

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Lumbermen's Underwriting Alliance as of December 31, 2008

ORDER

After full consideration and review of the report of the financial examination of Lumbermen's Underwriting Alliance for the period ended December 31, 2008, 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 Lumbermen's Underwriting Alliance, 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 December 18, 2009.



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

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

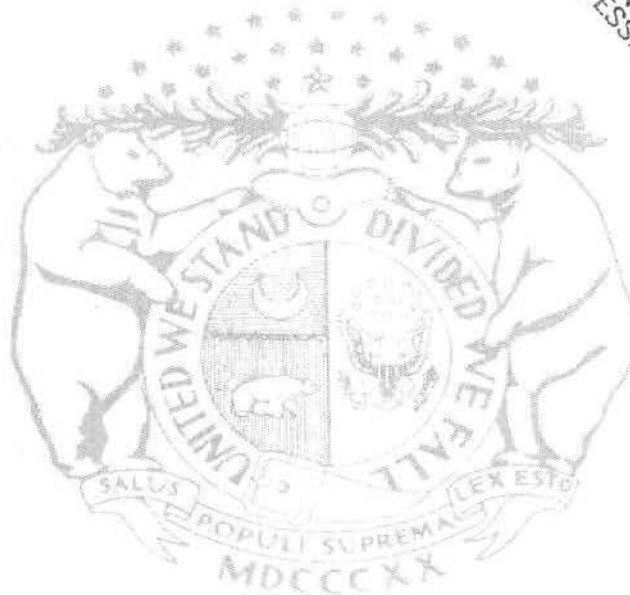
REPORT OF
FINANCIAL EXAMINATION

LUMBERMEN'S UNDERWRITING ALLIANCE

As Of

December 31, 2008

FILED
DEC 26 2009
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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October 13, 2009
Boca Raton, FL

Honorable Alfred W. Gross, Commissioner
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
Chair of the NAIC Financial Condition (E) Committee

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

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

Dear Gentlemen:

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

Lumbermen's Underwriting Alliance

also referred to as "the Alliance" or as "the Company." The examination was conducted at the Alliance's main administrative office at 1905 N.W. Corporate Blvd., Boca Raton, FL 33431-7303, telephone (561) 994-1900. This examination began on April 6, 2009 and concluded on the above date.

SCOPE OF EXAMINATION

The prior full scope comprehensive financial examination of Lumbermen's Underwriting Alliance was performed as of December 31, 2004. That examination 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 covers the period from January 1, 2005, through December 31, 2008. Examiners from the state of Missouri representing the Midwestern Zone of the NAIC conducted the examination. No other zones participated in this examination.

We conducted the current examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and to identify prospective risks of the Company. This process includes obtaining information, including corporate governance, about the Company, identifying and assessing inherent risks within the Company and evaluating the system controls and procedures used to mitigate those risks. The examination also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation including compliance with Statutory Accounting Principles and Annual Statement Instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. We identified the following key activities: Governance, Investments, Treasury, Premiums and Underwriting, Losses, Reinsurance and Taxes.

The Alliance's independent auditor, Ernst & Young, LLP, provided information and work papers from their 2008 year-end audit. We relied upon work performed by the independent auditor, including fraud risk analysis, internal control narratives and walk-throughs and tests of internal controls, when appropriate.

SUMMARY OF SIGNIFICANT FINDINGS

The Alliance specializes in providing property and workers' compensation coverage to its member subscribers in the forest products industry. The Alliance reported net profits in four of the past five years. The Alliance's risk-based capital (RBC) ratio has increased each year, from 437% in 2004 to 550% in 2008. The Alliance's surplus increased each year from 2004 through 2007 but declined in 2008. Factors contributing to the decrease in surplus included a net underwriting loss, reduced investment income and foreign exchange losses. The Alliance's one- and two-year loss reserve development has been favorable each year under examination. The Alliance's positive reserve development and historically low premium-to-surplus ratios reflect its conservative operating philosophy.

There were no material adverse findings, significant non-compliance findings or material changes in the financial statements resulting from the current examination.

Prior Examination Update

Comment: Accounts and Records

The prior examination report advised the Company to finish implementing its alternate processing site arrangements covering the client-server environment, which supports the growing property line of business. The Company was also advised to periodically test its contingency plans, including its alternate site arrangements, for all financially significant platforms.

Company Response

The Company responded that completion of its alternate processing site arrangements and the testing of contingency plans would occur in the near future. The Company noted that it had an aggressive plan in place and the implementation of that plan was well under way.

Current Finding:

The Alliance provided documentation of restoration exercises and copies of executed contracts for commercial "hot-site" restoration facilities. This issue has been addressed.

SUBSEQUENT EVENTS

None.

HISTORY

General

Lumbermen's Underwriting Alliance commenced business in 1905 as a reciprocal inter-insurance exchange in Kansas City, Missouri. The Alliance was organized under the laws of the state of Missouri to allow owners of lumber and wood-products plants to exchange insurance. The Alliance is currently licensed by the Department to write property and liability insurance under Section 379 RSMo (Insurance other than life).

Capital Stock

The Alliance does not issue capital stock. The Alliance is not incorporated nor does it have stockholders.

Dividends

Per the Subscriber Agreement, the Alliance maintains a separate savings account for each subscriber. Excess savings are returned to the subscribers as dividends. Following are the subscriber dividends incurred during the examination period:

<u>Year</u>	<u>Amount</u>
2005	\$ 813,412
2006	955,289
2007	839,055
2008	<u>1,384,291</u>
Total	\$ 3,992,047

Acquisitions, Mergers and Major Corporate Events

No major events took place during the examination period.

Surplus Debentures

Effective December 14, 2001, the Alliance issued a twenty million dollar (\$20,000,000) surplus note to Christine E. Lynn, Chairman of the Board of U.S. Epperson Underwriting Company. The Department approved the note on December 11, 2001. The note carries an interest rate of seven percent (7%) per year. Repayment of principal or payment of

interest requires the approval of the Department. The following payments were made during the examination period. All payments were approved by the Department.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Interest Paid	\$ 1,520,300	\$ 1,296,336	\$ 667,019	\$ 1,446,436
Principal Repaid	<u>800,000</u>	<u>850,000</u>	<u>-</u>	<u>-</u>
Total Payments	<u>\$ 2,320,300</u>	<u>\$ 2,146,336</u>	<u>\$ 667,019</u>	<u>\$ 1,446,436</u>

CORPORATE RECORDS

Minutes

We reviewed the minutes of the annual meetings of the Advisory Committee for the examination period. We also reviewed the minutes of the meetings of the Executive Committee held during the examination period. The minutes appear to properly support and document the major transactions and events during the examination period. Affidavits attesting to the receipt and review of the December 31, 2004 examination report were reviewed without exception.

Conflict of Interest

Conflict of interest disclosure statements are executed annually by all officers of the Alliance. We reviewed the statements covering the years under examination; no conflicts were noted.

MANAGEMENT AND CONTROL

Management

Through the Subscriber Agreement, members appoint an attorney-in-fact to manage the operations of the Alliance. U.S. Epperson Underwriting Company (Missouri) is the Alliance's attorney-in-fact. The Department does not consider an inter-insurance exchange or its attorney-in-fact members of an insurance holding company system as defined by Section 382.010 RSMo (Definitions). The Alliance is not required to file a Holding Company Registration Statement on Forms B and C. The NAIC Accounting Practices and Procedures Manual (SSAP) defines the attorney-in-fact of a reciprocal reporting entity as a related party. The Alliance is subject to the reporting requirements of SSAP 25, Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties.

U.S. Epperson Underwriting Company receives a management commission for overseeing the affairs of the Company. Effective January 1, 2005, the Canada Subscriber Agreement was amended to allow a commission rate of up to twenty-five percent (25%) of gross written premiums. The previous commission rate was twenty percent (20%). There were no amendments to the U.S. Subscriber Agreement during the current examination period. The commission rate remains at twenty percent (20%). U.S. Epperson Underwriting Company is also reimbursed for loss adjustment expenses, loss control fees, collection expenses and investment expenses. The fees and commissions incurred during the examination period were as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Management commissions	\$ 28,957,542	\$ 29,255,860	\$ 30,075,581	\$ 27,042,406
Loss adjustment expenses	3,707,701	3,619,652	3,855,946	4,463,361
Loss control fees	5,163,362	4,790,124	4,910,046	5,732,220
Collection expenses	1,072,042	1,021,766	1,014,465	1,162,786
Investment expenses	215,148	224,519	238,593	458,711
Total	<u>\$ 39,115,795</u>	<u>\$ 38,911,921</u>	<u>\$ 40,094,631</u>	<u>\$ 38,859,484</u>

Advisory Committee

An Advisory Committee chosen by the subscribers meets annually to review and approve investments. The Advisory Committee may also adopt rules and regulations, consistent with the Subscriber Agreement, for the exchange of insurance contracts. Advisory Committee members are elected annually. The current Advisory Committee consists of eight (8) subscribers. The members elected and serving on the Advisory Committee at December 31, 2008, were as follows:

<u>Name</u>	<u>Affiliation</u>
Leonard Barrett Montreal, Canada	Retired
William Carden Kinsale, VA	President and CEO Potomac Supply Corporation
William Cole Logansport, IN	Chief Executive Officer Cole Hardwood, Inc.
Andre Lemire Quebec, Canada	President Lemire Lumber Company
Gaston Malette Quebec, Canada	Retired
Richard Tinney Anacortes, WA	President and CEO Washington Adler LLC
Arthur Whiting Phoenix, AZ	Chairman and CEO Kaibab Industries
Whitney Wood Perry, GA	President Tolleson Lumber Company

Officers

Officers appointed and serving as of December 31, 2008, were as follows:

<u>Name</u>	<u>Office</u>
Jan Carlsson	Chief Executive Officer
Michael North	President and Chief Operating Officer
Mindy Paurowski Appel	Vice-President, Secretary and General Counsel
William Broich	Senior Vice-President, Chief Financial Officer and Treasurer
Katherine Holt Antonello	Vice-President, Policy Services/Internal Audit
Jacques Gagnon	Vice-President, Canadian Region
Angelo Ganguzza	Vice-President, LIG Agency
Wilfred Nance	Vice-President, Eastern Region
James Osterman	Vice-President, Risk Management and Reinsurance
Carol Salamida	Vice-President, Workers Compensation Claims
Craig Smith	Vice-President, Technical Services
James Trenter	Vice-President, Western Region

FIDELITY BOND AND OTHER INSURANCE

The Alliance is a named insured on a \$5,000,000 financial institution bond issued to the attorney-in-fact, U.S. Epperson Underwriting Company. The amount of coverage exceeds the suggested minimum amount recommended by the NAIC.

The attorney-in-fact also maintains the following coverage: property and liability, workers' compensation and employers' liability, directors' and officers' liability, professional liability, data processing, aviation, auto and umbrella. The coverage appears to adequately protect the attorney-in-fact's operations.

EMPLOYEE BENEFITS

The Exchange has no employees. The attorney-in-fact provides personnel services as authorized in the Subscriber Agreement. U.S. Epperson Underwriting Company employees receive a variety of benefits including paid time off, medical insurance, dental insurance, group life insurance, accidental death or dismemberment insurance, a vision plan, long- and short-term disability insurance and a 401(k) plan.

TERRITORY AND PLAN OF OPERATIONS

The Alliance is licensed as a multi-line carrier by the Department under Chapter 379, RSMo (Insurance Other than Life). The Alliance is licensed in forty-eight states and the

District of Columbia. The Alliance is not licensed in Alaska or Hawaii. The Alliance is also licensed in all provinces in Canada.

The Alliance specializes in providing commercial property and workers' compensation coverage.

For the period under examination, the Alliance experienced the following net premium-to-surplus ratios:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net premiums written	98,727,738	94,070,296	89,857,366	89,277,161
Surplus	97,476,991	100,580,260	109,380,787	93,792,949
Net Premium-Surplus ratio	1.013	0.935	0.822	0.952

REINSURANCE

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Direct premiums	\$ 129,193,656	\$ 131,658,374	\$ 129,590,708	\$ 123,827,975
Reinsurance assumed	816,991	183,845	346,314	448,784
Reinsurance ceded	<u>(31,282,909)</u>	<u>(37,771,923)</u>	<u>(40,079,656)</u>	<u>(34,999,598)</u>
Net written premiums	<u>\$ 98,727,738</u>	<u>\$ 94,070,296</u>	<u>\$ 89,857,366</u>	<u>\$ 89,277,161</u>

Assumed

The Company assumes an immaterial amount of reinsurance through the National Workers Compensation Reinsurance Pool, a mandatory pool.

Ceded

Workers' Compensation Excess of Loss

Effective January 1, 2008, the Alliance retains the first five million dollars (\$5,000,000) of workers' compensation exposure. The Alliance cedes the next forty-five million (\$45,000,000) in three layers: \$5 million excess of \$5 million; \$10 million excess of \$10 million; and, \$30 million excess of \$20 million. Benfield, the Company's reinsurance intermediary, placed the reinsurance with various reinsurers, including Lloyds Underwriters. The Company has increased its initial retention from \$1.5 million to \$5 million since the previous examination.

Property per Risk Excess of Loss

Effective January 1, 2008, the Company retains the first four million dollars (\$4,000,000) of property per risk exposure. The Company cedes the next forty-six million (\$46,000,000) in four layers: \$2 million excess of \$4 million; \$6 million excess of \$6 million; \$18 million excess of \$12 million; and, \$20 million excess of \$30 million. Benfield, the Company's reinsurance intermediary, placed the reinsurance with various reinsurers, including Lloyds Underwriters. Allied World Assurance Company, Ltd.

assumes 100% of the first layer and 50% of the second layer. The Alliance has increased its initial retention from \$2.5 million to \$4 million since the prior examination.

Property Catastrophe Excess of Loss

Effective January 1, 2008, the Alliance retains the first four million dollars (\$4,000,000) of property catastrophe exposure. The Alliance cedes 100% of the next sixty-one million (\$61,000,000) in four layers: \$4 million excess of \$4 million; \$10 million excess of \$8 million; \$12 million excess of \$18 million; and, \$35 million excess of \$30 million. Benfield, the Company's reinsurance intermediary, placed the reinsurance with various reinsurers, including Lloyds Underwriters. The Alliance has increased its cession from 95% to 100% since the prior examination.

Certified Terrorism Excess of Loss

Effective January 1, 2008, the Company retains the first four million dollars (\$4,000,000) of certified terrorism exposure. The Company cedes 100% of the next forty-six million (\$46,000,000) in a single layer. The reinsurance was placed with Lloyds Underwriters through Benfield, the Company's reinsurance intermediary.

Equipment Breakdown/Boiler & Machinery

Under an agreement effective January 1, 2003, the Alliance cedes 100% of its equipment breakdown coverage (U.S.) to Hartford Steam Boiler and Inspection Insurance Company. There is a limit of fifty million dollars (\$50,000,000) for any one accident. The Alliance is paid a 27% ceding commission. Under an agreement effective September 1, 1989, the Alliance cedes 100% of its boiler and machinery coverage (Canada) to The Boiler Inspection and Insurance Company of Canada. There is a limit of fifty million dollars (\$50,000,000) for any one accident. The Alliance is paid a 27% ceding commission.

Property Flood & Earthquake Semi-automatic (Canada)

Effective January 1, 2008, the Company cedes 100% of its Canadian flood and earthquake exposure to Munich Reinsurance Company of Canada. The agreement has a ten million dollar (\$10,000,000) per policy limit and a fifty million dollar (\$50,000,000) aggregate limit per loss occurrence.

ACCOUNTS AND RECORDS

Independent Accountant

Ernst & Young, LLP audits the Alliance's financial statements annually. The most recent audit work papers were reviewed. The work papers were used in the course of the examination as deemed appropriate.

Independent Actuary

Vincent F. Yezzi, FCAS, MAAA, reviewed and certified the 2008 reserves and related actuarial items reported in the financial statements. Mr. Yezzi is associated with Tillinghast-Towers Perrin.

Consulting Actuary

The Department retained a consulting actuary, Glenn Tobleman, FSA, FCAS, MAAA, of Lewis & Ellis, Inc. to review the adequacy of the Exchange's reserves and related liabilities. Mr. Tobleman found the year-end reserves to be adequately stated.

Information Systems

In conjunction with this examination, Andrew Balas, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems. No material exceptions were noted.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2008, as reflected below, were deemed sufficient to meet the \$1,200,000 deposit requirement for the state of Missouri per Section 379.098 RSMo (Securities deposit).

<u>Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
U.S. Treasury Note	<u>\$1,500,000</u>	<u>\$1,542,878</u>	<u>\$1,628,790</u>

Deposits with Other States

The Company has funds on deposit with other states in which it is licensed to satisfy their statutory deposit requirements. Those funds on deposit as of December 31, 2008, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Arizona	Various	\$ 4,975,000	\$ 5,103,304	\$ 5,368,703
California	Various	21,800,000	22,319,851	22,043,317
Delaware	U.S. Treasury Note	100,000	103,070	111,336
Georgia	U.S. Treasury Note	130,000	133,991	144,737
Idaho	U.S. Treasury Note	200,000	206,140	222,672
Louisiana	U.S. Treasury Note	70,000	72,149	77,935
Massachusetts	Various	1,350,000	1,430,277	1,475,164
Montana	U.S. Treasury Note	25,000	25,595	29,336
Nevada	Wal-Mart Stores Bond	125,000	126,591	138,319
New Mexico	Ohio State Bond	325,000	330,679	344,815
North Carolina	Various	425,000	429,481	445,953
Oklahoma	Washington State Bond	300,000	311,483	326,985
Oregon	Various	1,295,000	1,330,528	1,399,643
South Carolina	Washington State Bond	500,000	525,025	556,155
Virginia	Various	230,000	230,529	247,826
		<u>\$ 31,850,000</u>	<u>\$ 32,678,693</u>	<u>\$ 32,932,896</u>

Other Deposits

The Alliance also has funds on deposit in Canada, where it is licensed in all provinces. Those funds on deposit as of December 31, 2008, were as follows:

<u>Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Various Canadian securities	\$ 27,271,100	\$ 28,161,382	\$ 29,326,020

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2008, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the annual statement or comments regarding such are made in the "Comments on Financial Statements," which follow the Financial Statements. The failure of any column 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 that 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 work papers for each individual annual statement item.

ASSETS

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$ 175,438,069	\$ -	\$ 175,438,069
Common stocks	8,102,768	-	8,102,768
Cash and short-term investments	31,060,226	-	31,060,226
Investment income due and accrued	2,504,690	-	2,504,690
Uncollected premiums	10,076,360	9,940	10,066,420
Deferred premiums	71,086,403	317,705	70,768,698
Accrued retrospective premiums	22,261,735	867,162	21,394,573
Amounts recoverable from reinsurers	1,717,163	-	1,717,163
Current federal income tax recoverable	1,554,089	-	1,554,089
Net deferred tax asset	13,693,247	7,554,934	6,138,313
Guaranty funds receivable or on deposit	1,075,218	-	1,075,218
Accounts receivable	287,337	-	287,337
Amounts receivable under deductible policies	6,032,165	54,049	5,978,116
Prepaid expenses	1,189,210	1,189,210	-
Totals	<u>\$ 346,078,680</u>	<u>\$ 9,993,000</u>	<u>\$ 336,085,680</u>

LIABILITIES AND SURPLUS

Losses	\$ 113,725,967
Loss adjustment expenses	13,123,839
Other expenses	5,594,371
Taxes, licenses and fees	4,422,708
Unearned premiums	76,309,025
Policyholders' dividends unpaid	325,669
Ceded reinsurance premiums payable	1,415,413
Funds held by company under reinsurance treaties	4,467,283
Amounts withheld or retained by company for account of others	21,351,044
Provision for reinsurance	881,218
Payable for securities	499,928
Miscellaneous payable	27,584
Accrued retrospective return premiums	148,682
Total Liabilities	<u>\$ 242,292,731</u>
Surplus notes	19,076,080
Unassigned funds (surplus)	74,716,869
Total Surplus	<u>\$ 93,792,949</u>
Total Liabilities and Surplus	<u>\$ 336,085,680</u>

STATEMENT OF INCOME

Premiums earned	\$ 78,942,784
Losses incurred	39,005,440
Loss adjustment expenses incurred	9,611,079
Other underwriting expenses incurred	<u>36,825,371</u>
Total underwriting deductions	\$ 85,441,890
Net underwriting loss	\$ (6,499,106)
Net investment income earned	8,391,528
Net realized capital losses	<u>(4,576,629)</u>
Net investment gain	\$ 3,814,899
Net loss from agents' or premium balances charged off	(10,972)
Other balances charged off	(681,385)
Realized foreign exchange	2,046,358
Settlement agreement income	<u>3,500,000</u>
Total other income	\$ 4,854,001
Income before dividends and FIT	\$ 2,169,794
Dividends to policyholders	1,384,291
Federal and foreign income taxes incurred	<u>1,109,163</u>
Net income	<u>\$ (323,660)</u>

SURPLUS

Surplus as regards policyholders, December 31 prior year	\$ 109,380,787
Net income	(323,660)
Change in net unrealized capital gains or (losses)	(3,661,405)
Change in net unrealized foreign exchange capital gain (loss)	(9,268,631)
Change in net deferred income tax	4,105,551
Change in nonadmitted assets	(6,176,441)
Change in provision for reinsurance	(263,252)
Change in surplus notes	(158,502)
Change in surplus note accrued interest	<u>158,502</u>
Change in surplus as regards policyholders for the year	\$ <u>(15,587,838)</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 93,792,949</u>

EXAMINATION CHANGES

None.

COMMENTS ON FINANCIAL STATEMENTS

None.

SUMMARY OF RECOMMENDATIONS

None.

ACKNOWLEDGEMENT

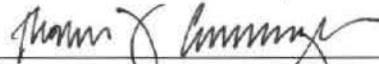
The assistance and cooperation extended by Lumbermen's Underwriting Alliance during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Arthur Palmer, CFE, Amy Snyder and Andrew T. Balas, CPA, CFE, AES, examiners for the Department of Insurance, Financial Institutions and Professional Registration (DIFP) participated in this examination.

VERIFICATION

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

I, Thomas J. Cunningham, 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.




Thomas J. Cunningham, CPA, CFE
Examiner-in-Charge
DIFP/Insurance


Sworn to and subscribed before me this 18 day of August, 2009.
My commission expires:

7/26/2012


Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting work papers have been reviewed and approved. Compliance with the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.


Michael Shadowens, CFE
Audit Manager
DIFP/Insurance