

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Monroe Guaranty Insurance Company)
6300 University Parkway)
Sarasota, Florida 34240)

Examination of Monroe Guaranty Insurance Company

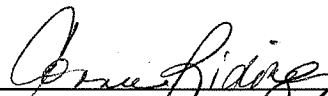
NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Carol Cutter, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Monroe Guaranty Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on December 21, 2009, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Monroe Guaranty Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

Date January 4, 2010



Connie Ridinger, CPA, CFE
Chief Examiner/Deputy Commissioner

CERTIFIED MAIL NUMBER: 7004 1160 0000 3839 1715

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Monroe Guaranty Insurance Company)
6300 University Parkway)
Sarasota, Florida 34240)

Examination of Monroe Guaranty Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Monroe Guaranty Insurance Company (hereinafter "Company") for the time period January 1, 2004 through December 31, 2008.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on December 10, 2009.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on December 21, 2009 and was received by the Company on December 26, 2009.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Monroe Guaranty Insurance Company as of December 31, 2008.
2. That the Examiners' Recommendations are reasonable and necessary in order for the Monroe Guaranty Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 4th day of
January, 2010.



Carol Cutter
Insurance Commissioner

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

MONROE GUARANTY INSURANCE COMPANY

NAIC COMPANY CODE 32506

As of

December 31, 2008

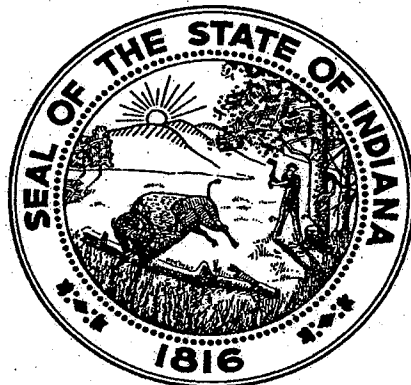


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STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE
311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

CAROL CUTTER, Commissioner

December 11, 2009

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

Honorable Carol Cutter
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 3592-A, an examination has been made of the affairs and financial condition of:

Monroe Guaranty Insurance Company
12800 North Meridian Street, Suite 100
Carmel, IN 34240

hereinafter referred to as the "Company", an Indiana domestic, stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Sarasota, Florida.

The Report of Examination, reflecting the status of the Company as of December 31, 2008, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of Indiana Department of Insurance (IDOI) as of the period ending December 31, 2003. The present risk focused examination covered the period from January 1, 2004 through December 31, 2008, 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 KPMG LLP 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 expense reserves as of December 31, 2008.

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.

HISTORY

The Company was first formed in November 1971 as Northern Financial and Guaranty Company of Bermuda and solely provided product liability insurance for its parent, Cook Group, Inc., an international manufacturer and distributors of medical product. On June 21, 1974, the Company was reformed under the laws of the State of Indiana and its present name was adopted on July 2, 1975.

On October 7, 1991, Monroe Guaranty Companies, Inc. (MGCI) acquired the Company from Cook Group, Inc. The Company's employees owned 80% of MGCI through an Employee Stock Ownership Plan. In 2000, MGCI and the Company were acquired by FCCI Insurance Group, Inc. (FCCI), a Florida domiciled holding company. On October 1, 2003, MGCI merged into FCCI with FCCI as the surviving entity. FCCI is owned by FCCI Insurance Company, a Florida domiciled property and casualty insurer. The Company's ultimate parent is FCCI Mutual Insurance Holding Company, a Florida corporation.

CAPITAL AND SURPLUS

As of December 31, 2008, the Company had 1,000 shares of common stock, authorized, issued and outstanding. This stock has no par value and all 1,000 shares are held by its parent FCCI. The stock has a stated value of \$3,000,000. Dividends in the amount of \$1,000,000 were paid during the period covered by this examination.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in fifteen states; Alabama, Colorado, Georgia, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Virginia, and Wisconsin. The Company serves as a primary underwriting vehicle for the insurance operations of FCCI in the Midwest and primarily writes commercial multiple peril and workers compensation for small to medium sized accounts. The sole means of product distribution is through an independent agency system. The Company cedes 100% of its business to FCCI Insurance Company under a quota share agreement effective January 1, 2005.

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>Surplus as Regards Policyholders</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2008	\$39,227,405	(\$3,957,816)	\$43,185,221	\$0	\$1,745,606
2007	32,493,092	(8,915,424)	\$41,408,516	0	1,937,536
2006	30,199,603	(9,275,390)	\$39,474,993	0	1,868,463
2005	37,074,433	(530,093)	\$37,604,526	(41,037,561)	4,437,635
2004	87,618,596	52,390,342	\$35,228,254	6,295,710	6,276,922

The drop in the Company's premiums was attributable to a reinsurance agreement whereby the Company cedes 100% of its business to FCCI Insurance Company, effective January 1, 2005. The negative liability amount is a reduction in ceded reinsurance premiums payable for the uncollected portion of the ceded reinsurance premiums from policyholders which is a receivable from FCCI. The 2008 assets and liability balances have been adjusted as described in Note 1 of the Notes to Financial Statements section of this Report of Examination.

MANAGEMENT AND CONTROL

Directors

The By-laws provide that all corporate actions shall be exercised by or under, and the business and affairs of the corporation shall be managed pursuant to the authority and policies of the Board of Directors consisting of no less than five (5) persons, at least one of which must be a resident of the State of Indiana. The shareholder, at its annual meeting, elects the members of the Board of Directors.

The following is a list of persons serving as Directors at December 31, 2008:

<u>Name and Address</u>	<u>Principal Occupation</u>
Charles R. Baumann Sarasota, Florida	Owner K.B. Financial Services of Sarasota, Inc.
Robert W. Benjamin Sarasota, Florida	Vice President Williams, Parker, Harrison, Dietz & Getzen
Timothy J. Clarke Sarasota, Florida	President Clark Advertising & Public Relations

Robert W. Flanders Sarasota, Florida	President/Owner Quality Walls L.C.
Marvin S. Haber Sarasota, Florida	Retired
Gordon W. Jacobs Sarasota, Florida	President, CEO FCCI Mutual Insurance Holding Company
Tracy J. Pfab Carmel, Indiana	Regional Vice President FCCI Services, Inc.
John T. Stafford Sarasota, Florida	Retired
Roy A. Yahraus Sarasota, Florida	Seacoast Supply Sales Manager

Officers

The Company's Bylaws state that the officers of the Company, who shall be chosen by the Board of Directors, shall consist of a President, a Secretary, a Treasurer, and at the discretion of the Board of Directors, one or more vice president, and other officers and assistants. One person may simultaneously hold more than one office. The following is a list of key officers and their respective titles as of December 31, 2008:

Gordon W. Jacobs	President
Deborah H. Douglas	Corporate Secretary
Craig A. Johnson	Treasurer
Rupert L. Wills	Executive Vice President
Joseph A. Keene	Executive Vice President
Tracy John Pfab	Senior Vice President
Christopher S. Shoucair	Vice President

Corporate Governance

The Board of Directors has an Audit Committee which meets at least quarterly and addresses such matters as external audits, reviews of regulatory filings, financial statement reviews and other responsibilities as described in the Audit Committee Charter. From a review of Board of Directors and Committee minutes, it was determined the Committees are operating in accordance with their respective charters as well as providing effective governance over the Company's operations.

Based on a review of biographical information and through management interviews it was determined the Company's senior officers are adequately qualified and have the experience necessary to administer the operations and affairs of the Company. The Company's senior officers have provided a stable and conservative management approach in conducting the Company's operations.

It was determined, overall, the Company maintains an effective corporate governance structure. The Board of Directors and key executives set an appropriate "tone at the top" with a clear commitment to promote integrity and ethical behavior throughout the Company.

CONFLICT OF INTEREST

Directors, officers and certain employees are required to annually complete a questionnaire which discloses conflicts of interest. It was determined that all officers and Directors serving during the examination period completed the required conflict of interest questionnaire. No exceptions were noted.

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 the board members did subscribe to an Oath of Office.

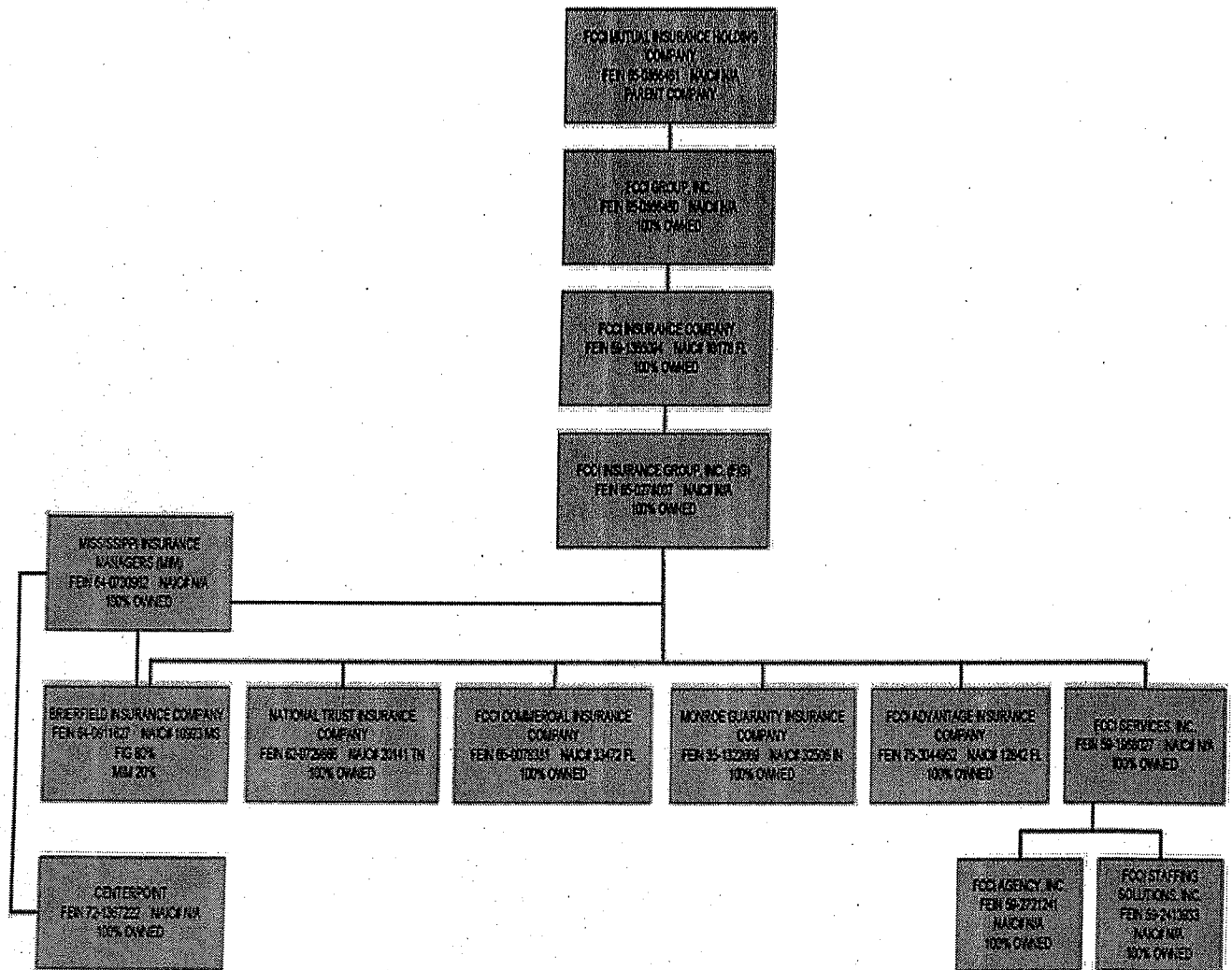
CORPORATE RECORDS

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

AFFILIATED COMPANIES

The Ultimate Controlling Person is FCCI Mutual Insurance Holding Company (FCCI Mutual), a Florida corporation, which principally operates as a Holding Company. FCCI Mutual has no stock as it is a mutual company, owned by members who are the policyholders of the wholly owned insurance company subsidiaries.

This group includes six insurance companies of which five are reinsured by their indirect parent, FCCI Insurance Company, under a 100% quota share agreement. The following organization chart depicts the composition of the group:



INTERCOMPANY AGREEMENTS

The following affiliated agreements and transactions were disclosed as a part of the Form B Holding Company Registration Statement and were filed and not disapproved with IODI in accordance with IC 27-1-23-4.

Administrative Service Agreement

The Company has a Management Service Agreement with its affiliate, FCI Services, Inc. to provide insurance and management services to the Company.

Federal and State Tax Allocation Agreement:

The Company is party to a Federal and State Tax Allocation Agreement to file a consolidated tax return with FCI Insurance Company and other affiliates.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond. The Company is insured for losses up to \$5,000,000 with a \$50,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

Other major insurance coverages in force at December 31, 2008, included Liability, Employment Practices Liability, Professional Liability, and Directors & Officers Liability. All other major coverages were determined to be adequate as of December 31, 2008.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following special deposits primarily comprised of US Treasury Notes as of December 31, 2008:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Georgia	\$ 101,241	\$ 117,680
Indiana	2,192,882	2,556,111
North Carolina	673,222	754,965
Virginia	225,452	245,970
Total Deposits	<u>\$ 3,192,797</u>	<u>\$ 3,674,726</u>

REINSURANCE

Assumed reinsurance is generally limited to participation in various state pools associated with automobile and workers' compensation lines of business.

Effective with losses occurring on and after January 1, 2005, the Company reinsures all lines of business with FCCI Insurance Company through a 100% quota share agreement under which the Company receives a provisional ceding commission of 30% of written premium. Also effective January 1, 2005, the Company entered into a Loss Portfolio Transfer agreement under which FCCI Insurance Company assumed 100% of the Company's liabilities for losses occurring on or before December 31, 2004. FCCI Insurance Company has an A.M. Best rating of A- with total assets in excess of \$1.0 billion and a statutory surplus of \$376 million as of December 31, 2008.

On the Company's 2008 Schedule F, the premium ceded to non-affiliates represents facultative reinsurance, primarily for the property and umbrella lines. Losses ceded to non-affiliates reflect reinsurance agreements in place prior to the Company's 2000 acquisition by FCCI, primarily with General Reinsurance Corporation and also a stop loss agreement involving the other reinsurers indicated.

It was determined that all reinsurance agreements provided for risk transfer in accordance with the requirements of SSAP No. 62. In addition, all agreements contained the necessary language as required by the provisions of SSAP No. 62 and Indiana law. No exceptions were noted.

RESERVES

Russell H. Greig, Jr., FCAS, MAAA, rendered an actuarial opinion for the year end December 31, 2008. Mr. Greig is associated with Tillinghast Insurance consulting business of Towers Perrin. Mr. Greig was appointed by the Board of Directors on August 30, 2008 to render an opinion on the statutory-basis loss reserves of the Company. Mr. Greig rendered an opinion on such reserves for all years under the examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining loss reserves, loss adjustment expense reserves, and long duration unearned premium reserves, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used and such tests of the calculations as considered necessary.

The 2008 opinion stated the balances of reserves 1) meet the requirements of the insurance laws of Indiana, 2) are consistent with reserves computed in accordance with accepted loss reserving standards and principles, 3) make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements and 4) make a reasonable provision for the unearned premium reserves for long duration contracts of the Company under the terms of its contracts and agreements.

During the examination, it was determined by the IDOI consulting actuary, David Shepherd, FCAS, MAAA, the material actuarial items in the Annual Statement of the Company are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the Commissioner of Insurance of the State of Indiana.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the year ended December 31, 2008 was agreed to the Annual Statement without exception. The Annual Statement for the years ended December 31, 2004 through December 31, 2008 were agreed to each year's independent audit report with no exceptions noted. The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

MONROE GUARANTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2008

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31 Prior Year</u>
Assets:				
Bonds (Schedule D)	\$ 22,953,441	-	\$ 22,953,441	\$ 22,153,190
Cash, cash equivalents and short term investments	549,618	-	549,618	(824,640)
Subtotals, cash and invested assets	\$ 23,503,059	\$ -	\$ 23,503,059	\$ 21,328,550
Investment income due and accrued Amounts recoverable from reinsurers (Note 1)	256,852 1,212,119	- 12,244,210	256,852 13,456,329	256,588 8,893,985
Funds held by or deposited with reinsured companies	13,353	-	13,353	11,117
Current federal and foreign income tax recoverable	867,792	-	867,792	874,366
Net deferred tax asset	1,128,999	-	1,128,999	1,100,427
EDP equipment and software	821	-	821	9,231
Aggregate write-ins	200	-	200	18,828
Total Assets	\$ 26,983,195	\$ 12,244,210	\$ 39,227,405	\$ 32,493,092

MONROE GUARANTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2008

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	\$ -	\$ -	\$ -	\$ -
Reinsurance payable on paid losses and loss adjustment expenses	497,188	-	497,188	461,370
Loss adjustment expenses	-	-	-	-
Commissions payable	415,754	-	415,754	971,334
Other expenses	(583)	-	(583)	15,709
Taxes, licenses and fees	498,638	-	498,638	506,171
Advance premiums	41,787	-	41,787	21,347
Ceded reinsurance premiums payable (Notes 1 and 2)	(18,061,724)	12,244,210	(5,817,514)	(11,373,938)
Amounts withheld or retained by company	378,376	-	378,376	372,487
Remittances and items not allocated	11,417	-	11,417	43,366
Aggregate write-ins for liabilities	17,121	-	17,121	66,730
Total Liabilities	\$ (16,202,026)	\$ 12,244,210	\$ (3,957,816)	\$ (8,915,424)
Common capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000
Gross paid in & contributed surplus	31,200,000	-	31,200,000	31,200,000
Unassigned funds (surplus)	8,985,221	-	8,985,221	7,208,516
Surplus as regards policyholders	\$ 43,185,221	\$ -	\$ 43,185,221	\$ 41,408,516
Total liabilities, capital and surplus	\$ 26,983,195	\$ 12,244,210	\$ 39,227,405	\$ 32,493,092

MONROE GUARANTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2008

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Premiums earned	\$ -	\$ -	\$ -	\$ -
Losses incurred	-	-	-	-
Loss expenses incurred	-	-	-	-
Other underwriting expenses incurred	2,366	-	2,366	87,911
Aggregate write-ins for underwriting deductions	-	-	-	-
Total underwriting deductions	\$ 2,366	\$ -	\$ 2,366	\$ 87,911
Net underwriting gain (loss)	\$ (2,366)	\$ -	\$ (2,366)	\$ (87,911)
Net investment income	\$ 993,906	\$ -	\$ 993,906	\$ 1,106,665
Net realized capital gains or (losses)	(58,111)	-	(58,111)	(7,623)
Net investment gain	\$ 935,795	\$ -	\$ 935,795	\$ 1,099,042
Net gain (loss) from premium balances charged off	\$ (73,802)	\$ -	\$ (73,802)	\$ (1,830)
Finance and service charges not included in premiums	47,188	-	47,188	52,834
Aggregate write-ins for miscellaneous income	141	-	141	187
Total other income	\$ (26,473)	\$ -	\$ (26,473)	\$ 51,191
policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 906,956	\$ -	\$ 906,956	\$ 1,062,322
Dividends to policyholders	-	-	-	-
policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 906,956	\$ -	\$ 906,956	\$ 1,062,322
Federal and foreign income taxes incurred	(838,650)	-	(838,650)	(875,214)
Net Income	\$ 1,745,606	\$ -	\$ 1,745,606	\$ 1,937,536

MONROE GUARANTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

As of December 31, 2008

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Capital and Surplus Account:				
Capital and surplus, December 31, prior year	\$ 41,408,516	\$ -	\$ 41,408,516	\$ 39,474,993
Net income	\$ 1,745,606	-	\$ 1,745,606	\$ 1,937,536
Change in net deferred income tax	(1,087,401)	-	(1,087,401)	(1,128,890)
Change in nonadmitted assets and related items	1,118,500	-	1,118,500	1,124,877
Net change in capital and surplus for the year	\$ 1,776,705	\$ -	\$ 1,776,705	\$ 1,933,523
Capital and surplus, December 31, current year	\$ 43,185,221	\$ -	\$ 43,185,221	\$ 41,408,516

NOTES TO FINANCIAL STATEMENTS

Note 1 -Reclassification adjustment

The Company's 2008 Annual Statement reported as a reduction in Ceded Reinsurance Premiums Payable an amount due to paid losses recoverable from FCCI in the amount of \$12,244,210. An adjustment has been made to reclassify this amount as an admitted asset under Amounts Recoverable from Reinsurers. This amount was subsequently settled with a payment from FCCI on October 23, 2009. The adjusting entry is as follows:

	Debit	Credit
Amounts recoverable from reinsurers	12,244,210	
Ceded reinsurance premiums payable		\$12,244,210

Note 2 – Ceded Reinsurance Premiums Payable

After the reclassification adjustment above, a negative liability balance remains in Ceded Reinsurance Premiums Payable in the amount of (\$5,817,514). This balance represents a receivable from FCCI for uncollected balances from policyholders ceded to FCCI which will not be settled with FCCI until the amounts are collected. SSAP 62 paragraph 44 allows this amount to reduce premiums ceded payable which states:

"With regard to reinsurance premium paid by ceding entity prior to the due date (from policyholder) the ceding entity shall treat this item as a reduction to the liability for ceded reinsurance premiums payable."

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2008 based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

There were no other significant findings made as a result of this examination. In addition, the Company has substantially complied with the comments made in the prior report of examination.

SUBSEQUENT EVENTS

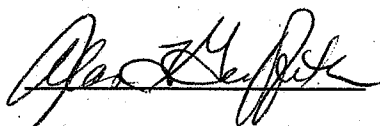
A settlement payment of \$12,244,210 for paid losses recoverable from FCCI at December 31, 2008 was received on October 23, 2009. Note 1 of the Notes to Financial Statements reflects the reclassification of this amount on the 2008 Financial Statements.

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 key financial personnel of the Company and provided to the IDOI.

CONCLUSION

The preceding Report of Examination of **Monroe Guaranty Insurance Company** as of December 31, 2008 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 **Monroe Guaranty Insurance Company**.



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