTH

The Company's total asset was flat to declining during the examination after its acquisition from \$9.6 million in 2008 to \$9.5 million in 2009. During the same period, policyholder's surplus increased from \$5.1 million as of December 31, 2008 to \$5.3 million at year-end 2009.

The Company's premium income was affected by its acquisition by AMH in 2008, after which it became a participant in a related party reinsurance pooling agreement. The Company's direct premium written declined from \$2.1 million as of December 31, 2007 to \$1.3 million at year-end 2009. As a result of the Company's participation in the reinsurance pool, its assumed reinsurance premium increased from \$0 as of December 31, 2007 to \$3.9 million at year-end 2009. Net written premium grew from \$878k at year-end 2007 to \$3.9 million at year-end 2009.

The Company's direct written premium began to decline in 2008 after its acquisition by the current parent and the Company intentionally stopped writing new business and renewals of existing policies during the first quarter of 2010. As noted in the Subsequent Event section of this report, this action was necessitated by information technology conversion problems the Company encountered in integrating its system into those of its parent company following its acquisition.

The Company reported a Risk-based Capital (RBC) ratio of 1,160.8% at year-end 2009, an increase from 1,005.0% at year-end 2008. This high level of RBC ratio reflects the decrease in premium activity as noted above.

LOSS EXPERIENCE

During the period under examination, the Company's profitability was mixed, ranging from net losses in 2007 and 2008 to a net income in 2009.

The Company's combined ratio improved from a high of 180.8% at year-end 2007 to 97.7% as of December 31, 2009. The improvement in loss ratio results significantly from gains in expense ratios which declined from 120.2% in 2007 to 46.3% in 2009. This significant improvement in expense ratio most probably resulted from gains inherent in sharing costs and expenses with its parent company pursuant to the intercompany agreements currently in effect.

REINSURANCE

General

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

	2009	2008	2007	2006
Direct Business	$1,343,056	$1,690,829	2,137,011	2,420,044
Reinsurance Assumed:				
Affiliates	3,874,032	6,062,653	0	0
Non-affiliates	0	0	0	0
Reinsurance Ceded:				
Affiliates	(1,343,056)	(2,634,517)	(1,258,795)	(1,373,405)
Non-affiliates	0	(527,228)	0	0
Net Written Premiums	**$3,874,032**	**$4,591,737**	**$878,216**	**$1,046,639**

Pooling

As stated in the Intercompany Transactions section of this report, the Company entered into a Quota Share Reinsurance Pooling Agreement effective January 1, 2008 with its parent, American Modern Home Insurance Company and the following affiliates: American Family Home Insurance Company, American Western Home Insurance Company, American Southern Home Insurance Company, American Modern Select Insurance Company, American Modern Surplus Lines Insurance Company and American Modern Insurance Company of Florida. Per the Agreement, each subsidiary is required to cede 100% of its direct and assumed business to AMH, the parent and lead insurer in the intercompany pool.

AMH as the lead insurer 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 Quota Share Reinsurance Pooling Agreement. The percentages as of the December 31, 2009, reflecting the Fifth Amendment to the Quota Share Reinsurance agreement were as follows:

American Modern Home Insurance Company	47.5%
American Family Home Insurance Company	27.0%
American Western Home Insurance Company	9.0%
American Southern Home Insurance Company	4.0%
American Modern Select Insurance Company	5.0%
American Modern Surplus Lines Insurance Company	5.0%
American Modern Insurance Company of Florida	2.0%
First Marine Insurance Company	0.5%
TOTALS	100.0%

Assumed

The Company's only assumed business is from its participation in the intercompany reinsurance pooling agreement described above.

Ceded

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.

The Company cedes 100% of its direct business to its parent, American Modern Home Insurance Company, pursuant to the above described Quota Share Reinsurance Pooling Agreement. Additionally, the Company is a named reinsured on the following reinsurance agreements with the affiliate member pooled companies: Recreational Vehicle Underlying Property Per Risk, Property Per Risk, Non-Admitted Excess Casualty, Marine Liability Excess of Loss, Casualty Excess of Loss and Property Catastrophe.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institution and Professional Registration as of December 31, 2009, as reflected below, were sufficient in par and market value to meet the deposit requirement for the State of Missouri in accordance with Section 379.098 RSMo, (Insurance other than life – securities to be deposited). The funds on deposit were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Note	$1,600,000	$1,605,568	$1,598,813
U.S Treasury Note	500,000	526,290	499,944
Totals	$2,100,000	$2,131,858	$2,098,757

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2009, were as follows:

State	Type of Security	Par Value	Fair Value	Statement Value
Nevada	U.S. Treasury Note	\$200,000	\$205,984	\$204,620
New Mexico	U.S. Treasury Note	110,000	110,971	110,776
Oklahoma	U.S. Treasury Note	110,000	111,456	110,555
Total		\$420,000	\$428,411	\$425,951

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements for the years 2006 and 2007 were audited by the CPA firm of Williams Keepers LLC, of Columbia, Missouri. The financial statements for the year 2008 were audited by the CPA firm of Deloitte and Touche of Cincinnati, Ohio and the financial statements of the year 2009 were audited by the CPA firm of KPMG, LLP of Columbus, Ohio. The frequent change of independent auditors for the years under examination was due to the acquisition of the Company by its current parent company.

Appointed Actuary

Loss reserves of the Company were reviewed and certified by Robert F. Scott, Jr. FCAS, MAAA of CAI Casualty Actuaries, Inc., St. Louis, Missouri for the years 2006 and 2007. Loss reserves were reviewed and certified by Jeffery J. Scott, FCAS, MAAA of Mercer Oliver Wyman Actuarial Consulting, Inc., Columbus, Ohio for the exam years 2008 and 2009.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of First Marine Insurance Company for the period ending December 31, 2009. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on 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 "Comments on 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

	Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$5,093,164		$5,093,164
Cash and short-term Investments	1,449,572		1,449,572
Investment Income Due and Accrued	25,991		25,991
Uncollected Premiums and Agents' Balances in the Course of Collection	161,106		161,106
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and not yet Due	4,965	$1,161	3,804
Amounts Recoverable from Reinsurers	(49,828)		(49,828)
Funds Held by or Deposited with Reinsured	2,652,251		2,652,251
Net Deferred Tax Asset	151,652	33,492	118,160
TOTAL ASSETS	**$9,488,873**	**$34,653**	**$9,454,220**

Liabilities, Surplus and Other Funds

Losses	$763,534
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	124,613
Loss Adjustment Expenses	99,851
Commissions Payable	5,487
Other Expenses	1,047
Taxes, Licenses and Fees	170,866
Current Federal Income Taxes	24,885
Unearned Premiums	1,788,866
Ceded Reinsurance Premiums Payable	101,617
Funds Held by Company Under Reinsurance Treaties	1,041,220
Payable to Parent, Subsidiaries and Affiliates	552
Aggregate Write-Ins for Liabilities:	
Unclaimed Property	10,360
TOTAL LIABILITIES	**$4,132,898**
Common Capital Stock	2,500,000
Gross Paid in and Contributed Surplus	2,691,000
Unassigned Funds (Surplus)	130,322
Surplus as Regards Policyholders	**$5,321,322**
TOTAL LIABILITIES AND SURPLUS	**$9,454,220**

Summary of Operations

Underwriting Income

Premiums Earned	**$4,180,173**
Losses Incurred	1,915,394
Loss Adjustment Expenses Incurred	231,636
Other Underwriting Expenses Incurred	1,794,432
Total Underwriting Deductions	**$3,941,462**
Net Underwriting Gain/(Loss)	**$238,711**

Investment Income

Net Investment Income Earned	131,270
Net Realized Capital Gains or (Losses)	8,369
Net Investment Gain or (Loss)	**$139,639**

Other Income

Finance and Service Charges not Included in Premiums	2,955
Total Other Income	**$2,955**
Net Income Before Dividends to Policyholders and Federal Income Taxes	$381,305
Federal and Foreign Income Taxes Incurred	(108,675)
Net Income or (Loss)	**$272,630**

Capital and Surplus Account

Capital and Surplus, December 31, 2008	$5,062,114
Net Income or (Loss)	272,630
Change in Nonadmitted Assets	10,016
Change in Net Deferred Income Tax	(23,437)
Net Change in Capital and Surplus	**$259,209**
CAPITAL AND SURPLUS, DECEMBER 31, 2009	**$5,321,323**

CHANGES IN FINANCIAL STATEMENTS RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENTS

None

SUMMARY OF RECOMMENDATIONS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of First Marine Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Barbara Bartlett, CPA, CFE, examiner for the Missouri Department of Insurance, Financial Institutions and Professional Registration also participated in this examination. Timothy Carroll, Computer Audit Specialist for the Missouri Department of Insurance, Financial Institutions and Professional Registration, performed a review of the information system environment.

VERIFICATION

State of Missouri)
)
County of)

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 the 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 5th day of May, 2011.

My commission expires: 5-14-12

Linda S Schroer
Notary Public

LINDA S. SCHRO...
Notary Public - Notary Se...
STATE OF MISSOURI
Cole County
My Commission Expires May 1...

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.

Mark Nance, CPA, CFE
Audit Manager
Missouri Department of Insurance, Financial Institutions and Professional Registration