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 as of December 31, 2007

ORDER

After full consideration and review of the report of the financial examination of Gateway Insurance Company for the period ended December 31, 2007, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting 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 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 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 September 5, 2008.

Linda Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

Gateway Insurance Company

AS OF

DECEMBER 31, 2007

FILED
SEP 15 2008
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

July 30, 2008
St. Louis, Missouri

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

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

Honorable Linda Bohrer, Acting Director
Missouri Department of Insurance
Financial Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Lady and Gentlemen:

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

Gateway Insurance Company

also referred to as "Gateway" and the "Company." The examination was conducted at the Company's office at 1401 S. Brentwood Blvd., Suite 1000, St. Louis, MO 63144-1416, telephone number (314)-373-3333. This examination began on March 17, 2008, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Gateway Insurance Company was performed as of December 31, 2004. The 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, 2007. The examination was conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC. Lewis & Ellis, Inc., Actuaries & Consultants, reviewed reserves and related actuarial items pursuant to a contract with the Department of Insurance, Financial Institutions and Professional Registration (DIFP).

This examination also included material transactions and/or events occurring after December 31, 2007.

Procedures

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

Comments Previous Examination

None

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.

Capital Stock

The Company currently has the authority to issue 50,000 shares of $100 par value common capital stock. As of the prior examination for the period ended December 31, 2004, there were 30,000 shares issued and outstanding.

On June 16, 2006, the Company issued an additional 8,150 shares of stock to Camelot Services, Inc. in exchange for $815,000 resulting in the current balance in the capital stock account of $3,815,000.

Dividends

The Company has declared and paid dividends of $1,680,000 to the stockholder through December 31, 2004. As a condition of the approval of the acquisition of Camelot Services, Inc. by the Hendricks Holding Company, Inc., the Company may not pay any dividends or make any distributions without the written approval of the Director of the DIFP for three years from the approval date of November 28, 2005. No dividends or distributions have been paid out since December 31, 2004.

Management

The Board of Directors of the Company generally consists of nine members as authorized by the Articles of Incorporation and Bylaws. The members elected and serving as of December 31, 2007, were as follows:

Name	Principal Occupation
Daniel J. Boxell O'Fallon, MO	Gateway Insurance Company President/Chief Executive Officer
Todd M. Buehl Beloit, WI	Amfinity Capital, LLC Managing Director
Barry T. Cervantes St. Louis, MO	Camelot Consulting Company President
Diane M. Hendricks Beloit, WI	ABC Supply Company, Inc. Executive Vice President
Karl W. Leo Huntsville, AL	Leo & Brooks, LLC Attorney
Steve D. Pearson Chicago, Il	Meckler Bulger & Tilson, LLP Attorney
John J. Temporiti St. Louis, MO	Gallop, Johnson & Neuman Attorney
Don D. Urbanciz Chicago, IL	Insurance Noodle Chief Executive Officer

Carol A. Moor was appointed the ninth Director in 2008 to fill the position previously held by Kenneth A. Hendricks until his death December 21, 2007.

Committees appointed by the Board of Directors as of December 31, 2007, were as follows:

Executive	Audit/Finance/ Investment	Compensation/ HR/Nominating	Legal
Diane Hendricks*	Todd Buehl*	Diane Hendricks*	Karl Leo*
Dan Boxell	John Temporiti	Don Urbanciz	Steve Pearson
	Barry Cervantes	Steve Pearson	

* Indicates Committee Chairman

Article VI of the bylaws states that, "The officers of the Corporation shall consist of a President, one or more Vice Presidents…, a Secretary, an Assistant Secretary and a Treasurer."

The officers elected and serving as of December 31, 2007, were as follows:

NAME	**POSITION**
Daniel J. Boxell	President/Chief Executive Officer/Treasurer
Theresa E. Thorburg	Vice President, Administration/Corporate Secretary
Richard E. Kleinschmidt	Senior Vice President, Commercial Auto
Sarah K. Lehde	Vice President, Claims
Serena M. Lintker	Vice President, Finance
Carol A. Moor	Vice President, Construction Underwriting
John F. Wagner	Vice President, Commercial Auto
Lyn D. Ward	Vice President, Compliance Officer

Conflict of Interest

The Company has a comprehensive Corporate Compliance Program which includes a Conflict of Interest Policy, as well as Fraud, Whistle Blower and Code of Ethics policies. Conflict of Interest Forms were reviewed for directors and officers for the period under examination with no material conflicts noted.

Corporate Records

The Company reported no amendments to the Articles of Incorporation or the Bylaws during the period under examination. The minutes of the Board of Directors provided sufficient documentation of major corporate transactions.

Acquisitions, Mergers, and Major Corporate Events

On November 28, 2005, Hendricks Holding Company, Inc. received approval from the Department of Insurance, Financial Institutions and Professional Registration to acquire all of the outstanding stock of Camelot Services, Inc., the parent of Gateway. Hendricks Holding Company, Inc. completed the transaction on December 1, 2005.

Surplus Debentures

None

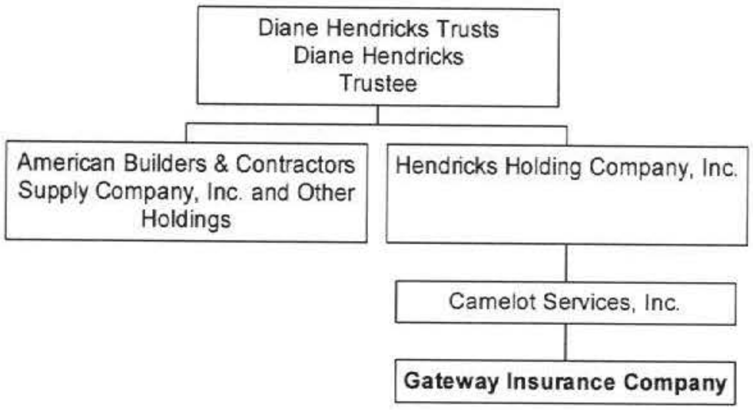
AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

The ultimate controlling person in the insurance holding company system is Diane Hendricks as Trustee of the Kenneth A. and Diane M. Hendricks Trust, the Diane M. Hendricks Irrevocable Trust and the Diane M. Hendricks Revocable Trust. Through the Trusts, Diane M. Hendricks owns the Hendricks Holding Company, Inc., which in turn fully owns Camelot Services, Inc. the direct parent of the Company.

Organizational Chart

The following organizational chart depicts the insurance holding company system as reflected in the Company's annual registration statement, dated April 4, 2008, filed with the DIFP to meet the requirements of Section 382.100 RSMo (Registration required).



Intercompany Agreements

The Company entered into two new intercompany arrangements during the examination period. The Company entered into producer agreements with American Patriot Insurance Co., Inc., a retail producer located in Chicago, Illinois and Insential Inc., a wholesale producer located in Beloit, Wisconsin. These agencies produce premium in the new lines of business associated with the contractor industry. The new lines include workers compensation and general liability.

During the period under examination the Company was party to the following intercompany agreements.

1. Type: Federal Income Tax Allocation Agreement
   Parties: Gateway Insurance Company and Camelot Services, Inc.
   Effective: September 10, 1993
   Terms: Each party agreed to join in the filing of a consolidated federal income tax return for calendar year 1993 and all years thereafter. Pursuant to this agreement, the consolidated tax liability for each year will be apportioned among the members of the consolidated group in accordance with the ratio, which that portion of the consolidated taxable income attributable to each member of the group having taxable income bears to the consolidated taxable income. This agreement also establishes methods for the purpose of reimbursing the parent for the payment of the tax liability, compensating for the use of losses or tax credits and providing for the allocation and payment of any refund arising from a carry back or carry forward of losses or tax credits.

2. Type: Limited Producers Agreement
   Parties: Gateway Insurance Company and American Patriot Insurance Co., Inc.
   Effective: Effective June 21, 2006, signed February 28, 2008
   Terms: American Patriot Insurance Company (APIC) will produce premiums and bind contracts of insurance for Gateway, limited solely to the current lines of business and state jurisdictions in which Gateway is authorized to conduct business. APIC's binding authority is subject at all times to the written underwriting guidelines and rate manuals of Gateway. Net amounts of premiums due to Gateway shall be remitted by APIC on or before the 20th of the month following the month in which the business was written. Any extensions of credit to the policyholder are solely at the risk of APIC. The agreement may be terminated at any time by either party's 30-day prior written notice to the other, as long as the termination is not due to fraud, misrepresentation or failure to pay monies due the other party. The Agreement shall terminate automatically without prior notice if the producer license of APIC is terminated or suspended by any public authority.

   Gateway will pay APIC commissions ranging from 10 to 15% of premium on the business produced by APIC.

3. Type: Limited Producers Agreement
   Parties: Gateway Insurance Company and Insential Inc.
   Effective: Effective April 1, 2007, signed June 29, 2007
   Terms: Insential Inc. will produce premiums and bind contracts of insurance for Gateway, limited solely to the current lines of business and state jurisdictions in which Gateway is authorized to conduct business. Insential Inc.'s binding authority is subject at all times to the written underwriting guidelines and

rate manuals of Gateway. Net amounts of premiums due to Gateway shall be remitted by Insential Inc. on or before the 20th of the month following the month in which the business was written. Any extensions of credit to the policyholder are solely at the risk of Insential Inc. The agreement may be terminated at any time by either party's 30-day prior written notice to the other, as long as the termination is not due to fraud, misrepresentation or failure to pay monies due the other party. The Agreement shall terminate automatically without prior notice if the producer license of Insential Inc. is terminated or suspended by any public authority.

Gateway will pay Insential Inc. commissions ranging from 10 to 15% of premium on the business produced by Insential Inc.

Although the agreements were non-disapproved by the DIFP on 3/13/08, they have been effective since 6/21/06 and 4/1/07, respectively. The Company is instructed to comply with Missouri Regulation 20 CSR 200-11.120 (Material Transactions Between Affiliates Under Section 382.050.1(5), RSMo) in all such transactions in the future. The regulation requires the Company to notify the Director of the DIFP of the transaction at least thirty days prior to effecting the transaction through the use of a Form D.

FIDELITY BOND AND OTHER INSURANCE

The Company is a named insured on a crime policy providing employee theft and fidelity coverage with a limit of $500,000 and a deductible of $5,000. The coverage limit meets the minimum limits suggested under the NAIC guidelines.

The Company also has the following types of insurance protection: property, general liability, automobile, umbrella liability, workers' compensation, directors and officers' liability, employment practices and fiduciary liability.

EMPLOYEE BENEFITS

The Company provides typical employee benefits including:

- Group life, medical and dental coverage
- Short and long term disability
- Flex days for personal, vacation or sick leave
- Holiday pay
- Tuition aid

All active full-time employees of the Company who are at least twenty-one years old and have completed one year of service are eligible to participate in a 401(k) retirement savings plan sponsored by the Company.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2007, as reflected below, were deemed sufficient in par and market value to meet the deposit requirement for the State of Missouri in accordance with Section 379.098(1) RSMo (Securities Deposits).

Security	Par Value	Market Value	Statement Value
U.S. Treasury Note	\$800,000	\$821,313	\$793,388
U.S. Treasury Note	\$1,250,000	\$1,304,101	\$1,244,801
U.S. Treasury Note	\$500,000	\$504,024	\$504,557
U.S. Treasury Note	\$200,000	\$201,375	\$192,162
Total	\$2,750,000	\$2,830,813	\$2,734,909

Deposits with Other States and Territories

The Company also has funds on deposit with various other states. Those funds on deposit as of December 31, 2007, were as follows:

State	Security	Par Value	Market Value	Statement Value
Arizona	U.S. Treasury Note	\$500,000	\$504,024	\$504,557
Delaware	U.S. Treasury Note	\$110,000	\$110,756	\$105,689
Georgia	U.S. Treasury Note	\$50,000	\$52,164	\$49,792
Louisiana	U.S. Treasury Note	\$110,000	\$112,346	\$106,895
Nevada	GE Capital Corp.	\$300,000	\$301,489	\$307,656
New Mexico	U.S. Treasury Note	\$350,000	\$352,816	\$353,190
South Carolina	U.S. Treasury Note	\$150,000	\$153,199	\$145,765
South Carolina	U.S. Treasury Note	\$50,000	\$50,344	\$48,041
	Total	\$1,620,000	\$1,637,138	\$1,621,586

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

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 the District of Columbia and all but the following states:

Connecticut	Maine	Massachusetts	Michigan	New Hampshire
New Jersey	North Carolina	Rhode Island	Vermont	Virginia
Washington				

The Company writes the following lines of business:

Specialty Commercial Auto – This line specializes in 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 presently operates. The Company added a new niche in 2007 of non-hazardous trucking.

Standard Commercial Lines - In 2007, the Company developed additional products intended to provide another specialty niche to service the roofing and construction industry. The Company began offering commercial auto, general liability and workers compensation insurance.

Non-Standard Private Passenger Auto (discontinued in November 2006)

Policy Forms & Underwriting; Advertising & Sales Materials and Treatment of Policyholders

The DIFP has a Market Conduct staff that performs a review of these issues and generates a separate market conduct report. The most recent Missouri Market Conduct Examination was as of June 30, 2003 covering the period from July 1, 2001 through June 30, 2002. The Company could have been fined for various violations, but due to the Company's financial position at the time, no fine was levied.

The Company has a complaint system in place and appears to handle complaints in a timely manner.

REINSURANCE

General

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

	2007	2006	2005	2004
Direct Business	$ 14,765,280	$ 19,181,422	$ 21,387,890	$ 21,090,094
Reinsurance Assumed	25,694	59,670	-	-
Reinsurance Ceded	(2,105,311)	(1,802,333)	(1,656,311)	(1,839,436)
Net Premiums	$ 12,685,663	$ 17,438,759	$ 19,731,579	$ 19,250,658

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.

Throughout the period under examination the Company has contracted with Munich Reinsurance America to provide a layer of coverage for the Company's core taxi lines. In 2007, the Company retained the first \$250,000 of losses for taxi auto liability and taxi general liability exposures, after which Munich Reinsurance America was responsible for the next \$750,000 of losses. The Company has facultative agreements with General Reinsurance Corporation to cover losses in excess of \$1,000,000.

As the Company has expanded into new lines additional reinsurance contracts have been obtained.

At year end 2007, the Company had in place a contractor's auto liability contract with Munich Reinsurance America providing \$750,000 coverage in excess of the Company's \$250,000 retention.

The Company contracted with General Reinsurance Corporation for \$250,000 coverage in excess of the Company's \$250,000 retention for losses in its contractor's general liability line of business. Munich Reinsurance America then provided another \$500,000 of coverage in excess of the first \$500,000 in losses.

The Company's new worker's compensation program is protected by four layers of excess reinsurance. The Company retains the first \$1,000,000 in losses and then is protected by layers of \$1, \$3, \$5, and \$10 million. The Company retains 20% of the risk in the \$10 million excess layer. Overall the Company's excess worker's compensation program will provide protection for \$17 million of the first \$20 million in losses. Various insurance companies obtained by the intermediary, Guy Carpenter, share portions of the layers of coverage.

ACCOUNTS AND RECORDS

An independent accounting firm audits the Company annually. The Company's 2007 financial statements were audited by the CPA firm, Brown Smith Wallace LLC. Their workpapers were used in the course of this examination as deemed appropriate.

Reserves and related actuarial items reported in the financial statements were reviewed and certified by Jeff Kimble, A.C.A.S., M.A.A.A., from the firm of Towers Perrin.

The actuarial firm of Lewis & Ellis, Inc., reviewed the actuarial assumptions and methods used by the Company in determining losses, loss adjustment expenses and related actuarial items pursuant to a contract with the Department of Insurance, Financial Institutions and Professional Registration and they opined that reserves and related actuarial items were reasonable.

Andrew Balas, the Information Systems Examination Specialist with the Department of Insurance, Financial Institutions and Professional Registration reviewed the Company's information systems. The Company has a disaster recovery plan in place.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2007, and the results of operations for the fiscal period then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

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

ASSETS

	Amounts Per Annual Statement			Notes	Examination Findings	
	Assets	Assets Not Admitted	Net Admitted Assets		Examination Adjustments	Net Admitted Assets
Bonds	$25,222,689		$25,222,689			$25,222,689
Common stocks	2,682,120		2,682,120			2,682,120
Cash and short-term investments	1,922,070		1,922,070			1,922,070
Subtotal Cash and Invested Assets	$29,826,879		$29,826,879			$29,826,879
Investment income due and accrued	$220,385		$220,385			$220,385
Uncollected premiums and agents balances	929,200	29,299	899,901			899,901
Deferred premiums and agents balances	4,820,669		4,820,669			4,820,669
Amounts recoverable from reinsurers	173,533		173,533			173,533
Net deferred tax asset	1,179,313	195,320	983,993			983,993
Guaranty funds	7,442		7,442			
EDP equipment	17,349		17,349			17,349
Furniture and equipment	8,324	8,324				-
Loss fund	21,124		21,124			21,124
Miscellaneous assets	6,949	4,083	2,866			2,866
State premium tax recoverable	161,119		161,119			161,119
Total Assets	$37,372,286	$237,026	$37,135,260			$37,135,260

LIABILITIES, SURPLUS AND OTHER FUNDS

	Amounts Per Annual Statement	Notes	Examination Adjustments	Amounts Per Examination
Losses	$9,544,286			$9,544,286
Loss adjustment expenses	1,665,621			1,665,621
Commissions payable	617,496			617,496
Other expenses	778,292			778,292
Taxes, licenses and fees	242,816			242,816
Current federal and foreign income tax	1,681			1,681
Unearned premium	7,483,642			7,483,642
Ceded reinsurance premiums payable	236,379			236,379
Amounts withheld or retained by company	199,828			199,828
Drafts outstanding	20,748			20,748
Total Liabilities	$20,790,789			$20,790,789
Common capital stock	$3,815,000			$3,815,000
Gross paid in surplus	8,874,370			8,874,370
Unassigned funds	3,655,101			3,655,101
Surplus as regards policyholders	$16,344,471			$16,344,471
Totals	$37,135,260			$37,135,260

STATEMENT OF INCOME

	Notes	Examination Adjustments	Amounts Per Annual Statement
Underwriting Income			
Premiums earned			$12,290,599
Deductions			
Losses incurred			5,139,157
Loss expenses incurred			1,477,980
Other underwriting expenses incurred			5,923,346
Total underwriting deductions			$12,540,483
Net underwriting gain			($249,884)
Investment Income			
Net investment income earned			1,339,572
Net realized capital gains			312,241
Net investment gain			$1,651,813
Other Income			
Net gain from agents or premium balances charged off			(58,979)
Other miscellaneous income			46,378
Total other income			($12,601)
Net income before taxes			$1,389,328
Federal and foreign taxes			10,908
Net Income			$1,378,420
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year			$15,077,062
Net Income			1,378,420
Change in net unrealized capital gains or (losses)			(652)
Change in deferred income tax			(448,035)
Change in non-admitted assets			329,361
Prior period tax adjustment			8,315
Change in surplus as regards policyholders for the year			1,267,409
Surplus as regards policyholders			16,344,471

NOTES TO FINANCIAL STATEMENTS

None

EXAMINATION CHANGES

There were no examination changes.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Intercompany Agreements Page 7

Although the Company's intercompany agreements were non-disapproved by the DIFP on March 13, 2008, they have been effective since June 21, 2006 and April 1, 2007, respectively. The Company is instructed to comply with Missouri Regulation 20 CSR 200-11.120 (Material Transactions Between Affiliates) pursuant to Section 382.050.1(5), RSMo in all such transactions in the future. The regulation requires the Company to notify the Director of the DIFP of the transaction at least thirty days prior to effecting the transaction through the use of a Form D.

SUBSEQUENT EVENTS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by Gateway Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, John Boczkiewicz, CPA, CFE, and Andrew T. Balas, AES, CFE, CPA examiners for the Department of Insurance, Financial Institutions and Professional Registration participated in this examination. Glenn A. Tobleman, F.C.A.S., F.S.A., M.A.A.A., of Lewis & Ellis, Inc., Actuaries & Consultants, reviewed the actuarial assumptions and methods used by the Company in determining policy reserves and related actuarial items.

VERIFICATION

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

I swear on my oath 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 R. Sample

Wyatt R. Sample, CFE
Examiner-in-Charge, Department of Insurance,
Financial Institutions and Professional Registration
Midwestern Zone, NAIC

Sworn to and subscribed before me this 30 day of July.
My commission expires:

2008

Trudy Prewitt
Notary Public

TRUDY PREWITT
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: April 15, 2011
Commission Number: 07499644

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 the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens

Michael Shadowens, CFE
Audit Manager, Department of Insurance,
Financial Institutions and
Professional Registration

GATEWAY
INSURANCE COMPANY
A Specialty Insuror
Since 1946

RECEIVED

AUG 29 2008

INSURANCE SOLVENCY
&
COMPANY REGULATION

August 28, 2008

Mr. Frederick G. Heese, CFE, CPA
Chief Financial Examiner & Acting Division Director
Missouri Department of Insurance
P. O. Box 690
Jefferson City, MO 65102-0690

Dear Mr. Heese,

I am in receipt of a copy of our Examination Report for Gateway Insurance Company for the period ending December 31, 2007. I am officially responding to the exam and would like our response to be reflected in the report as a public document.

I am pleased with the examination results and that there were no examination adjustments. The one comment/recommendation regarding the intercompany agreements was identified as an oversight by the company prior to the beginning of this examination and was brought to the attention of the Department of Insurance as soon as the oversight was recognized. The company then filed the required notification (Form D) for the intercompany agreements. The company has instituted procedures to prevent any such oversight from occurring in the future.

I hope that you and your staff found our staff not only professional, but also cooperative and helpful. If I can answer any questions, please do not hesitate to contact me.

Sincerely,

Daniel J. Boxell
President & CEO

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