STATE OF MISSOURI

MDCCCXX

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Lyndon Property Insurance Company as of December 31, 2009

ORDER

After full consideration and review of the report of the financial examination of Lyndon Property Insurance Company for the period ended December 31, 2009, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 16th day of December, 2010.

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

REPORT OF

FINANCIAL EXAMINATION

Lyndon Property Insurance Company

As of:

DECEMBER 31, 2009

FILED

DEC 2 0 2010

DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

October 4, 2010

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

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

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

Dear Madam and Sirs:

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

Lyndon Property Insurance Company

hereinafter referred to as such or as "Lyndon" or as the "Company." The Company's statutory home office is located at 14755 North Outer Forty, Ste 400, Chesterfield, Missouri, telephone number (636) 536-5600. This examination began on March 15, 2010 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The last full scope association financial examination of Lyndon Property Insurance Company was made as of December 31, 2006, by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

The current full scope financial examination covers the period from January 1, 2007, through December 31, 2009, and was conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC with no other zones participating. This examination also included material transactions or events occurring subsequent to December 31, 2009.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration ("DIFP") or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating systems controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The following key activities were identified: Affiliated Companies, Treasury, Investments, Premiums and Underwriting, Claims, Reserves, Taxes, Reinsurance.

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

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings.

SUBSEQUENT EVENTS

On March, 2010, the Company released approximately $7.8 million of claim reserves related to the final settlement in the runoff of the Lender's Indemnity line of business. This claims reserve release accounted for most of the Company's $8.4 million net income for the first quarter of 2010.

COMPANY HISTORY

General

The Company was incorporated on May 30, 1978, as a stock casualty insurance company and commenced business on August 1, 1978. Until May 1995, the Company was wholly owned by ITT Financial Corporation, a wholly owned subsidiary of ITT Corporation. On May 1, 1995, ITT Financial Corporation merged with ITT Corporation.

On October 20, 1995, Mercury Finance Company acquired all the outstanding common stock of the Company. On December 1, 1995, the name of the Company was changed from ITT Lyndon Property Insurance Company to its current name, Lyndon Property Insurance Company.

In June 1997, Frontier Insurance Group, Inc. purchased all the outstanding common stock of the Company. In 1998, Frontier Insurance Group, Inc. formed a wholly owned subsidiary, Lyndon Insurance Group, Inc., and contributed all the outstanding stock of the Company to the wholly owned subsidiary.

On January 20, 2000, Protective Life Insurance Company (PLICO), a wholly owned subsidiary of Protective Life Corporation, purchased all the outstanding common stock of Lyndon Insurance Group, Inc. (LIGI). In December 2007, LIGI contributed the Company to PLICO.

Capital Stock and Paid-In Surplus

The Company is authorized to issue 4,000 shares of common stock at a par value of $1,000 per share. There were 4,000 common shares issued and outstanding as of December 31, 2009, resulting in a common capital stock account of $4,000,000 and gross paid in and contributed surplus of $80,708,443.

Dividends

The Company made no dividend payments during the examination period. Prior to the last examination, the Company had paid out cash dividends of $219,663,543 and paid out a stock dividend of $2,000,000.

Acquisitions, Mergers and Major Corporate Events

Effective March 31, 2008, the Company sold its wholly owned subsidiary, Gulfco Life Insurance Company (Gulfco) to an unrelated entity, Bankers Life of Louisiana, for $437,034. Prior to the sale and with approval from the Louisiana Department of Insurance, Gulfco made a distribution of $11,810,993 to the Company to reduce Gulfco's surplus to a level required by Bankers Life of Louisiana. The distribution was accounted for as an $8,706,543 extraordinary dividend and a $3,104,450 return of capital.

Surplus Debentures

None.

CORPORATE RECORDS

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

The minutes of the shareholder, board of directors, committee meetings, and relevant Protective Life Corporation committee meetings were reviewed and appear to properly support and approve the corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a board of directors which per the Articles of Incorporation and bylaws will consist of not less than nine or more than twenty-five members. The Company had nine Directors serving at December 31, 2009, as follows:

Name and Address	Principal Occupation and Business Affiliation
Brent Griggs Chesterfield, MO	President and Chief Executive Officer Lyndon Property Insurance Company
Gregg Cariolano Chesterfield, MO	Senior Vice President, Treasurer and Chief Financial Officer Lyndon Property Insurance Company
M. Scott Karchunas Chesterfield, MO	Executive Vice President of Dealer Sales Lyndon Property Insurance Company
Robert Dickey Chesterfield, MO	Vice President of Product Management Lyndon Property Insurance Company
Richard Hackett Chesterfield, MO	Senior Vice President and Secretary Lyndon Property Insurance Company
Mark Downar Chesterfield, MO	Vice President and Assistant Treasurer Lyndon Property Insurance Company
Lori Hallissey Bannockburn, IL	Vice President of Policy Administration Lyndon Property Insurance Company
Martin Reilly Chesterfield, MO	Vice President of Information Systems Lyndon Property Insurance Company
Richard Kurtz Chesterfield, MO	Vice President of Sales Lyndon Property Insurance Company

Officers

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

Name	Position
Brent E. Griggs	Chairman of the Board, Chief Executive Officer and President
Gregg O. Cariolano	Senior Vice President, Treasurer and Chief Financial Officer
Richard C. Hackett	Senior Vice President and Secretary
Gregory J. Ciezadlo	Appointed Actuary
Richard J. Bielen	Vice President of Investments
Steven G. Walker	Vice President

Lori A. Hallissey	Vice President of Policy Administration
Mark B. Whiting	Vice President and Assistant Secretary
M. Scott Karchunas	Executive Vice President of Dealer Sales
Carl S. Thigpen	Vice President of Investments

Committees

In accordance with the bylaws, the board has established an executive committee with responsibility for managing the Company's affairs between meetings of the board. On a quarterly basis, the full board reviews and approves the actions of the executive committee. At December 31, 2009, Brent Griggs and Gregg Cariolano served on the executive committee.

The Company does not have an audit committee. To comply with Sections 375.1025-1062 RSMo, the Company has designated its entire board of directors to constitute the audit committee.

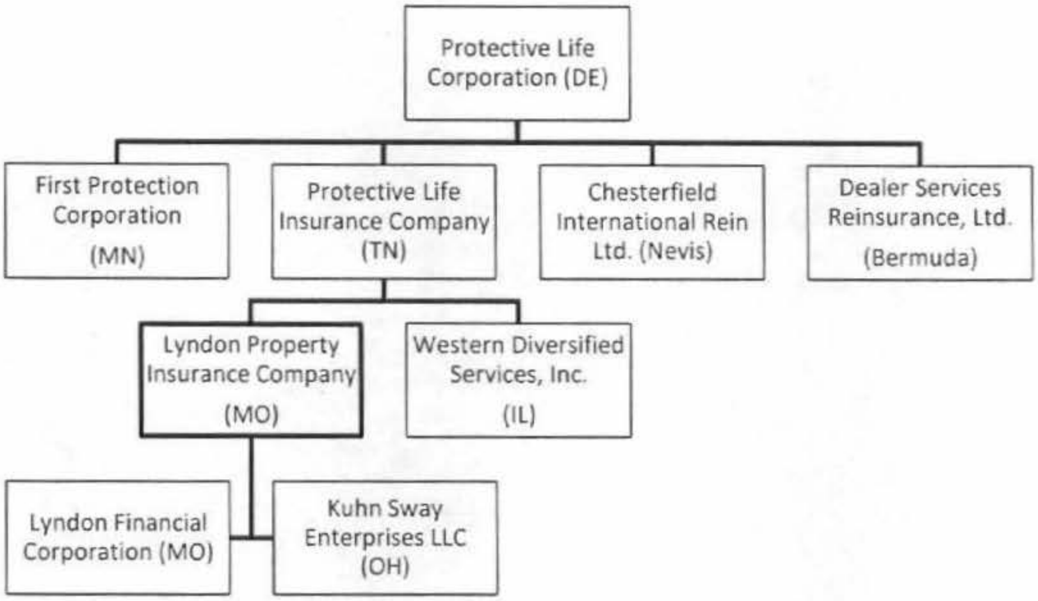
For practical purposes, the Company relies on the Audit Committee of Protective Life Corporation, the ultimate parent. That committee is comprised of four independent directors. Protective Life Corporation has other established committees that impact the Company such as the Corporate Governance and Nomination Committee, the Finance and Investments Committee, and the Compensation and Management Succession Committee.

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 PLICO, which in turn, is a wholly owned subsidiary of Protective Life Corporation, a Delaware holding company. Protective Life Corporation is the ultimate parent of the holding company system.

Organization Chart

The following organizational chart depicts an abbreviated portion of the holding company system at December 31, 2009, including the Company. All subsidiaries shown are wholly owned.



Affiliated Transactions

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

1. Investment Services Agreement between Lyndon and Protective Life Corporation, effective January 20, 2000 and approved February 18, 2000.

   Protective Life Corporation provides investment services to the Company as well as the documentation necessary for the preparation of accounting records and any required reports. All investment transactions are reported, and subject to, authorization or approval by the Company's Board of Directors. Fees are computed from a set fee schedule and settled monthly.

2. Legal Services Agreement between Lyndon and Protective Life Corporation, effective January 1, 2004 and approved July 7, 2004.

   Protective Life Corporation provides legal services to the Company including the following: general corporate, insurance related, administrative and other regulatory, and litigation supervision and contracts. Charges for legal services are settled quarterly at cost and include all direct and indirect allocable expenses.

3. Administrative Services Agreement between Lyndon and Protective Life Corporation, effective January 20, 2000, and approved February 18, 2000.

   The Company was added as a participant in to an already existing Agreement for Administrative Services dated October 1, 1988. Under this agreement, Protective

Life Corporation provides administrative services as required by members of its holding company system. The costs of the services are shared by members of the holding company system in accordance with generally accepted accounting principles. Such costs are accumulated and settled monthly.

4. Tax Allocation Agreement between Lyndon and Protective Life Corporation, and its subsidiaries, effective January 1, 1988. The last amendment was approved October 6, 2004.

   Protective Life Corporation and its subsidiaries consolidate their federal income tax returns. Each member of the Affiliated Group computes its separate tax liability as if it had filed a separate tax return. The 2004 amendment was primarily to clarify the allocation of income taxes to each member. If a member incurs a tax loss or generates a tax credit resulting in a carry forward, the member will receive no credit until the credit can be used on a separate return basis. Intercompany tax balances are settled not later than the due date for corresponding tax payments or upon receipt of a refund.

5. Deposit Agreement between Lyndon and First Protection Corporation, effective November 1, 2001, approved August 17, 2005.

   The Company agrees to accept and invest funds deposited from First Protection Corporation, and to make those deposited funds available to First Protection Corporation within five business days after receiving a written request. The Company will pay interest on the funds at the same rate of return as the Company receives on its overall investment portfolio, net of investment expenses and including capital gains and losses.

6. Deposit Agreement between Lyndon and Chesterfield International Reinsurance Limited (Chesterfield), effective February 1, 2006, approved February 28, 2006.

   The Company agrees to accept and invest funds deposited from Chesterfield, and to make those deposited funds available to Chesterfield within five business days after receiving a written request. The Company will pay interest on the funds at the same rate of return as the Company receives on its overall investment portfolio, net of investment expenses and including capital gains and losses.

7. Administrative Services Agreement between Lyndon and Western Diversified Services, Inc., effective September 1, 2000. Amendment 2 to the agreement was approved January 8, 2002.

   Western Diversified Services, Inc. provides various administrative services for vehicle service and guaranteed asset protection contracts underwritten by the Company. Under the agreement, Western Diversified Services, Inc. periodically presents an itemized statement of costs incurred in providing the services. The Company settles within fifteen days of receiving the statement.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a crime policy purchased by its parent, Protective Life Corporation, which provides $75 million in coverage with a $1.5 million deductable. This coverage exceeds the minimum amount of fidelity insurance recommended by the NAIC.

The Company is also a named insured on policies that provide the following liability coverages: general, automobile, excess, directors and officers, errors and omissions, fiduciary, and employment practices. The Company's coverage appears adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

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

TERRITORY AND PLAN OF OPERATION

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

The Company is a member of Protective Life Corporation's Asset Protection Division. The Company primarily markets vehicle service contracts (VSC), 78% of written premium; guaranteed asset protection (GAP), 18% of written premium; and other run-off lines including inventory protection products (IPP), collateral protection, and credit property coverage. Auto dealers, recreational vehicle dealers and financial institutions comprise the Company's principal customer groups. The Company's products are marketed by employee field representatives, independent agents, third party administrators, financial institutions, and retail dealers.

GROWTH OF COMPANY

The Company's net written premium which peaked in 2006 has continued to decline each year while policyholder surplus has risen, resulting in a falling net premium to surplus ratio. The Company's main products, VSC and GAP, are tied to the auto industry. The decline in premium is mainly a result of falling auto sales.

Year	Net Premium Written	Policyholder Surplus	Net Premium Written to Policyholder Surplus
2005	74,715,440	163,235,475	46%
2006	109,448,913	125,125,914	87%
2007	106,511,453	144,438,328	74%
2008	74,467,376	143,330,844	52%
2009	43,750,943	168,059,277	26%

LOSS EXPERIENCE

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

Year	Total Revenues	Total Losses & Expenses	Net Income Before FIT
2009	93,489,049	112,592,734	(19,103,685)
2008	106,209,995	74,996,821	31,213,174
2007	101,799,345	84,840,059	16,959,286
2006	100,258,365	88,488,181	11,770,184
2005	88,502,482	82,714,576	5,787,906

REINSURANCE

General

Premiums written by the Company during the examination period were as follows:

	2007	2008	2009
Direct Written	$217,625,843	$162,031,298	$97,556,410
Reinsurance Assumed:			
Affiliates	0	0	0
Non-Affiliates	9,148,172	3,910,637	5,006,926
Reinsurance Ceded:			
Affiliates	(59,517,808)	(67,153,925)	(43,441,046)
Non-Affiliates	(60,744,754)	(24,320,634)	(15,371,347)
Net Premiums	$106,511,453	$74,467,376	$43,750,943

Assumed

The Company assumes a limited amount of business primarily pursuant to the contracts described below.

Old Republic Insurance Company

Effective January 1, 2001, the Company assumed, on a coinsurance basis, 100% of the liabilities related to a variety of products from Old Republic Insurance Company and Old Republic Minnehoma Insurance Company (subsequently renamed Old Republic Security Assurance Company). During the period under examination the products assumed were GAP, VSC, and inventory protection. This agreement was effected by a novation agreement among the Company, Old Republic Insurance Company and Old Republic Security Assurance Company. The agreement was amended in July 2005 to redefine the territory covered by the agreement. The agreement was again amended January 1, 2007, to make Old Republic Insurance Company the sole ceding company pursuant to the agreement.

Virginia Surety Company Inc.

In conjuction with the PLICO's acquisition of the Prizm Group, Inc.'s service contract business on October 1, 2009, the Company entered into a reinsurance agreement, effective that date, with Virgina Surety Company Inc. (VSCI). The Company assumed on a coinsurance basis, 100% of the contractual indemnity losses under the insurance policies issued by VSCI related to a "Program Agreement" between VSCI, Prizm Administrative Solutions, Inc., Prizm Administrative Services of Wisconsin, Inc. and National Warranty of Florida, Inc.

Ceded

The Company cedes VSC and GAP coverages to affiliated alien reinsurers who retrocede that business to producer-affiliated reinsurance companies (PARCs). The PARCs are typically unauthorized, offshore corporations. Generally 100% of the risks associated with a given producer are ceded to one or more reinsurers affiliated with that producer. The Company also carries catastrophic loss coverage on its GAP product.

The following are descriptions of some of the more significant contracts the Company has in place to cede business. The Company also has agreements in place that are not described below, which cede products that are no longer emphasized or which have been discontinued such as workers' compensation.

Chesterfield International Reinsurance Limited

Effective August 1, 2005, the Company ceded to Chesterfield, an affiliate, 100% of the liability on certain VSC contracts and GAP products. Chesterfield retrocedes the liability to PARCs. This agreement was effected by a novation agreement among the Company, Chesterfield and Dublin International, Ltd. The Dublin International, Ltd agreement was originally effective July 1, 1998, and amended January 1, 2003 to add coverage for VSC business marketed or administered by Western General Warranty on a 20% coinsurance basis.

Chesterfield is not an authorized reinsurer. At December 31, 2009, the reserve credits were secured by funds withheld by the Company, letters of credit and/or trust accounts. The trust accounts were funded by the PARCs, naming the Company as beneficiary.

Dealer Services Reinsurance Limited

Effective January 1, 2002, the Company ceded to Dealer Services Reinsurance, Ltd., (Dealer Services), an affiliate, 100% of the liability related to certain VSC contracts and GAP products. Dealer Services retrocedes the liability to PARCs. Dealer Services is not an authorized reinsurer. At December 31, 2009, the reserve credits were secured by funds withheld by the Company, letters of credit and/or trust accounts. The trust accounts were funded by the PARCs, naming the Company as beneficiary.

London Life International Reinsurance Corporation

Effective February 1, 2000, the Company ceded three blocks of business, on a coinsurance basis, to London Life International Reinsurance Corporation (Barbados). The reinsurance transaction was undertaken to reduce the statutory impact of PLICO's purchase of LIGI. The agreement has been amended sixteen times with the latest amendment effective December 1, 2008. Various blocks of business have been added and recaptured over the years. At December 31, 2009, the reserve credits were secured by funds withheld by the Company and letters of credit.

Lexington Insurance Company

Effective February 4, 2008, the Company and Lexington Insurance Company entered into an excess of loss reinsurance treaty, which provides catastrophic coverage for the Company's GAP product. The treaty was renewed effective February 4, 2009. The limit of liability is $5,000,000 per occurrence, excess of $1,000,000 in any one occurrence with a $10,000,000 annual aggregate.

ACCOUNTS AND RECORDS

General

The Company's financial statements were prepared using Geac SmartStream general ledger software a change since the last examination from the Freedom group software to conform to the system in use by the Company's parent.

The Company's VSC and GAP business, which are most of the Company's business, are maintained in the MAX system, a mature AS/400 application that has been in use within the Protective Life group of companies.

The Company is working on a next generation administration application (Trax) that will initially be used to process VSC business in China. The project goals are largely to produce a more modular and maintainable application with mostly the same functions – with the flexibility to add new features.

Independent Auditor

The Company's financial statements are audited annually by the accounting firm PricewaterhouseCoopers LLP. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial accounts reported in the financial statements were reviewed and certified for the Company by Gregory J. Ciezadlo, FCAS, MAAA of Lyndon Property Insurance Company.

Pursuant to a contract with the DIFP, Greg Wilson, FCAS, MAAA, of Lewis & Ellis, Inc., reviewed the adequacy of the Company's reserves and related accounts. The Lewis & Ellis, Inc. Statement of Actuarial Opinion concluded that all actuarial items included in the review are fairly stated in accordance with accepted actuarial loss reserving standards and principles, meet the requirements of the insurance laws of Missouri, and make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies and agreements.

Information Systems

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

STATUTORY DEPOSITS

Deposits with the State of Missouri

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

Type of Security	Par Value	Market Value	Statement Value
US Treasury Notes	$ 2,650,000	$ 2,767,456	$ 2,739,028

Deposits with Other States

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

State	Type of Security	Par Value	Market Value	Statement Value
Georgia	US Treasury Note	$ 55,000	$ 58,562	$ 56,605
Louisiana	US Treasury Note	50,000	53,012	52,301
Massachusetts	US Treasury Note	100,000	100,000	99,896
New Mexico	US Treasury Note	350,000	350,000	349,638
North Carolina	US Treasury Note	500,000	500,000	499,482
Oregon	US Treasury Note	290,000	290,000	289,700
Virginia	US Treasury Note	265,000	265,000	264,726
		$ 1,610,000	$ 1,616,574	$ 1,612,348

Other Special Deposits

In addition to the funds on deposit with the various states, the Company has other securities reported as a special deposit. This deposit is not for the benefit of all policyholders. The deposit is held by the Company to back a specific reinsurance contract. The statement and market value of these securities at December 31, 2009, were $18,178,048 and $18,665,400, respectively.

FINANCIAL STATEMENTS

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

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

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 358,588,606	$ -	$ 358,588,606
Preferred stocks	91,915	-	91,915
Common stocks	2,167,008	-	2,167,008
Cash, cash equivalents and short-term investments	33,132,651	-	33,132,651
Receivables for securities	9,488	-	9,488
Investment income due and accrued	4,150,916		4,150,916
Uncollected premiums	627,572	236,698	390,874
Amounts recoverable from reinsurers	217,309	-	217,309
Funds held by or deposited with reinsured companies	2,240,000	-	2,240,000
Current federal income tax recoverable	7,941,664	-	7,941,664
Net deferred tax asset	18,773,917	8,813,209	9,960,708
Electronic data processing equipment and software	108,933	108,933	-
Furniture and equipment	164,465	164,465	-
Receivables from parent, subsidiaries and affiliates	2,534,609	-	2,534,609
Deposits and other prepaid items	135,012	135,012	-
Total Assets	$ 430,884,065	$ 9,458,317	$ 421,425,748

LIABILITIES, SURPLUS AND OTHER FUNDS

		Current Year
Losses	$	36,107,696
Loss adjustment expenses		3,021
Commissions payable, contingent commissions and other similar charges		2,063,957
Other expenses		3,420,268
Taxes, licenses and fees		(1,341,229)
Borrowed money		7,167,749
Unearned premiums		149,783,648
Ceded reinsurance premiums payable		132,882
Funds held by company under reinsurance treaties		47,906,302
Provision for reinsurance		51,000
Payable to parent, subsidiaries and affiliates		8,067,524
Escheatable property		3,653
Total liabilities	$	253,366,471
Additional admitted DTA's	$	5,369,920
Common capital stock		4,000,000
Gross paid in and contributed surplus		80,708,443
Unassigned funds (surplus)		77,980,914
Surplus as regards policyholders	$	168,059,277
Total Liabilities, Capital and Surplus	$	421,425,748

STATEMENT OF INCOME

		Current Year
Premiums earned	$	74,713,765
Losses incurred		96,792,829
Loss adjustment expenses incurred		988,970
Other underwriting expenses incurred		14,810,935
Aggregate write-ins for underwriting deductions		-
Total Underwriting deductions		112,592,734
Net underwriting gain or (loss)	$	(37,878,969)
Net investment income earned		20,379,505
Net realized capital gains or (losses) less capital gains tax		(1,240,372)
Net investment gain (loss)	$	19,139,133
Net gain or (loss) from agents' or premiums balances charged off		(235,906)
Finance and service charges not included in premiums		-
Other income		1,008,612
Interest expense on funds withheld		(1,136,555)
Total	$	(363,849)
Net income before dividends, after capital gains tax and before FIT	$	(19,103,685)
Dividends to policyholders		-
Net gain from operations after dividends and before taxes	$	(19,103,685)
Federal and Foreign Income Tax		(7,643,746)
Net gain from operations after dividends and taxes and before capital gains	$	(11,459,939)

CAPITAL AND SURPLUS

		Current Year
Surplus as regards policyholders; December 31 prior year	$	143,330,844
Net income	$	(11,459,939)
Change in net unrealized capital gains		3,071,125
Change in net unrealized foreign exchange capital gain		1,112,463
Change in net deferred income tax		(1,427,680)
Change in nonadmitted assets		7,863,464
Change in provision for reinsurance		25,569,000
Change in surplus as regards policyholders for the year	$	24,728,433
Surplus as regards policyholders; December 31 current year	$	168,059,277

COMMENTS ON THE FINANCIAL STATEMENTS

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

GENERAL COMMENTS OR RECOMMENDATIONS

There are no general comments or recommendations.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Lyndon Property Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned; Amy Snyder, AFE; Arthur Palmer, CFE; Jennifer Danz; and Andy Balas, CFE, CPA; examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration; participated in this examination.

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

Sworn to and subscribed before me this 11th day of August 2010
My commission expires:
8-5-2012

Brenda R. Biesboer
Notary Public

BRENDA R. BIESBOER
Notary Public, Notary Seal
State of Missouri
St. Charles County
Commission #08378736
My Commission Expires August 5, 2012

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

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