

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

**COMMUNITY BLOOD CENTERS' EXCHANGE, RISK
RETENTION GROUP**

NAIC Co. CODE 13893

As of

December 31, 2007

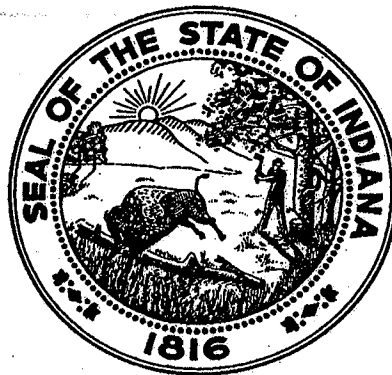


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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

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JAMES ATTERHOLT, Commissioner

October 15, 2008

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee, NAIC
Commissioner, Virginia Bureau of Insurance
State Corporation Commission
Tyler Building, 1300 East Main Street
Richmond, Virginia 23219

Honorable James Atterholt
Commissioner, Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioners:

Pursuant to the authority vested in Appointment Number 3558, an examination has been made of the affairs and financial condition of:

Community Blood Centers' Exchange, Risk Retention Group
728 North State Street
Greenfield, Indiana 46140

hereinafter referred to as the "Company," an Indiana domestic reciprocal and risk retention group that is regulated as a property and casualty insurance company. The examination was conducted at the main administrative offices of the Company at Overland Park, Kansas.

The Report of Examination, showing the status of the Company as of December 31, 2007, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (IDOI) as of the period ending December 31, 2002. The present examination covered the period from January 1, 2003 through December 31, 2007, and was conducted by Huff, Thomas & Company (HuffThomas) and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the examination, the IDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by Conner Ash P.C. Certified Public Accountants and Business Consultants for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

David Shepherd, FCAS, MAAA, of Merlinos & Associates, Inc., a consulting actuary appointed by the IDOI, conducted a review of the Company's loss reserves and loss adjustment expenses as of December 31, 2007.

The examination was conducted in accordance with procedures and guidelines prescribed by the National Association of Insurance Commissioners (NAIC) for the purpose of determining the Company's financial condition. Examination procedures included the verification and evaluation of assets, determination of liabilities and review of income and disbursement items, minutes, corporate documents, policy and claim files, and other records to the extent deemed necessary.

The report from the previous IDOI examination was reviewed. It was noted the previous report made no recommendations.

HISTORY

The Company was incorporated on October 9, 1992, as an Indiana domiciled inter-insurance, reciprocal exchange and commenced business on August 1, 1993. Outside of Indiana, the Company provides coverage under the Federal Liability Risk Retention Act of 1986 (15 U.S.C. § 3901 et seq.) which allows a "risk retention group" to operate on a nationwide basis.

The Company is managed by its Attorney-in-Fact (AIF), to provide general and professional liability insurance to not-for-profit community blood centers. All policyholders are "members" of the AIF and "subscribers" to the Company. The Company currently writes coverage in twenty-three different states for thirty-eight blood centers.

CAPITAL AND SURPLUS

As of December 31, 2007, the Company's capital and surplus of \$6,501,903 (before unassigned funds) consisted of subscriber contributions of \$2,729,062, surplus notes of \$2,820,559 and \$952,282 in subordinated debentures.

Subscribers to the Company are required to make a cash contribution to the surplus of the Company. At December 31, 2007, the Company's surplus included contributions totaling \$2,729,062. These capital contributions may be paid in lump sum or in installments over three years and are recognized by the Company when received. Additional surplus contributions from the subscribers may be required at the request of the Board of Directors, subject to limitations set forth in the subscriber agreements. Upon

withdrawal from the Company, the Company has the option of converting a subscriber's contributed surplus to a subordinated debenture. The Company then has the option of paying the principal on these subordinated debentures in five equal annual payments beginning five years after the year of withdrawal.

At December 31, 2007, the Company's \$2,820,559 in surplus notes resulted from rollovers of subscriber savings accounts. The notes bear interest at a rate determined annually by the Board of Directors, and mature five years after the effective issue date, subject to extension at the sole discretion of the Board of Directors. No payments of principal or interest on surplus notes can be made without the prior consent of the IDOI. In 2007, with the prior approval of the IDOI, the Company distributed \$200,278 from subscriber savings accounts.

Surplus also includes subordinated debentures totaling \$952,282 issued to withdrawing subscribers, of which \$60,256 was issued in 2003 with the remainder issued in 2007. These debentures are subject to downward adjustment five years after withdrawal, are non-interest bearing, and may be paid in equal installments over the next five years. All payments are subject to the prior approval of the IDOI.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact insurance business in the State of Indiana and is authorized to write business on a nationwide basis via the Federal Liability Risk Retention Act. In all other states in which the Company issues policies, it registers and operates as a foreign risk retention group. The Company writes professional liability and general liability coverage (reported 100% as medical malpractice in the Annual Statement) on a claims-made basis to not-for-profit community blood centers licensed by the FDA with deductibles ranging from \$25,000 to \$100,000 with an upper policy limit of \$5,000,000. In 2007, the Company wrote policies for thirty-eight members in twenty-three states.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2007	\$20,057,589	\$12,257,321	\$7,800,268	\$3,246,615	\$1,019,992
2006	17,145,580	10,289,365	6,856,215	4,606,459	925,729
2005	15,956,404	10,295,215	5,661,189	3,023,821	186,991
2004	12,826,775	7,851,648	4,975,127	3,265,879	472,457
2003	10,279,186	6,407,022	3,872,164	2,468,103	(90,545)

MANAGEMENT AND CONTROL

Directors

The Bylaws provide the business affairs of the Company are to be managed by a Board of Directors consisting of not less than seven and no more than thirteen persons. The membership at its annual meeting elects the members of the Board of Directors for terms of three years. The following is a listing of persons serving as Directors at December 31, 2007:

<u>Name & Address</u>	<u>Board Position and Principal Occupation</u>
Bobby A. Grigsby Bedford, Texas	Chairman Carter BloodCare
Edward P. Scott, M.D. Memphis, Tennessee	Secretary Lifeblood/Mid-South Regional Blood Center
David L. Allen Jackson, Mississippi	Vice Chairman Mississippi Blood Services
Randall G. Stark Oklahoma City, Oklahoma	Treasurer Oklahoma Blood Institute
Donald F. Thomson Springfield, Missouri	Director Community Blood Center of the Ozarks
Mary J. Townsend, M.D. Amarillo, Texas	Director Coffee Memorial Blood Center
Connie E. Foland Houston, Texas	Director Gulf Coast Regional Blood Center
Gregory J. Hart Greenville, South Carolina	Director The Blood Connection
Frank A. Nizzi, Jr. D.O. Bedford, Texas	Director Carter BloodCare
Dale R. Malloy Jacksonville, Florida	Director Florida Georgia Blood Alliance
Margaret E. Wallace Shreveport, Louisiana	Director LifeShare Blood Centers
Thomas C. Puckett Denver, Colorado	Director Belle Bonfils Memorial Blood Center

IC 27-1-7-11 requires Indiana domiciled insurers appoint at least one resident from the State of Indiana to the Board of Directors. It can be noted from the listing of Board members, the Company had no Director residing in the State of Indiana at December 31, 2007. During the course of examination field work, it was noted the Company addressed this deficiency. The Board of Directors at its Meeting July 25, 2008, passed a resolution changing the Bylaws providing for the appointment of an Indiana "resident director" not subject to the term limits applicable to other directors. At the Annual Subscribers' Meeting held on July 26, 2008, Mr. Byron Buhner of the Indiana Blood Center was nominated and elected as the Resident Director for the one year term ending in 2009.

Other Officers

As permitted by the Company's Bylaws, the Board appointed four additional officers. These officers were non-directors, selected from the four principal service providers responsible for the Company's daily operations:

<u>Name & Address</u>	<u>Company Office and Principal Occupation</u>
Robert B. Ellis Overland Park, Kansas	Vice President of Underwriting Haake Companies
Gordon R. Cook Kansas City, Missouri	Vice President of Finance Cook Consulting Co.
Lawrence W. Hoch Port Orange, Florida	Vice President of Claims Seaboard Adjustment Bureau, Inc.
Kathryn Westover Colchester, Vermont	Chief Operating Officer and Executive Director Innovative Captive Strategies

CONFLICT OF INTEREST

Officers and Directors are required to review and sign Conflict of Interest statements annually. It was determined Officers and Directors listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of year-end 2007.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every Director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation.

It was noted during the examination that Board members did not subscribe to an Oath of Office for 2007 and previous years. It is recommended each Director subscribe to an Oath of Office as required by IC 27-1-7-10(i).

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were a number of amendments made to the Bylaws during the period under examination:

In 2004, the maximum number of Directors was increased from eleven to thirteen "in order to permit broader representation of the membership on the Board of Directors" as was recorded in the Board minutes for July 12, 2004.

On April 1, 2005, amendments were made clarifying that "all except for a maximum of three directors

must be full time employees, officers or directors of a Member.” In addition, the maximum number of three-year terms a Director may serve was set at three and, after three years absence, one additional three-year term.

At the Board meeting on November 9, 2007, several amendments were made to the Bylaws:

- Clarifying that the voting individual at the Members’ Annual Meeting is to be designated prior to the meeting;
- Clarifying Members can grant only proxies to other Members and only the Chairman may hold more than one proxy at a time;
- Forming the office of Executive Director, who is to be selected by a two-thirds vote of the Board of Directors;
- Confirming the Executive Committee shall be selected only from Member-Directors;
- Confirming the Executive Director shall also be the Chief Operating Officer of the Corporation.

Minutes

The Board of Directors and Shareholder meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. It was noted the annual meetings and other regular Board meetings were held in accordance with the Company’s Bylaws.

ORGANIZATIONAL STRUCTURE AND ADMINISTRATIVE AGREEMENTS

Organizational Structure

As mentioned under the History section of this Report of Examination, the Company is an unincorporated association that operates through its AIF, Community Blood Centers Exchange Inc., which is an Indiana not-for-profit taxable corporation, the members of which are the subscribers (insureds) to the Company. All transactions are effected through the AIF, which has no activities separate from the Company.

Substantially all of the volunteer Directors and officers of the Company are full time employees and executives of their respective blood centers. In addition, few directors have experience in the operation of insurance companies. To oversee operations, the Directors hired an Executive Director in 2007, who is not a member of the Board and is an independent contractor operating under a three year contract. As Chief Operating Officer, the Executive Director oversees the activities of the underwriting, claims and financial service providers. All of the Executive Director’s activities are subject to the oversight and policy making function of the Board of Directors.

The Company has no parent, subsidiaries or affiliates.

Administrative and Service Agreements

From the date of inception, the Company was structured with no direct employees maintained either by the Company or the AIF. Instead, consultants are utilized to perform the duties and responsibilities relating to all aspects of operations. Following is a summary of the primary consultants under contract and the services performed by each:

Underwriting and Services Agreement – Haake Companies, Inc.

Effective June 1, 2007, the Company entered into a service agreement with a third party administrator,

under which Haake provides certain administrative, underwriting, marketing, professional, advisory, consulting and other services. In 2007, the amount of fees paid by the Company under this agreement (and its predecessor agreement dated June 1, 2004) was \$261,667.

Claims Administration Agreement – Seaboard Adjustment Bureau, Inc.

Effective August 1, 2005, the Company entered into a service agreement with Seaboard as the primary administrator and adjuster for Company claims. Pursuant to this agreement, the Company paid \$308,588 of fees in 2007.

Finance and Accounting Agreement – Cook Consulting Co.

Effective August 1, 2005, the Company entered into a service agreement with Cook to perform accounting, finance, regulatory compliance and reporting functions. Total fees paid by the Company to Cook in 2007 were \$141,250.

Effective September 1, 2008, the services performed by Cook Consulting were assumed by a Service Agreement made with Chilton & Medley PLC, a Kentucky Professional Limited Liability Company. The Cook Co. resignation was effective October 4, 2008, and the overlapping month was used to transfer records to and conduct orientation for Chilton & Medley.

Management Agreement – Kathryn Westover

Effective May 1, 2007, the Company entered into an Independent Contractor Service Agreement with Ms. Westover to serve as Executive Director and Chief Operating Officer by providing daily operating management for the Company and to oversee all activities of outside consultants and service providers. The amount of fees paid by the Company to the Executive Director under this agreement in 2007 was \$70,667.

FIDELITY BOND AND OTHER INSURANCE

The Company was protected against loss by reason of fraud or dishonesty by two policies:

- A crime policy providing \$450,000 of blanket coverage from St. Paul Travelers;
- A Directors and Officers and Errors and Omissions policy with coverage of \$4,000,000 per claim and \$4,000,000 in aggregate from “Certain Underwriters at Lloyd’s London.”

The provided coverage exceeds the recommended minimum specified by the NAIC.

Other major insurance coverage in force at December 31, 2007, consisted of an umbrella policy from the Hartford, covering commercial general liability, business rented premises, and products-completed operations. All coverage from the umbrella policy was determined to be adequate.

STATUTORY AND SPECIAL DEPOSITS

The Company reported a \$100,000 statutory deposit with the State of Indiana at December 31, 2007.

REINSURANCE

Reinsurance Ceded

Reinsurance is purchased by the Company on a specific and aggregate basis as outlined below. Ceded reinsurance is placed on an excess per occurrence and aggregate limit basis. All reinsurance is placed with an unaffiliated consortium of domestic and European reinsurers. Aggregate annual limits for each of the 2007 contracts are as follows:

	<u>Specific Coverage Limit</u>	<u>Aggregate Policy Limit</u>
Layer 1	over \$250,000 up to \$2,000,000	500% of total reinsurance premium (Approximately \$11,200,000 for 2007)
Layer 2	over \$2,000,000 up to \$5,000,000	\$9,000,000 annual aggregate (includes available reinstatements)

The Company pays a provisional premium on the Layer 1 reinsurance coverage with subsequent annual adjustments based on loss activity within the contract until all losses within the contract period are closed. Premiums on the Layer 2 reinsurance coverage are paid in semi-annual installments to coincide with direct premiums.

The Company's maximum per occurrence retention under reinsurance contracts prior to 2005 is \$175,000. The 2005 to 2007 contracts includes a per occurrence retention of \$250,000 in addition to a Layer 1 corridor deductible approximating \$250,000. The 2002 and forward Layer 1 contracts include a provision for return or additional premiums based on claims experience, subject to minimums and maximums as specified in the contracts.

PENDING LITIGATION

The Company's management and attorney confirmed there were no pending material non-policy related litigation, unreported commitments or contingent liabilities incurred through the examination date.

RESERVES

Patrick K. Devlin, FCAS, MAAA, Director with PricewaterhouseCoopers LLP, was appointed actuary for the Company. Mr. Devlin was appointed by the Executive Committee of the Board of Directors on November 8, 2007, to render an opinion on the statutory-basis loss reserves of the Company. Mr. Devlin rendered an opinion on such reserves for each of the years under examination. The scope of the opinion stated the Actuary examined the reserves as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials as of December 31, 2007. In forming the opinion, information prepared by the Company was relied upon. The provided data was evaluated for reasonableness and consistency. The data was reconciled to Schedule P - Part 1 of the Company's Annual Statement as of December 31, 2007. The examination included such review of the actuarial assumptions and methods and such tests of the calculations as considered necessary.

The 2007 opinion stated the balances of reserves: 1) meet the requirements of the insurance laws of Indiana; 2) are computed in accordance with generally accepted actuarial standards and principles; 3)

make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

David Shepherd FCAS, MAAA of Merlino and Associates was appointed by the IDOI to conduct a review of the Company's loss reserves and loss adjustment expenses as of December 31, 2007. Mr. Shepherd's examination noted that the appointed actuary was conservative in his selections of loss development factors and estimates of ultimate losses. He concluded that the actuarial methods and assumptions used by the appointed actuary were reasonable with no exceptions noted. His examination produced no recommendations.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ended December 31, 2007, was agreed to the Annual Statement without exception. The Annual Statement totals for Admitted Assets, Liabilities, Surplus, Premiums Written and Net Income for the years ended December 31, 2003 through December 31, 2006, were agreed to each year's trial balance with no exceptions noted. The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

COMMUNITY BLOOD CENTERS' EXCHANGE, RISK RETENTION GROUP

FINANCIAL STATEMENTS

Assets

	As of December 31, 2007			December 31, Prior Year
	Per Annual Statement	Exam Adjustments	Per Examination	
Assets:				
Bonds	\$ 9,536,950	\$ -	\$ 9,536,950	\$ 6,402,175
Common stocks (stocks)	1,755,369	-	1,755,369	1,868,720
Cash \$(597,391), cash equivalents \$0 and short-term investments \$7,847,102	7,249,711	-	7,249,711	7,477,734
Subtotals, cash and invested assets	\$ 18,542,030	-	\$ 18,542,030	\$ 15,748,629
Investment income due and accrued	94,492	-	94,492	75,195
Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	78,589	-	78,589	934
Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$0 earned but unbilled premiums) (premiums and considerations)	972,887	-	972,887	1,167,174
Amounts recoverable from reinsurers (reinsurance)	369,591	-	369,591	141,848
Current federal and foreign income tax recoverable and the interest thereon	-	-	-	11,800
Total Assets	\$ 20,057,589	\$ -	\$ 20,057,589	\$ 17,145,580

COMMUNITY BLOOD CENTERS' EXCHANGE, RISK RETENTION GROUP

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2007			December 31,
	<u>Per Annual</u>	<u>Exam</u>	<u>Per</u>	<u>Prior Year</u>
	<u>Statement</u>	<u>Adjustments</u>	<u>Examination</u>	
Liabilities:				
Losses	\$ 3,287,707	\$ -	\$ 3,287,707	\$ 3,307,327
Loss adjustment expenses	4,298,253	-	4,298,253	3,625,735
Other expenses (excluding taxes, licenses and fees)	137,794	-	137,794	214,360
Taxes, licenses, and fees (excluding federal and foreign income taxes)	91,296	-	91,296	87,708
Current federal and foreign income taxes	13,398	-	13,398	-
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$862,899)	2,154,448	-	2,154,448	2,055,333
Ceded reinsurance premiums payable	2,274,425	-	2,274,425	960,502
Provision for reinsurance	-	-	-	38,400
Total Liabilities	\$ 12,257,321	\$ -	\$ 12,257,321	\$ 10,289,365
Aggregate write-ins for other than special surplus funds	\$ 2,729,062	\$ -	\$ 2,729,062	\$ 3,022,451
Surplus notes	3,772,841	-	3,772,841	2,772,774
Unassigned funds (surplus)	1,298,365	-	1,298,365	1,060,990
Surplus as regards policyholders	\$ 7,800,268	\$ -	\$ 7,800,268	\$ 6,856,215
Totals	\$ 20,057,589	\$ -	\$ 20,057,589	\$ 17,145,580

COMMUNITY BLOOD CENTERS' EXCHANGE, RISK RETENTION GROUP

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2007

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Premiums earned	\$ 3,246,615	\$ -	\$ 3,246,615	\$ 4,606,459
DEDUCTIONS				
Losses incurred	714,224	-	714,224	1,265,084
Loss expenses incurred	1,076,605	-	1,076,605	1,744,987
Other underwriting expense incurred	1,100,437	-	1,100,437	1,125,673
Total underwriting deductions	<u>\$ 2,891,266</u>	<u>\$ -</u>	<u>\$ 2,891,266</u>	<u>\$ 4,135,744</u>
Net underwriting gain (loss)	<u>\$ 355,349</u>	<u>\$ -</u>	<u>\$ 355,349</u>	<u>\$ 470,715</u>
Net investment income earned	\$ 606,343	\$ -	\$ 606,343	\$ 449,140
Net realized capital gains (losses) less capital gains tax	63,300	-	63,300	23,674
Net investment gain (loss)	<u>\$ 669,643</u>	<u>\$ -</u>	<u>\$ 669,643</u>	<u>\$ 472,814</u>
Net income before dividends to policyholders, after capital gains tax before all other federal income taxes	<u>\$ 1,024,992</u>	<u>\$ -</u>	<u>\$ 1,024,992</u>	<u>\$ 943,529</u>
Dividends to policyholders	-	-	-	-
Net income before dividends to policyholders, after capital gains tax before all other federal income taxes	<u>\$ 1,024,992</u>	<u>\$ -</u>	<u>\$ 1,024,992</u>	<u>\$ 943,529</u>
Federal and foreign income taxes incurred	5,000	-	5,000	17,800
Net income	<u><u>\$ 1,019,992</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,019,992</u></u>	<u><u>\$ 925,729</u></u>

COMMUNITY BLOOD CENTERS' EXCHANGE, RISK RETENTION GROUP

FINANCIAL STATEMENTS

Capital and Surplus Account

	As of December 31, 2007			
	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Capital and Surplus Account:				
Surplus as regards policyholders, December 31, prior year	\$ 6,856,215	\$ -	\$ 6,856,215	\$ 5,661,189
Net income	\$ 1,019,992	\$ -	\$ 1,019,992	\$ 925,729
Change in net unrealized capital gains (losses)	52,984	-	52,984	175,608
Change in provision for reinsurance	38,400	-	38,400	(38,400)
Change in surplus notes	1,000,067	-	1,000,067	205,000
Surplus adjustments (Paid-in)	32,955	-	32,955	132,089
Aggregate write-ins for gains and losses in surplus	(1,200,345)	-	(1,200,345)	(205,000)
Change in surplus as regards policyholders for the year	\$ 944,053	\$ -	\$ 944,053	\$ 1,195,026
Surplus as regards policyholders, December 31, current year	\$ 7,800,268	\$ -	\$ 7,800,268	\$ 6,856,215

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2007, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

As noted under "Management and Control" section of this Report of Examination, the Company was not in compliance with IC-27-1-7-11 which requires the Board of Directors of Indiana domiciled insurers appoint at least one director who resides in the State of Indiana. This deficiency was corrected on July 25, 2008, when the Board of Directors passed a resolution changing the Bylaws to provide for the appointment of an Indiana "resident director" not subject to the term limits applicable to other directors. At the Annual Subscribers' Meeting held on July 26, 2008, Mr. Byron Buhner of the Indiana Blood Center was nominated and elected as the Resident Director for the one year term ending 2009.

As noted under "Oath of Office" section of this Report of Examination, the Company was not in compliance with IC 27-1-7-10(i) which stipulates every Director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. It was recommended each Company Director subscribe to an Oath of Office as required by IC 27-1-7-10(i).

As previously noted, there were no recommendations made in the prior report of examination.

SUBSEQUENT EVENTS

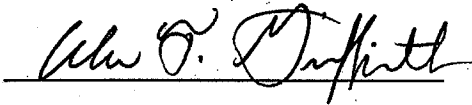
There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this report.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by the key administrative consultants and officers for the Company and provided to the IDOI.

CONCLUSION

The preceding report of examination of **The Community Blood Centers' Exchange, Risk Retention Group** as of December 31, 2007, reflects its financial condition in accordance with the National Association of Insurance Commissioners Accounting Practices and Procedures Manual and any and all prescribed and permitted accounting practices of the Indiana Department of Insurance. An Affidavit of the Examiner-in-Charge, Neeraj Gupta, CFE, is on file with the Indiana Department of Insurance and attests that the examination was performed in a manner consistent with the standards and procedures required by the Indiana Department of Insurance and the National Association of Insurance Commissioners Financial Condition Examiners Handbook. Based on my review, to the best of my knowledge, the examination was performed in a manner consistent with those standards and procedures and properly reflects the financial condition of **The Community Blood Centers' Exchange, Risk Retention Group**.



Alan T. Griffith, CFE
Examinations Manager
Department of Insurance
State of Indiana