

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

IN THE MATTER OF: )

Consolidated Insurance Company )  
175 Berkeley Street )  
Boston, MA 02116 )

Examination of Consolidated Insurance Company

**NOTICE OF ENTRY OF ORDER**

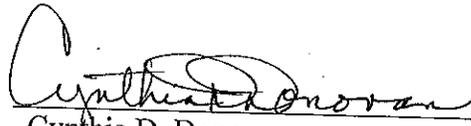
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Consolidated Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 29, 2015, 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 Consolidated 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

7/10/2015



Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0045 9937**

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COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
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Consolidated Insurance Company )  
175 Berkeley Street )  
Boston, MA 02116 )

Examination of Consolidated Insurance Company

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Consolidated Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on May 22, 2015.

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 May 29, 2015 and was received by the Company on June 4, 2015.

The Company did not file any objections.

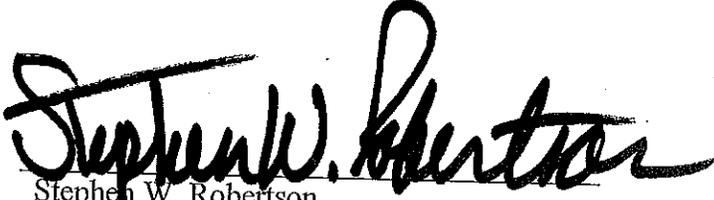
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Consolidated Insurance Company as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Consolidated 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 10<sup>th</sup> day of July, 2015.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

## ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Stephen M. ...". The signature is written in a cursive style and is positioned in the lower-left quadrant of the page.

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**CONSOLIDATED INSURANCE COMPANY**

NAIC Co. CODE 22640  
NAIC GROUP CODE 0111

As of

December 31, 2013



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# STATE OF INDIANA

# IDOI

MICHAEL R. PENCE, Governor

**Indiana Department of Insurance**  
311 W. Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787  
Telephone: (317) 232-2385  
Fax: (317) 232-5251  
Stephen W. Robertson, Commissioner

May 22, 2015

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3818, an examination has been made of the affairs and financial condition of:

**Consolidated Insurance Company**  
**175 Berkeley Street**  
**Boston, Massachusetts 02116**

hereinafter referred to as the "Company", or "CIC", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Boston, Massachusetts and the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2013, 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  
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES  
(317) 232-2390

MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES/COMPANY RECORDS  
(317) 232-1991

STATE HEALTH INSURANCE PROGRAM  
1-800-332-4674

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2013, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). 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 system 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.

The examination of the Massachusetts domestic insurance companies of Liberty Mutual Group (LMG) was called by the Massachusetts Division of Insurance (MDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The MDOI served as the lead state on the examination and the Illinois Department of Insurance, INDOI, New Hampshire Insurance Department (NHID), Oregon Insurance Division, and the Wisconsin Office of the Commissioner of Insurance served as participants.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## HISTORY

The Company was incorporated as a subsidiary of Indiana Insurance Company (IIC) on December 2, 1955. In May 1985, the Company was sold to Peerless Holdings, Inc., and in December the Company was transferred to ING US P&C Corporation (ING US P&C). In August 1998, ING US P&C was purchased by Guardian Royal Exchange Holdings, Inc. (GRE Holdings).

On May 10, 1999, Liberty Mutual Insurance Company (LMIC) purchased GRE Holdings from Guardian Royal Exchange plc. GRE Holdings was subsequently renamed to Liberty Mutual Insurance Holdings, Inc., and ING US P&C was renamed to LHI US P&C Corporation. In 2001, Liberty Mutual Holdings Company, Inc. (LMHC), a Massachusetts mutual holding company, was formed as a part of the mutual holding company reorganization of LMIC. As a result of the reorganization, LMHC became the new ultimate parent.

Effective January 1, 1996, the Company became a part of the Peerless Insurance Pool (Peerless Pool) and entered into the Peerless amended and restated Pooling Agreement, with Peerless Insurance Company (PIC) as the lead pool company, effective January 1, 2007.

Effective January 1, 2013, the Peerless Pool was terminated and all Peerless Pool participants were added into the Liberty Mutual Pool with LMIC serving as the lead company. CIC continues to cede 100% of its direct written premium to the Liberty Mutual Pool and the participation percentage for the Company is 0% at December 31, 2013. The INDOI approved the Liberty Mutual second amended and restated Intercompany Reinsurance Agreement (Intercompany Reinsurance Agreement) on December 27, 2012.

## CAPITAL AND SURPLUS

IIC owned 100% of the Company's issued and outstanding stock as of the examination date. The Company had 320,000 shares authorized, issued, and outstanding with a stated par value of \$5 as of December 31, 2013.

### DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to IIC during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2013	\$ 13,000,000	\$ 2,529,376	\$ 10,470,624
2012	-	-	-
2011	-	-	-
2010	-	-	-
<b>Total</b>	<b>\$ 13,000,000</b>	<b>\$ 2,529,376</b>	<b>\$ 10,470,624</b>

In accordance with Indiana Code (IC) 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer for the prior year. The Company paid one (1) extraordinary dividend during the examination period with the prior approval of the INDOI. The other dividend paid during the examination period was ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed to conduct business in eleven (11) states: Florida, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Ohio, Tennessee, Washington, and Wisconsin. It is qualified to write business in New York. Operationally, LMG conducts its business through four (4) strategic business units (SBU): Commercial Insurance, Global Specialty, Liberty International, and Personal Insurance. Each business unit operates independently of the others and has dedicated actuarial, claims, financial, information technology, sales, and underwriting resources. On a direct basis, the Company primarily writes commercial auto, commercial multiple peril, farmowners, and workers' compensation business, with the largest states being Illinois, Indiana, and Kentucky.

### 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 and Other Funds</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2013	\$ 18,623,645	\$ 5,763,749	\$ 12,859,896	\$ -	\$ 566,134
2012	26,853,786	1,560,024	25,293,762	-	695,277
2011	29,095,302	4,496,817	24,598,485	-	739,571
2010	26,590,364	2,376,162	24,214,202	-	986,070

Fluctuations in amounts shown above for 2013 are primarily due to the termination of the Peerless Pool. With the Peerless Pool participants added into the Liberty Mutual Pool, LMIC became the common paymaster for pool participants. The fluctuations in Admitted Assets, Liabilities, and Surplus and Other Funds are the result of timing differences in the payment of intercompany balances at December 31, 2013.

### MANAGEMENT AND CONTROL

#### Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and no more than thirteen (13) directors. At least one (1) of the directors must be a resident of Indiana. Directors shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter. A director need not be a shareholder.

The following is a listing of persons serving as directors at December 31, 2013, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Kristen Bessette Boxford, Massachusetts	Senior Vice President and Chief Actuary, Commercial Insurance Liberty Mutual Group
J. Paul Condrin, III Dover, Massachusetts	President and Chief Executive Officer, Commercial Insurance Liberty Mutual Group
John Doyle Southborough, Massachusetts	Vice President and Comptroller Liberty Mutual Group
Michael Fallon Bedford, Massachusetts	Senior Vice President and Chief Financial Officer, Commercial Insurance Liberty Mutual Group
Michael Hughes Boston, Massachusetts	President of Business Insurance, Commercial Insurance Liberty Mutual Group
Dexter Legg Portsmouth, New Hampshire	Vice President and Secretary Liberty Mutual Group
Michael Lucas Fishers, Indiana	Vice President and Manager, Regional Companies Group Liberty Mutual Group
Kathryn Winn Milton, Massachusetts	Vice President and General Counsel Liberty Mutual Group

#### Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a Treasurer, and a Secretary. Each of the said officers shall be elected by a majority of the Board and shall hold office for one (1) year, or until such time as they might be removed. The President or the Chairman may appoint the number of Vice Presidents, Assistant Secretaries, Assistant Treasurers, or any such officer as the President or the Chairman may determine is required in the best interest of CIC.

The following is a list of key officers and their respective titles as of December 31, 2013:

<u>Name</u>	<u>Office</u>
J. Paul Condrin, III	President and Chief Executive Officer
Dexter Legg	Vice President and Secretary
Laurance Yahia	Vice President and Treasurer
John Doyle	Vice President and Comptroller
A. Alexander Fontanes	Vice President and Chief Investment Officer
Michael Fallon	Vice President and Chief Financial Officer
Kathryn Winn	Vice President and General Counsel

### CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2013.

### 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 Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2013.

### CORPORATE RECORDS

#### Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

#### Bylaws

There were no amendments made to the Bylaws during the examination period.

#### Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

LMHC committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit, Compensation, Contributions, Executive, Investment, Nominating and Governance, and Risk.

### AFFILIATED COMPANIES

#### Organizational Structure

The following abbreviated organizational chart shows the direct upstream affiliates of the Company and the Indiana domiciled insurance affiliates as of December 31, 2013:

	<u>NAIC Co. Code</u>	<u>Domiciliary State</u>
Liberty Mutual Holding Company Inc.		MA
LMHC Massachusetts Holdings Inc.		MA
Liberty Mutual Group Inc.		MA
Liberty Mutual Fire Insurance Company	23035	WI
Employers Insurance Company of Wausau	21458	WI
Liberty Mutual Insurance Company	23043	MA
<b>LM Property and Casualty Insurance Company</b>	<b>32352</b>	<b>IN</b>
Liberty Insurance Holdings, Inc.		DE
Liberty Mutual Agency Corporation		DE
Peerless Insurance Company	24198	NH
Liberty – USA Corporation		DE
The National Corporation		IN
<b>National Insurance Association</b>	<b>27944</b>	<b>IN</b>
<b>Indiana Insurance Company</b>	<b>22659</b>	<b>IN</b>
<b>Consolidated Insurance Company</b>	<b>22640</b>	<b>IN</b>
Safeco Corporation		WA
<b>American States Insurance Company</b>	<b>19704</b>	<b>IN</b>
General Insurance Company of America	24732	NH
<b>Safeco Insurance Company of Indiana</b>	<b>11215</b>	<b>IN</b>
<b>American States Preferred Insurance Company</b>	<b>37214</b>	<b>IN</b>
<b>American Economy Insurance Company</b>	<b>19690</b>	<b>IN</b>
Ohio Casualty Corporation <sup>A</sup>		OH
The Ohio Casualty Insurance Company	24074	OH
<b>West American Insurance Company</b>	<b>44393</b>	<b>IN</b>

<sup>A</sup> 78% Owned by Liberty Mutual Insurance Company, 8% Owned by Employers Insurance Company of Wausau, 8% Owned by Peerless Insurance Company, 6% Owned by Liberty Mutual Fire Insurance Company

#### Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

#### *Investment Management Agreement*

Effective July 1, 2011, CIC entered into an Investment Management Agreement with Liberty Mutual Group Asset Management (LMGAM). The agreement was filed with the INDOI on May 18, 2011, and was not disapproved on June 15, 2011. The Company paid \$48,583 in management fees to LMGAM pursuant to the terms of the Investment Management Agreement in 2013.

#### *Management Services Agreement*

Effective January 1, 2013, CIC entered into a Management Services Agreement with LMIC under which LMIC provides administration, claims adjustments, claims processing, contract management, policyholder services, risk underwriting, and services determined to be reasonably necessary or desirable. The Management Services Agreement was submitted to the INDOI on November 13, 2012, and was not disapproved on December 27, 2012. There were no fees paid pursuant to the terms of the Management Services Agreement in 2013.

#### *Cash Management Agreement*

Effective April 1, 2012, CIC entered into a Cash Management Agreement with LMGAM. The agreement was filed with the INDOI on February 29, 2012, and was not disapproved on March 23, 2012. There were no fees paid to LMGAM pursuant to the terms of the Cash Management Agreement in 2013.

#### *Intercompany Reinsurance Agreement*

Effective January 1, 2013, CIC entered into the Intercompany Reinsurance Agreement covering all of their direct writings with participation being the percentage indicated within the agreement. The Intercompany Reinsurance Agreement was filed with the INDOI on November 13, 2012, and was not disapproved on December 27, 2012.

#### *Federal Tax Sharing Agreement*

Effective January 1, 2002, CIC entered into a Federal Tax Sharing Agreement with LMHC and affiliates. The agreement has been amended four (4) times to change language or add additional affiliates to the agreement. Under this agreement, the method of allocation is based upon separate return allocation with credit applied for losses as appropriate. CIC has the enforceable right to recoup prior year payments in the event of future losses. The agreement may be terminated for any party when that entity no longer is a member of the consolidated group for tax filing purposes.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Fidelity & Deposit Company of Maryland. The bond has a single loss coverage limit of \$15,000,000, with a \$50,000,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2013, including but not limited to audit expenses, computer systems fraud, tele-facsimile transfer fraud, trading loss, and voice initiated transfer fraud.

### **PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS**

The Company does not have any direct employees, and therefore does not have any direct obligations for a defined pension, defined contribution pension, postretirement welfare, deferred compensation, compensated absences, or postemployment benefit plans. Services for the operation of the Company are provided under provisions of the Management Services Agreement.

## STATUTORY DEPOSITS

The Company reported the following statutory deposit at December 31, 2013:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$1,690,735	\$1,680,132
Total Deposits	<u>\$1,690,735</u>	<u>\$1,680,132</u>

## REINSURANCE

Prior to January 1, 2013, LMIC was organized with two (2) separate and distinct intercompany reinsurance pools: the Liberty Mutual Pool and the Peerless Pool. Each pool was on a different examination cycle, with MDOI as the lead state for the Liberty Mutual Pool and NHID for the Peerless Pool; effective January 1, 2013, the Peerless Pool was terminated and its participants were added into the Liberty Mutual Pool.

Per the terms of the Intercompany Reinsurance Agreement, effective January 1, 2013, each affiliated member company, other than Wausau Business Insurance Company, Wausau General Insurance Company, and Wausau Underwriters Insurance Company, cedes to LMIC and LMIC accepts 100% of each company's risks arising out of its policies. LMIC cedes to each affiliated member company and each of the companies accepts their respective share of the Liberty Mutual Pool risks. Each company shall reimburse the ceding company for its share of the assessments, expenses, losses, policyholder dividends, and taxes. Also, each company shall maintain reserves for its share of the ceding company's liabilities.

Following is a list of the companies within LMG receiving a share of the Liberty Mutual Pool and their respective contract percentages:

<u>Name of Pool Members</u>	<u>Percentage of Pool</u>	<u>Domiciliary State</u>
Liberty Mutual Insurance Company	50.0%	MA
Peerless Insurance Company	20.0%	NH
Employers Insurance Company of Wausau	8.0%	WI
Liberty Mutual Fire Insurance Company	8.0%	WI
The Ohio Casualty Insurance Company	8.0%	NH
Safeco Insurance Company of America	6.0%	NH
<b>American Economy Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>American States Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>American States Preferred Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>Consolidated Insurance Company</b> Error! Bookmark not defined.	<b>0.0%</b>	<b>IN</b>
<b>Indiana Insurance Company</b> Error! Bookmark not defined.	<b>0.0%</b>	<b>IN</b>
<b>LM Property and Casualty Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>National Insurance Association<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>Safeco Insurance Company of Indiana<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>West American Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
Total	<u>100.0%</u>	

<sup>A</sup> Indiana domiciled insurers that are party to the Intercompany Reinsurance Agreement, but do not participate in the retrocession of pool business.

### 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 years ended December 31, 2012 and December 31, 2013, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 through December 31, 2013, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

CONSOLIDATED INSURANCE COMPANY  
Assets  
As of December 31, 2013

	Per Examination*
Bonds	\$ 13,478,831
Cash, cash equivalents, and short-term investments	9,375
Subtotals, cash and invested assets	13,488,206
Investment income due and accrued	50,375
Reinsurance:	
Amounts recoverable from reinsurers	4,983,332
Current federal and foreign income tax recoverable and interest thereon	101,732
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	18,623,645
Total	\$ 18,623,645

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\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

CONSOLIDATED INSURANCE COMPANY  
Liabilities, Surplus and Other Funds  
As of December 31, 2013

	Per Examination*
Dividends declared and unpaid:	
Stockholders	\$ 780,611
Ceded reinsurance premiums payable	4,356,688
Payable to parent, subsidiaries and affiliates	626,450
Total liabilities excluding protected cell liabilities	5,763,749
Total liabilities	5,763,749
Common capital stock	1,600,000
Gross paid in and contributed surplus	4,400,000
Unassigned funds (surplus)	6,859,896
Surplus as regards policyholders	12,859,896
Totals	\$ 18,623,645

\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

CONSOLIDATED INSURANCE COMPANY  
Statement of Income  
For the Year Ended December 31, 2013

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ -
INVESTMENT INCOME	
Net investment income earned	334,195
Net realized capital gains (losses) less capital gains tax	30,499
Net investment gain (loss)	364,694
OTHER INCOME	
Aggregate write-ins for miscellaneous income	37,017
Total other income	37,017
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	401,711
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	401,711
Federal and foreign income taxes incurred	(164,423)
Net income	\$ 566,134

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\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

CONSOLIDATED INSURANCE COMPANY  
Capital and Surplus Account Reconciliation

	2013	2012	2011	2010
Surplus as regards policyholders, December 31 prior year	\$ 25,293,762	\$ 24,598,485	\$ 24,214,202	\$ 23,260,594
Net income	566,134	695,277	739,571	986,070
Change in net deferred income tax	(21,000)	113,000	136,270	(19,600)
Change in nonadmitted assets	21,000	(113,000)	(491,558)	(12,862)
Change in provision for reinsurance	-	-	-	-
Dividends to stockholders	(13,000,000)	-	-	-
Change in surplus as regards policyholders for the year	(12,433,866)	695,277	384,283	953,608
Surplus as regards policyholders, December 31 current year	<u>\$ 12,859,896</u>	<u>\$ 25,293,762</u>	<u>\$ 24,598,485</u>	<u>\$ 24,214,202</u>

### **COMMENTS ON THE FINANCIAL STATEMENTS**

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

### **OTHER SIGNIFICANT ISSUES**

There were no significant issues found during the examination period requiring disclosure in this Report of Examination.

### **SUBSEQUENT EVENTS**

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

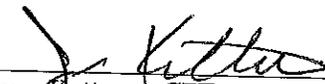
**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of Consolidated Insurance Company, as of December 31, 2013.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of Consolidated Insurance Company as of December 31, 2013, as determined by the undersigned.

  
\_\_\_\_\_  
James Kattman, CFE  
Noble Consulting Services, Inc.

State of: Indiana  
County of: Marion

On this 22 day of May, 2015, before me personally appeared, James Kattman, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires



  
\_\_\_\_\_  
Notary Public

