STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Gateway Insurance Company for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Gateway Insurance Company for the period ended December 31, 2011, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Gateway Insurance Company as of December 31, 2011, be and is hereby ADOPTED as filed and for Gateway Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 16th day of May, 2013.

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

REPORT OF

FINANCIAL EXAMINATION

Gateway Insurance Company

As of:

DECEMBER 31, 2011

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

April 9, 2013

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

Director Huff:

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

Gateway Insurance Company

hereinafter referred to as such or as "Gateway" or as the "Company." The Company's main administrative office is located at 1401 S. Brentwood Blvd., Ste. 1000, St. Louis, MO 63144-1416, telephone number (314) 373-3333. This examination began on August 13, 2012 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of Gateway. The last examination was completed as of December 31, 2007. This examination covers the period of January 1, 2008 through December 31, 2011. This examination also included material transactions or events occurring subsequent to December 31, 2011.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, 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, Premiums, Reserves, Reinsurance, Taxes, Claims Handling, and Underwriting.

The examiners relied upon information and workpapers provided by the Company's independent auditor, Brown Smith Wallace LLC, for its audit covering the period from January 1, 2011, through December 31, 2011. Such reliance included fraud risk analysis, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT FINDINGS

Loss and LAE Reserves

The Company's reserve development as reported for the last two years was far better than the industry average; however this examination determined that the reserves were significantly deficient. Almost half of that deficiency was recognized through the September 30, 2012, quarterly statement, and the entire amount of the deficiency was recognized through the December 31, 2012, Annual Statement as the Company continued to strengthen reserves in the fourth quarter of 2012.

Pursuant to a contract with the DIFP, Jon W. Michelson, FCAS, MAAA, reviewed the underlying actuarial assumptions and actuarial methods used by the Company's opining actuary in determining actuarial liabilities and related items. He also reviewed subsequent loss and loss adjustment expense activity through September 30, 2012. After his review of the appointed actuary's 2011 year end analysis, and taking into account subsequent activity, he determined that the loss and loss adjustment expense reserves were understated by $7,979,000.

It is noted that the trucking line, which has been discontinued, and the workers compensation line, which has subsequently been discontinued and ceded, together contributed approximately 79% of the reserve deficiency: 37.5% trucking, and 41.5% workers compensation. But even the core taxi line of business was deficient, contributing 21% of the reserve deficiency.

RBC

The Company's risk based capital (RBC) has changed dramatically over the last several years going from a high in 2008 of 1094% to 466% in 2011. If capital were adjusted for the reserve deficiency the RBC for 2011 would be 239%, a marginal level.

Based upon the Company's actual full year 2012 results (which includes the adverse development as indicated above), the RBC at year end 2012 is 298%. After the purchase of the Company on January 1, 2013, and taking into account the previously approved extraordinary dividend, the quota share reinsurance of the workers' compensation business, the pooling of Gateway's business with the other insurers in the ASI Pool, and the planned additional capital injection into Gateway by Atlas, the Company projects Gateway's RBC will be 450% by year end 2013.

SUBSEQUENT EVENTS

The Company's Long-Haul Truck program was placed into runoff effective May 1, 2012.

On July 17, 2012, Camelot Services Inc. contributed $6 million of paid in surplus to the Company in order to increase overall surplus levels.

In a Form A filing with the DIFP, Atlas Financial Holdings, Inc., (Atlas), a Cayman Islands holding company, acquired all of the issued and outstanding shares of the Company's direct parent, Camelot Services, Inc., effective January 1, 2013. As a result of this change in ownership, management will focus on historically profitable lines of business and run off non-core lines and books produced by its independent retail agents. Gateway's taxi business was integrated into an intercompany reinsurance pooling agreement with American Service Insurance Company Inc. and American Country Insurance Company (both Illinois domiciled insurers held by Atlas). Those companies specialize in commercial auto liability insurance for the "light" commercial auto segment of taxis, limos, and non-emergency paratransit vehicles business.

The Company's workers compensation business was ceded to White Rock Insurance (SAC) Ltd., a subsidiary of AON, in conjunction with the Form A filing. Gateway will continue to provide transitional support services for the workers compensation business pursuant to an expense reimbursement agreement with Hendricks Holding Company, Inc. (Hendricks).

Also in conjunction with the Form A filing, the Company made an extraordinary dividend of $6 million to Camelot Services, Inc. The dividend was subsequently passed on to Hendricks.

COMPANY HISTORY

General

The Company was originally chartered on August 28, 1946, as a mutual insurance company under the title, Group Casualty Underwriters, Incorporated. The Company remained dormant until November 15, 1955, when the former principals of Laclede Cab Company obtained management control and reorganized the Company as a vehicle to provide insurance coverage for Laclede Cab Company. On December 15, 1955, the articles of incorporation were amended changing the name of the Company to Group Underwriters Mutual Insurance Company.

On December 1, 1986, Group Underwriters Mutual Insurance Company was converted to a stock company and merged into Group Casualty Underwriters Insurance Company. Group Casualty Underwriters Insurance Company was incorporated on May 21, 1986, and on December 1, 1986, received its Certificate of Authority to operate under the provisions of Chapter 379 RSMo (Insurance Other than Life). The Company adopted its current name, Gateway Insurance Company, on August 1, 1991.

On August 29, 2000, Mid-American General Agency, Inc., the owner of 100% of the stock of Gateway Insurance Company purchased all the outstanding stock of CIE Service Corporation, the Attorney-In-Fact for Casualty Indemnity Exchange, a Missouri domiciled insurance exchange. CIE Service Corporation changed its name to Camelot Services, Inc. and Casualty Indemnity Exchange changed its name to Camelot Insurance Underwriters.

On September 12, 2001, Camelot Insurance Underwriters merged with the Company. In December 2001, Camelot Services, Inc. merged with Mid-American General Agency, Inc. In January 2002, Mid-American General Agency, Inc. changed its name to Camelot Services, Inc.

On December 1, 2005, Hendricks Holding Company, Inc. acquired all the outstanding stock of Camelot Services, Inc.

On September 1, 2008, Diane M. Hendricks Enterprises, Inc. acquired all the outstanding stock of Hendricks Holding Company, Inc.

On January 1, 2013, the Company was acquired by Atlas Financial Holdings, Inc. This transaction is described further in the Subsequent Events section of this report.

Capital Stock and Paid-In Surplus

The Company is authorized to issue 50,000 shares of common capital stock with a par value of $100 per share. As of December 31, 2011, 38,150 shares were issued and outstanding resulting in a balance in the common capital stock account of $3,815,000.

Hendricks Holding Company, Inc. via the Company's immediate parent Camelot Services, Inc. contributed paid in surplus of $3 million in January 2010 and $4.36 million in June 2011 to offset adverse development on the discontinued Long-Haul Truck program and FL taxi business, and expenses related to expansion of operations and products since the acquisition by Hendricks.

Subsequently, on July 17, 2012, Camelot Services Inc. contributed another $6 million of paid in surplus to the Company.

Dividends

The Company declared and paid dividends of $1,680,000 to the stockholder through December 31, 2004. No dividends or distributions were paid out from December 31, 2004 through December 31, 2011. Subsequently, in conjunction with the purchase of the Company by Atlas, a dividend of $6,000,000 was paid in 2013. The transaction is described further in the Subsequent Events section of this report.

Acquisitions, Mergers and Major Corporate Events

On September 1, 2008, Diane M. Hendricks Enterprises, Inc. was formed to simplify the financing, financial reporting, and management of the business interests owned by the three trusts controlled by Diane M. Hendricks. Therefore, substantially all of the business interests of the three trusts were transferred to Diane M. Hendricks Enterprises, Inc. Since this transaction did not change the direct or ultimate control of the Company an order of exemption was granted by the DIFP on July 6, 2009, waiving a public hearing on the transaction.

Surplus Debentures

None

CORPORATE RECORDS

The Company's articles of incorporation and bylaws were reviewed. There were no amendments to the articles of incorporation or the bylaws during the examination period.

The minutes and written consents of the Shareholder and the Board of Directors were reviewed for the period under examination. The minutes and written consents 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 ten (10) directors. The directors serving at December 31, 2011, were as follows:

Name	Principal Occupation and Business Affiliation
Daniel J. Boxell O'Fallon, MO	President, Chief Executive Officer, and Treasurer Gateway Insurance Company
Todd M. Buehl Beloit, WI	Vice President and Chief Administrative Officer ABC Supply Co., Inc.
Barry T. Cervantes St. Louis, MO	President Camelot Consulting Company
Kathleen A. Creedon Middleboro, MA	Owner Wrap Strategies
Diane M. Hendricks Beloit, WI	Chief Executive Officer Hendricks Holding Co., Inc.
Karl W. Leo Huntsville, AL	Attorney Leo & Brooks, LLC
Carol A. Moor Oakland, CA	Vice President, Contractors Program Gateway Insurance Company
Steven D. Pearson Chicago, IL	Attorney Meckler Bulger & Tilson, LLP
John J. Temporiti St. Louis, MO	Attorney Polsinelli Shughart
Don D. Urbanciz Chicago, IL	President American Westbrook Insurance Services, LLC

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2011, were as follows:

Name	Position
Daniel J. Boxell	President, CEO, Treasurer
Serena M. Lintker	COO, CFO, Secretary, Executive Vice President
Richard E. Kleinschmidt	Senior Vice President, Commercial Auto
John F. Wagner	Vice President, Underwriting
Carol A. Moor	Vice President, Contractors Program
Jeffrey J. Howe	Vice President, Commercial Auto Truck Program
Sandra K. Lehde	Vice President, Claims
Lyn D. Ward	Vice President, Compliance & Administration

Committees

Committees appointed by the Board of Directors as of December 31, 2011, were as follows:

Audit/Finance/ Investment	Compensation/ HR/Nominating
Todd Buehl*	Diane Hendricks*
John Temporiti	Don Urbanciz
Barry Cervantes	Steven Pearson

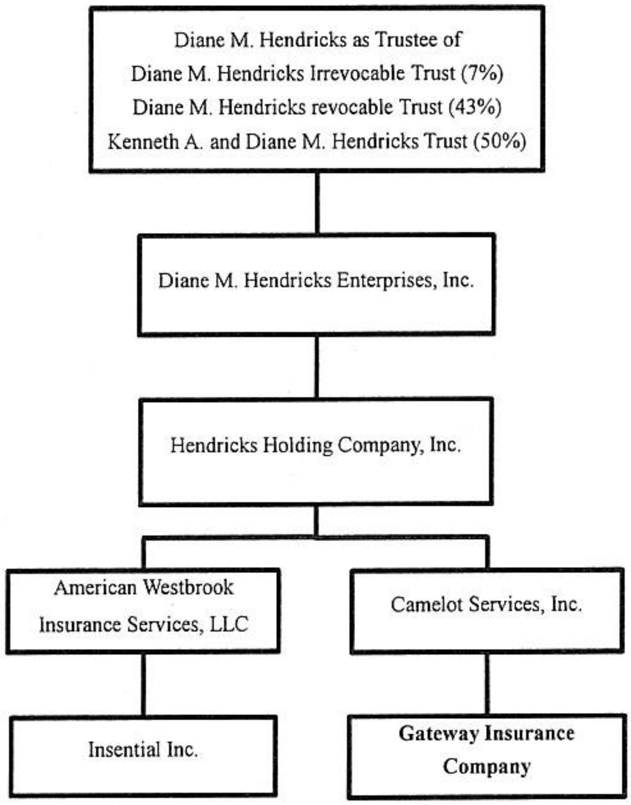
* Indicates Committee Chairperson

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 Camelot Services Inc., which is wholly owned by Hendricks Holding Company, Inc., which is wholly owned by Diane M. Hendricks Enterprises, Inc. Diane M. Hendricks Enterprises, Inc., is owned by three trusts for which Diane M. Hendricks is the trustee, making Diane M. Hendricks the ultimate controlling person of the holding company system.

Organization Chart

The following organizational chart depicts a portion of the holding company system at December 31, 2011, of which the Company is a directly a part, and includes other affiliates with which the Company has affiliated transactions.



Affiliated Transactions

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

Limited Producers Agreement

Affiliates: Insential, LLC ("Insential").
Effective: April 1, 2007. Amendment January 1, 2012, and July 1, 2012.
Terms: Insential produces premiums and binds contracts of insurance subject to the written underwriting guidelines and rate manuals of Gateway. Premium shall be remitted by Insential on or before the 20th of the month following the month in which the business was written.
Rate(s): Gateway pays commissions based on an approved commission schedule.

Limited Producers Agreement

Affiliates: American Westbrook Insurance Services, LLC ("American Westbrook").
Effective: January 1, 2010.
Terms: American Westbrook produces premiums and binds contracts of insurance subject to the written underwriting guidelines and rate manuals of Gateway. Premium is remitted by American Westbrook on or before the 20th of the month following the month in which the business was written.
Rate(s): Gateway pays commissions based on an approved commission schedule.

Software and EDP Lease Agreement

Affiliates: Camelot Services, Inc. ("Camelot").

Effective: January 17, 2011.

Terms: Gateway will sublease policy administration and claims processing software, and required equipment to operate same, from Camelot for five years and successive one-year periods afterward until termination by either party. Camelot leases the products from non-affiliates Duck Creek Technologies, Inc. ("Duck Creek") and Computer Sciences Corporation ("CSC"), respectively. Duck Creek and CSC approved the arrangement within their lease agreements with Camelot.

Rates: Gateway pays a monthly fee equal to Camelot's monthly repayment fee on a $1.5 million note to Diane Hendricks.

Tax Sharing Agreement

Affiliates: Camelot Services, Inc.

Effective: September 10, 1993.

Terms: The tax liability is apportioned based on the ratio of the participant's taxable income to the consolidated taxable income. Participants will not pay taxes in excess of what they would pay had they filed individually.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a crime policy providing fidelity coverage with a limit of $500,000 and a deductible of $25,000. The coverage meets the minimum amount of fidelity insurance recommended by the NAIC.

The Company is also a named insured on policies providing the following coverage: Commercial Automobile, Business Personal Property, Business Liability, Employment Practices Liability, Umbrella Liability, and Workers Compensation. In addition to the above, the Company benefits from Directors and Officers Liability coverage, along with other supplemental coverage, through its upstream indirect parent, Diane M. Hendricks Enterprises, Inc. Gateway's insurance coverage appears adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

Employees are provided a benefit package, which includes paid flex time to be used for sick leave and vacation, holidays, medical, dental, and vision plans, short-term and long-term disability insurance, life insurance, and tuition reimbursement.

Employees are eligible to participate in the Company's 401K plan. The Company also has a bonus plan, which is awarded based on Company and individual performance.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Missouri under Chapter 379 RSMo (Insurance other than life), to write property, liability, fidelity and surety, and miscellaneous insurance, though the Company has never written any fidelity and surety business. The Company is also licensed in 46 additional states (including the District of Columbia).

The Company provided insurance coverages through the following three distinct business programs during the examination period:

Commercial Auto

Historically, the Company's core specialty has been writing commercial auto insurance for taxicabs, limousines, black sedans, airport limousine services, shuttles, and non-emergency medical transportation services located in targeted secondary markets throughout the states in which it operates. The program expanded geographically during the examination period and is now distributed through a select group of retail agencies in thirty-five states.

Contractors

In 2007, the Company's experience in the insurance market was paired with Hendricks Holding Company, Inc.'s background as a supplier of products, materials, and insurance brokerage services to the roofing industry to develop a specialty contractors program to service the roofing and construction industry.

This program provided workers compensation, general liability and commercial auto insurance to roofing and similar construction contractors. Initially, the program was written in seven states, but expanded to include thirty-three states. The business is distributed through retail agents, general agents and other wholesale distributors. In 2011, 98% of the program's premium volume was produced from the workers compensation line of business.

Long-Haul Trucking

In 2008, the Company expanded its commercial auto program to include a niche non-hazardous trucking segment. Initially, the long-haul trucking program was developed to provide commercial auto, cargo and general liability insurance to owner-operators, but later was changed to focus on small to mid-size truck fleets. The program was initially offered in ten states, but its territory grew to include twenty-seven states. The business was distributed through contracted and wholesale agencies. This line of business was discontinued in 2012.

The following table shows the Company's product mix by business program as measured by gross written premium (in thousands):

	2011		2010		2009		2008	
Program Type	Premium	Ratio	Premium	Ratio	Premium	Ratio	Premium	Ratio
Commercial Auto	11,835	39%	13,082	53%	14,428	66%	12,927	77%
Contractors	11,368	37%	6,723	27%	4,839	22%	3,045	18%
Long-Haul Trucking	7,163	23%	4,718	19%	2,617	12%	772	5%
Other	140	0%	-	0%	-	0%	-	0%
Gross Premium Written	30,506	100%	24,522	100%	21,884	100%	16,744	100%
% Change in Total	24%		12%		31%		7%	

GROWTH OF COMPANY

The Company has grown significantly over the period. This growth was primarily due to the development and rapid expansion of the contractors and long-haul trucking business programs. The premium leverage ratio increased each year, but was acceptable, which generally indicates a level of surplus that would support a significant deterioration in underwriting results. However, without the infusion of paid in surplus in both 2010 and 2011 this benchmark would not have been met.

	2011	2010	2009	2008
Net Premium Written	25,672,936	21,154,792	19,107,087	14,708,092
Paid In Surplus	4,360,000	3,000,000	-	-
Capital & Surplus	16,326,526	16,843,106	16,314,227	15,882,575
Change in Net Premium Written	21%	11%	30%	16%
Net Written Premium to Surplus	157%	126%	117%	93%

LOSS EXPERIENCE

Gateway has produced a net underwriting loss in three of the last four years, with the losses in 2010 and 2011 being particularly large. The combined ratio increased to unfavorable levels over the period reflecting the unprofitable growth. The underwriting losses were primarily supported by paid in surplus infusions from the parent resulting in relatively stable surplus levels. The deterioration was due to adverse development in the Florida taxicab market, unexpectedly high loss levels in the long-haul trucking program, and to a somewhat lesser degree, in the contractors program. The following exhibit reflects the loss experience of the Company over the last four years (in thousands):

	2011	2010	2009	2008
Paid In Surplus	4,360	3,000	-	-
Capital & Surplus	16,327	16,843	16,314	15,883
Net Premiums Earned	23,989	19,962	16,505	14,004
Net Underwriting Gain (Loss)	(6,130)	(5,517)	(563)	1,201
Net Income	(4,887)	(3,437)	249	1,025
Combined Ratio	123.0%	125.4%	97.7%	89.5%

REINSURANCE

General

The Company's premium income on a direct written, assumed and ceded basis for the current examination period was as follows:

	2011	2010	2009	2008
Direct Business	$ 30,369,357	$ 24,396,699	$ 21,781,681	$ 16,656,797
Reinsurance Assumed	137,102	125,300	101,823	87,683
Reinsurance Ceded	(4,833,523)	(3,367,207)	(2,776,417)	(2,036,388)
Net Premiums	$ 25,672,936	$ 21,154,792	$ 19,107,087	$ 14,708,092

Assumed

The Company assumes a very small amount of reinsurance from mandatory pools.

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.

Effective July 1, 2011, the Company contracted with Maiden Reinsurance Company to provide a layer of coverage for the Company's core taxi lines, its contractor's liability lines, and its long haul trucking lines. In 2011, the Company retained the first $300,000 of losses for all lines covered, after which Maiden Reinsurance Company was responsible for the next $700,000 of losses for the taxi and contractor's lines, and $1,700,000 for the long haul trucking lines. Prior to July 1, 2011, the Company contracted with Munich Reinsurance America to provide similar coverages. The Company has facultative agreements with General Reinsurance Corporation to cover losses in excess of $1,000,000.

The Company's worker's compensation program is protected by four layers of excess reinsurance. The Company retains the first $500,000 in losses and then is protected by layers of $1.5, $3, $5, and $10 million with a limit in the final layer of $5,000,000 for employer liability. Various insurance companies obtained by the intermediary, Aon Benfield, Inc., share portions of the layers of coverage.

ACCOUNTS AND RECORDS

General

The Company's financial statements were prepared using Peachtree financial accounting software.

Reserves and related actuarial items as of December 31, 2011, were reviewed and certified by Jeffrey Kimble, ACAS, MAAA, from the firm of Towers Perrin.

Independent Actuary

Pursuant to a contract with the DIFP, Jon W. Michelson, FCAS, MAAA, Owner & Consulting Actuary, Expert Actuarial Services, LLC reviewed the underlying actuarial assumptions and actuarial methods used in determining actuarial liabilities and related items. He determined that the loss and loss adjustment expense reserves were understated by $7,979,000.

Independent Auditor

The Company's financial statements for the period January 1, 2008 to December 31, 2011, were audited by Brown Smith Wallace, LLC, Certified Public Accountants. The workpapers and reports of the independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

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, 2011, as reflected below, were sufficient in par and market value to meet the capital deposit requirements for the state of Missouri in accordance with RSMo Section 379.098 (Securities to be deposited by all companies, kind and amount).

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Note	$ 200,000	$ 209,281	$ 202,423
U.S. Treasury Note	800,000	881,187	809,691
U.S. Treasury Note	500,000	570,039	506,057
U.S. Treasury Note	1,250,000	1,447,754	1,265,143
Totals	$ 2,750,000	$ 3,108,261	$ 2,783,314

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, 2011, were as follows:

State	Type of Security	Par Value	Fair Value	Statement Value
Arizona	U.S. Treasury Notes	$ 200,000	$ 221,281	$ 198,020
Delaware	U.S. Treasury Note	110,000	115,105	108,803
Georgia	U.S. Treasury Note	85,000	95,306	88,642
Nevada	ConocoPhillips	300,000	361,500	298,451
New Mexico	U.S. Treasury Note	350,000	408,242	346,876
North Carolina	U.S. Treasury Note	300,000	328,570	327,002
South Carolina	Johnson & Johnson	200,000	241,475	213,260
Virginia	U.S. Treasury Note	225,000	243,211	225,846
Totals		$ 1,770,000	$ 2,014,690	$ 1,806,900

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2011, 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, if any, 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	$ 37,414,408		$ 37,414,408
Preferred stocks	6,800		6,800
Common Stocks	2,708,138		2,708,138
Cash, cash equivalents and short-term investments	1,352,348		1,352,348
Receivable for securities	306,938		306,938
Investment income due and accrued	298,568		298,568
Uncollected premiums	2,510,399	403,674	2,106,725
Deferred premium	7,204,876		7,204,876
Amounts recoverable from reinsurers	148,942		148,942
Net deferred tax asset	4,117,592	2,318,199	1,799,393
Guaranty funds receivable	5,737		5,737
EDP Equipment	20,845		20,845
Furniture and equipment	30,743	30,743	-
Receivables from parent, subsidiaries and affiliates	-		-
Aggregate write-ins for other than invested assets	316,957	171,437	145,520
Total assets	$ 56,443,291	$ 2,924,053	$ 53,519,238

LIABILITIES, CAPITAL, AND SURPLUS

Losses and Loss Adjustment Expenses	(1)	$ 27,602,963
Commissions payable		1,107,634
Other Expenses		423,957
Taxes licenses and fees		477,803
Current federal and foreign income tax payable		-
Unearned premium		13,667,307
Policyholder dividends declared and unpaid		12,457
Ceded reinsurance premiums payable		605,794
Amounts withheld or retained on account of others		1,262,507
Payable to parents, subsidiaries, and affiliates		11,289
Total liabilities		$ 45,171,711
Common capital stock		$ 3,815,000
Gross paid in and contributed surplus		16,234,370
Surplus Notes		-
Unassigned funds (surplus)		(11,701,844)
Surplus as regards policyholders		$ 8,347,526
Total liabilities, capital and surplus		$ 53,519,237

STATEMENT OF REVENUE AND EXPENSES

Premiums earned		$ 23,989,257
Losses incurred	$ 15,266,721	
Loss adjustment expenses	5,173,201	
Other underwriting expenses	9,679,702	
Total underwriting deductions		30,119,624
Net underwriting gain		$ (6,130,367)
Net investment income earned	$ 1,231,205	
Net realized capital gains (losses) less capital gains tax	226,892	
Net investment gain (loss)		1,458,097
Net gain (loss) from agents or premium balances charged off	$ (181,110)	
Aggregate write-ins for miscellaneous income	19,228	
Total other income		(161,882)
Net income before dividends, after capital gains tax, before FIT		$ (4,834,152)
Dividends to policyholders		25,623
Net income after dividends, after capital gains tax, before FIT		$ (4,859,775)
Federal income tax		26,897
Net income		$ (4,886,672)

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from December 31, 2008 to December 31, 2011

	2008	2009	2010	2011
Capital and surplus, December 31 prior year	$ 16,344,471	$ 15,882,575	$ 16,314,227	$ 16,843,106
Net income	1,024,696	249,492	(3,436,973)	(4,886,672)
Change in unrealized capital gains (losses)	(830,032)	317,344	178,995	(48,936)
Change in net deferred income tax	(53,033)	251,503	931,986	1,610,710
Change in non-admitted assets	(586,527)	(341,687)	(207,129)	(1,551,682)
Change in provision for reinsurance	(17,000)	(45,000)	62,000	-
Paid in surplus	-	-	3,000,000	4,360,000
Examination changes	-	-	-	(7,979,000)
Change in capital and surplus for the year	$ (461,896)	$ 431,652	$ 528,879	$ (8,495,580)
Capital and surplus, December 31 current year	$ 15,882,575	$ 16,314,227	$ 16,843,106	$ 8,347,527

ANALYSIS OF
EXAMINATION CHANGES IN THE FINANCIAL STATEMENTS

Total Capital & Surplus Per Company			
Common capital stock			$3,815,000
Gross paid in surplus			16,234,370
Unassigned funds			(3,722,844)
Total capital and surplus per company			$16,326,526
Increases:			
None		0	
Decreases:			
Increase in loss and lae reserves	(1)	(7,979,000)	
Net change in unassigned surplus		214%	(7,979,000)
Total Capital & Surplus Per Examination			
Common capital stock			$3,815,000
Gross paid in surplus			16,234,370
Unassigned funds			(11,701,844)
Total capital and surplus per examination			$8,347,526

COMMENTS ON THE FINANCIAL STATEMENTS

(1) Loss and LAE Reserves
Loss and LAE reserves were increased from the Company reported amount of $19,623,963 by $7,979,000 to $27,602,963. Pursuant to a contract with the DIFP, Jon W. Michelson, FCAS, MAAA, reviewed the underlying actuarial assumptions and actuarial methods used in determining actuarial liabilities and related items, and reviewed subsequent loss and loss adjustment expense activity through September 30, 2012. He determined that the loss and loss adjustment expense reserves were understated by $7,979,000. The reserve deficiency estimate by line of business was 21% taxi, 37.5% trucking, and 41.5% workers compensation.

SUMMARY OF RECOMMENDATIONS

Reserves
The Company's reserve development as reported for the last two years was far better than the industry average; however this examination determined that the reserves were significantly deficient. Almost half of that deficiency was recognized through the September 30, 2012, quarterly statement, and the entire amount of the deficiency was recognized through the December 31, 2012, Annual Statement as the Company continued to strengthen reserves in the fourth quarter of 2012. It is noted that the trucking line, which has been discontinued, and the workers compensation line, which has subsequently been discontinued and ceded, together contributed approximately 79% of the reserve deficiency, but even the core taxi line of business was deficient. It is recommended that the Company review the assumption and parameters used in the development of reserves to improve its estimates.

RBC
The Company's risk based capital (RBC) has changed dramatically over the last several years going from a high in 2008 of 1094% to 466% in 2011. If capital were adjusted for the reserve deficiency the RBC for 2011 would be 239%, a marginal level.

Based upon the Company's actual full year 2012 results (which includes the adverse development as indicated above), the RBC at year end 2012 is 298%. After the purchase of the Company on January 1, 2013, and taking into account the previously approved extraordinary dividend, the quota share reinsurance of the workers' compensation business, the pooling of Gateway's business with the other insurers in the ASI Pool, and the planned additional capital injection into Gateway by Atlas, the Company projects Gateway's RBC will be 450% by year end 2013.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Gateway Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned; Andrew Coppedge, AFE, examiner for the DIFP; participated in this examination. Andrew Balas, DIFP Information Systems Financial Examiner reviewed the Company's Information Systems. Consulting actuary, Jon W. Michelson, FCAS, MAAA, Owner & Consulting Actuary, Expert Actuarial Services, LLC, reviewed the adequacy of the Company's reserve methodologies.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, 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.

Wyatt Sample

Wyatt Sample, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

JANE A. WAGGANER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Oct. 13, 2013
Commission # 09552291

Sworn to and subscribed before me this 28 day of MARCH, 2013
My commission expires:
OCTOBER 13, 2013

Jane A. Waggoner
Notary Public

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.

Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration