

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

IN THE MATTER OF:)
)
Great Northwest Insurance Company)
400 North Robert Street, Suite 1100)
St. Paul, Minnesota 55101-2035)

Examination of **Great Northwest 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 **Great Northwest Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, 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 **Great Northwest 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.

March 15, 2011
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 7854

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400 North Robert Street, Suite 1100)
St. Paul, Minnesota 55101-2035)

Examination of Great Northwest Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Great Northwest Insurance Company** (hereinafter "Company") for the time period January 1, 2005 through December 31, 2009.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on December 30, 2010.

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 January 11, 2011 and was received by the Company on January 18, 2011.

On February 17, 2011, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

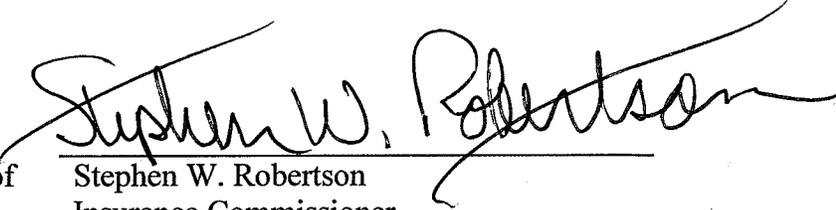
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2009.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance 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, as amended, 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, as amended. 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 15th day of March, 2011.



Stephen W. Robertson
Insurance Commissioner

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF
GREAT NORTHWEST INSURANCE COMPANY
NAIC Company Code: 26654

As of
December 31, 2009



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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

Stephen W. Robertson, Commissioner

December 31, 2010

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

Dear Commissioners:

Pursuant to the Indiana Insurance Law and by authority vested in Appointment Number 3643 an examination has been made of the affairs and condition of the:

Great Northwest Insurance Company
251 East Ohio Street, Suite 500
Indianapolis, Indiana 46204-2186

hereinafter referred to as the Company, an Indiana domiciled, stock property and casualty company with its statutory home office located in Indianapolis, Indiana. The examination was conducted at the Company's administrative office located at 400 N. Robert Street, Suite 1100, St Paul, Minnesota 55101.

The following Report of Examination, showing the financial status of the Company as of December 31, 2009, 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 the Indiana Department of Insurance (IDOI) as of the period ending December 31, 2006. The present risk-focused examination covered the period from January 1, 2007, through December 31, 2009, and was conducted by Huff, Thomas & Company (Huff Thomas) 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 risk-focused examination, the IDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by McGladrey & Pullen, Certified Public Accountants, 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.

Merlinos & Associates, Inc., was appointed by the IDOI, and conducted a review of the Company's statutory reserves as of December 31, 2009. There were no actuarial adjustments or recommendations resulting from the review performed by Merlinos & Associates, Inc.

We conducted our examination pursuant to and in accordance with the 2010 *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 regulators.

Additionally, Huff Thomas conducted a review of information system controls. Although no material findings were noted, a detailed report of specific findings was provided to management.

HISTORY

The Company was formerly known as Meridian Citizens Security Insurance Company. The name of the Company was changed on August 25, 2004, in anticipation of the sale of the Company to GNW Acquisition Corp. (GNWAC) on October 25, 2004. Prior to this sale, the Company performed the following transactions to provide a clean shell to GNWAC:

- On January 1, 2004, the Company and its former parent, Meridian Security, entered into an assumption reinsurance agreement through which Meridian

Security assumed all of the outstanding insurance policy liabilities of the Company.

- On September 16, 2004, the Company paid an extraordinary dividend in the amount of \$7,100,000 to its sole shareholder, Meridian Security. The transaction had the prior approval of the insurance regulatory authorities. Due to the Company's unassigned surplus position, the distribution was treated as a return of investment, which reduced gross paid in and contributed surplus
- On October 25, 2004, Meridian Security sold all of the Company's outstanding stock to GNWAC for \$5,827,093.

GNWAC was created in 2004, via an investment contribution agreement between Clarion Capital Partners, LLC, a private equity firm, and Great Northwest Holding Company. Great Northwest Holding Company, was a program manager for a book of business with Clarendon Insurance Group and Redland Insurance Company. Upon the investment contribution agreement, GNWAC assumed the program manager responsibilities. In line with its desire to transition from a program manager to an insurance holding company, GNWAC has transferred blocks of business from Clarendon to the Company as it has obtained the appropriate state licensing.

GNWAC is the direct parent of the Company and is 85% owned by Trumpet SBIC Partners L.P. (a/k/a Clarion Capital Partners, LLC) with Great Northwest Holding Co. Inc., and other minority interests, holding the remaining stock. Trumpet SBIC is controlled by Trumpet Partners GP, LLC whose two principal members are Eric Kogan and Marc Utay.

CAPITAL AND SURPLUS

On August 21, 2006, the Company amended its Articles of Incorporation to increase the par value of its common stock from \$2 per share to \$3 per share. As a result of this amendment, the Company increased its value of outstanding common stock from \$2,000,000 to \$3,000,000, with an offsetting decrease in gross paid-in and contributed surplus. The Company has 1,000,000 shares of common stock, with a par value of \$3 per share, authorized, issued and outstanding at December 31, 2006.

DIVIDENDS TO STOCKHOLDER

No stockholder dividends were paid during the period covered by this examination.

TERRITORY AND PLAN OF OPERATION

The Company is licensed and writes in the states of Arizona, Indiana, Louisiana, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Utah, Washington, and Wisconsin. The Company is

licensed but not currently writing business in the states of Florida, Hawaii, Idaho, Iowa, Maryland, Mississippi, Missouri, and Ohio.

The Company writes standard and preferred private passenger auto and homeowner coverage's. In addition, business owner policies are offered for small locally owned businesses, and dwelling fire policies are offered for owner and non-owner occupied habitational properties.

GROWTH OF THE COMPANY

The following exhibit reflects the Company's operating trends as reported in the Annual Statements for the period under examination:

Year	Admitted		Surplus	Premiums	Net
	Assets	Liabilities		Earned	Income
2009	\$ 24,567,544	\$ 17,771,893	\$ 6,885,651	\$ 14,473,680	\$ (651,364)
2008	24,326,752	17,613,031	6,713,721	14,977,085	(2,482,830)
2007	24,867,002	15,635,067	9,231,935	14,753,921	(916,205)

The Company suffered a net loss and surplus decreased for each year under examination.

Underwriting losses in 2008, were 55% of surplus, while underwriting losses in 2009, were 32% of surplus. On May 13, 2010, AM Best downgraded the Company from B+ to B.

The Company has experienced fairly significant underwriting losses in four (4) of the five (5) years since it was acquired by GNWAC. The Company has raised premium rates on auto and homeowner policies and anticipates more increases in the future. The Company received a \$1,049,000 surplus contribution in January 2009 to compensate for the net loss in 2008. However, going forward, the biggest determining factor for profitability will likely be the amount of weather related losses. The Company writes approximately 49% of its business in the states of Minnesota and New Mexico.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws stipulate that the Board of Directors shall consist of not less than five (5) Directors. The following eight (8) persons were serving as Directors of the Company at December 31, 2009:

Name and Address
 Stephen William Doucette
 Boise, Idaho

Principal Occupation
 President, CEO
 Great Northwest Insurance Company

Peter Michael Feeney
Chelsea, Michigan

Manager
Chelsea Rhone Company

Alexander Edward Fisher
Roxbury, Connecticut

President
Fisher Co. Inc.

Hosea Peter Hudson
Sarasota, Florida

Retired

Marc Alan Utay
New York, New York

Managing Partner
Clarion Capital Partners

Eric David Kogan
New York, New York

Partner
Clarion Capital Partners

John Donald Vollaro
Bonita Springs, Florida

Senior Advisor & Board Member
Arch. Capital Group Ltd.

Benjamin David Sheridan
Beachwood, Ohio

Blue Durham Properties, LLC
Managing Member

The Company was in direct violation of IC 27-1-7-11, which requires an insurer to have at least one Indiana Director. This violation was cured when David Glen Blachly of Indianapolis, Indiana was elected a Director in November 2010.

In addition to the above the following violations of the Indiana Code were also noted:

IC 27-1-7-7 provides that shareholders shall conduct an annual meeting within 5 months after year end. There was not a meeting of shareholders at all in the years 2007 and 2008. In the year 2009, the annual meeting of shareholders (the sole shareholder) was not held until August 18, 2009.

IC 27-1-7-10(b) provides that Directors be elected at each annual meeting of shareholders. Minutes of the Board of Directors from January 30, 2008, forward show Benjamin Sheridan as a Director. However, Mr. Sheridan was not appointed as a Director until the annual meeting of shareholders on August 18, 2009.

IC 27-1-7-12 provides, in part, that a record of Directors' attendance at meetings shall be read at and incorporated into the minutes of the annual meeting of the shareholders. The minutes contain no record of this requirement.

It is recommended that the Company comply with the provision's of IC 27-1-7-11, IC 27-1-7-7, IC 27-1-7-10 (b) and IC 27-1-7-12.

Officers

The following persons served as officers of the Company as of December 31, 2009:

Stephen William Doucette	President and CEO
Maurice Hochung Chew	Treasurer, Secretary & CFO
Brian Harold Moen	Assistant Secretary
Michael Scott Livermore	Vice President - Claims

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any Director, officer, or exempt employee, which is likely to conflict with their official duties. The signed conflict of interest disclosure report for each Director and officer serving in 2008 and 2009 was reviewed and no exceptions were noted. However, no conflict of interest statements were signed for 2007.

OATH OF OFFICE

Each member of the Board of Directors is required by IC 27-1-7-10(i) to take and subscribe to an "Oath of Office," stating he or she will faithfully, honestly, and diligently administer the affairs of the Company as his or hers duties may encompass and will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Company. It was noted during the examination that the Board members didn't subscribe to the "Oath of Office." The same finding was noted during the course of last examination and no corrective measures were taken. This violation was cured in November 2010.

It is recommended that the Company, hereinafter, comply with the provisions of IC 27-1-7-10(i).

CORPORATE RECORDS

Articles of Incorporation and Bylaws

No amendments were made to the Company's Articles of Incorporation or Bylaws during the period covered by this examination.

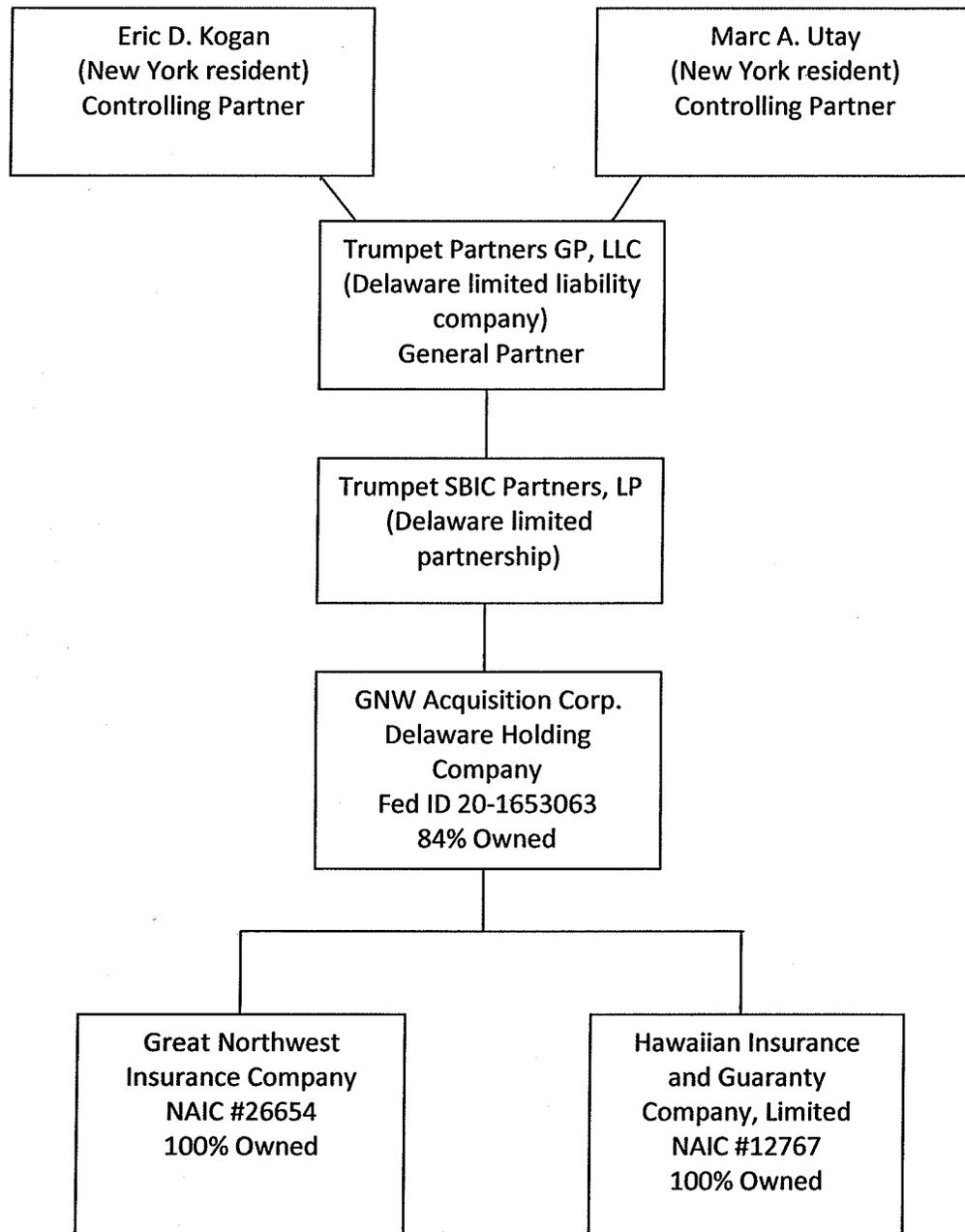
Minutes

The Board of Directors minutes for the period under examination revealed no material acts inconsistent with the Company's Articles of Incorporation or Bylaws. A quorum was achieved at all meetings held during the period under examination.

AFFILIATED COMPANIES

Organizational Structure

The Company is a wholly owned subsidiary of GNWAC, a holding company, as shown in the following organizational chart as of December 31, 2009:



Affiliated Transactions

Pursuant to a Services Agreement, the Company provides services to its parent, GNWAC, related to GNWAC's program management business. In return for services provided, the Company is reimbursed for employee and general overhead charges.

Pursuant to a Services Agreement, the Company provides management services to its affiliate, Hawaiian Insurance and Guaranty Company, Limited. In return for services provided, the Company is reimbursed for employee and general overhead charges.

GNWAC owns the computer system utilized by the Company to transact insurance business. The Company pays GNWAC a monthly license fee based upon written premium, which is expensed as incurred.

The Company and Hawaiian Insurance and Guaranty Company Limited, are party to a Tax Sharing Agreement with GNWAC effective January 1, 2008. Under the agreement, GNWAC files a consolidated federal income tax return with its subsidiaries.

See the Reinsurance section of this Report of Examination for discussion on the Reinsurance Program.

FIDELITY BOND AND OTHER INSURANCE

The Company is insured for up to \$350,000 per occurrence against losses from acts of dishonesty and fraud by its employees under a financial institution bond issued by Federal Insurance Company. This coverage was found to exceed minimum amount recommended by the NAIC.

Review of the other insurance coverage policies in force reveal the Company maintains adequate coverage for the types of hazards to which the Company is exposed.

REINSURANCE

The Company has excess of loss, catastrophe, and quota share ceded reinsurance contracts, which are significant to the Company's operations.

Reinsurance Ceded

Excess of Loss (XOL)

The Company's excess of loss (XOL) contract which renewed on April 1, 2009, was brokered by Guy Carpenter. Details for the XOL contracts in force throughout 2009 are as follows:

Contract Period: April 1, 2008, to March 31, 2009:

1st Layer \$350,000 xs \$150,000
2nd Layer \$500,000 xs \$500,000
3rd Layer \$3,000,000 xs \$1,000,000

Reinsurer: Swiss Re America Corp, Odyssey America Re, Dorinco Re, Paris Re.

Contract Period: April 1, 2009, to March 31, 2010:

1st Layer \$350,000 xs \$150,000
2nd Layer \$500,000 xs \$500,000
3rd Layer \$3,000,000 xs \$1,000,000

Reinsurer: Dorinco Re Co, Hannover Rückversicherung AG, Odyssey America Re, Paris Re, Scor Reinsurance Co, Swiss Re America Corp.

Catastrophe (CAT)

The Company's catastrophe contract is brokered by Guy Carpenter. The Company's CAT contract renewed on April 1, 2009, and the layer structure was maintained upon renewal. Details for the CAT contracts in force throughout 2009 are as follows:

1st Layer \$500,000 xs \$500,000
2nd Layer \$2,000,000 xs \$1,000,000
3rd Layer \$3,000,000 xs \$3,000,000

Contract periods:

April 1, 2008, to March 31, 2009. Reinsurers: Montpelier Reinsurance Ltd, Flagstone Reassurance Suisse SA and QBE Reinsurance Corporation.

April 1, 2009, to March 31, 2010. Reinsurers: Allied World Reinsurance Company, Flagstone Reassurance Suisse SA, Montpelier Reinsurance Ltd, QBE Reinsurance Corporation and R+V Versicherung AG.

Quota Share

The Company's quota share contract is brokered by Guy Carpenter. The Company's quota share contract also renewed on April 1, 2009, with a 30% quota share that included a \$1,000,000 weather related loss annual aggregate deductible. The reinsurers are Swiss Re American Corp. and SCOR Reinsurance Co. Through March 31, 2009, the quota share had been 25% with no annual aggregate deductible.

RESERVES

Kenneth L. Leonard Jr., FCAS, MAAA, of Towers Watson was appointed as the Company's reserving actuary for 2009 by the Board of Directors at their regular meeting on February 12, 2010. Mr. Leonard provided the Company's actuarial opinion for the years under examination.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related items, 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 2009 opinion stated the balances of reserves 1) are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated, in accordance with sound actuarial principles 2) are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions 3) meet the requirements of the insurance law and regulations of the state of Indiana and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed 4) are computed on the basis of assumptions consistent with those used in computing the corresponding items in the Annual Statement of the preceding year-end and 5) include provision for all actuarial reserves and related statement items which ought to be established.

During the examination, it was determined by the IDOI consulting actuary, David M. Shepherd, FCAS, MAAA, of Merlinos & Associates, Inc., that the significant actuarial items in the Company's 2009 Annual Statement are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the IDOI.

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 2009, and 2008, were agreed to the respective Annual Statements. No exceptions were noted when agreeing the Company's audited financial statements to the respective annual statements. Independent audit work papers were utilized on a limited basis.

GREAT NORTHWEST INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

	As of December 31, 2009			December 31, Prior Year
	Per Annual Statement	Examination Adjustments	Per Examination	
Assets:				
Bonds	\$ 15,019,327	\$ -	\$ 15,019,327	\$ 15,060,341
Mortgage loans	181,000	-	181,000	-
Cash \$181,910 cash equivalents \$0 and short-term investments \$1,361,613	1,543,523	-	1,543,523	1,127,942
Subtotals, cash and invested assets	\$ 16,743,850	\$ -	\$ 16,743,850	\$ 16,188,283
Investment income due and accrued	163,990	-	163,990	161,164
Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	619,137	-	619,137	517,910
Deferred premiums, agents' balances and installments booked but deferred and not yet due	2,242,259	-	2,242,259	2,170,921
Amounts recoverable from reinsurers	1,382,173	-	1,382,173	1,157,127
Funds held by reinsured companies	2,527,401	-	2,527,401	2,525,879
Current federal income tax	199,530	-	199,530	710,267
Net deferred tax asset	597,424	-	597,424	739,475
Receivables from parent, subsidiaries and affiliates	178,839	-	178,839	47,623
Aggregate write-ins	2,941	-	2,941	108,103
Total Assets	\$ 24,657,544	\$ -	\$ 24,657,544	\$ 24,326,752

GREAT NORTHWEST INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2009			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	\$ 4,687,346	\$ -	\$ 4,687,346	\$ 5,383,666
Reinsurance payable on paid losses and loss adjustment expenses	1,501,093	-	1,501,093	1,270,912
Loss adjustment expenses	392,179		392,179	597,493
Commissions payable, contingent commissions and similar charges	288,918	-	288,918	300,398
Other expenses	570,065	-	570,065	282,746
Taxes, licenses, and fees	87,162	-	87,162	74,714
Unearned premiums	8,715,491	-	8,715,491	8,132,786
Advance premiums	288,837	-	288,837	271,526
Ceded reinsurance premiums payable	1,236,218	-	1,236,218	1,280,041
Amounts withheld or retained by the company for account of others	4,584	-	4,584	7,749
Provision for reinsurance	-	-	-	11,000
Total Liabilities	\$ 17,771,893	\$ -	\$ 17,771,893	\$ 17,613,031
Common capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000
Gross paid in and contributed surplus	10,290,848	-	10,290,848	9,241,848
Unassigned funds (surplus)	(6,405,197)	-	(6,405,197)	(5,528,127)
Surplus as regards policyholders	\$ 6,885,651	\$ -	\$ 6,885,651	\$ 6,713,721
Total liabilities, capital and surplus	\$ 24,657,544	\$ -	\$ 24,657,544	\$ 24,326,752

GREAT NORTHWEST INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2009

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
UNDERWRITING INCOME				
Premiums earned	\$ 14,473,680	\$ -	\$ 14,473,680	\$ 14,977,085
DEDUCTIONS				
Losses incurred	\$ 9,166,455	\$ -	\$ 9,166,455	\$ 11,647,569
Loss adjustment expenses	2,354,861	-	2,354,861	1,976,399
Other underwriting expenses	5,162,262	-	5,162,262	5,031,480
TOTAL UNDERWRITING DEDUCTIONS	\$ 16,683,578	\$ -	\$ 16,683,578	\$ 18,655,448
Net Underwriting Loss	\$ (2,209,898)	\$ -	\$ (2,209,898)	\$ (3,678,363)
INVESTMENT INCOME				
Net investment earned	\$ 657,303	\$ -	\$ 657,303	\$ 720,446
Net realized capital gains (losses)	(98,368)	-	(98,368)	(234,999)
Net Investment Loss	\$ 558,935	\$ -	\$ 558,935	\$ 485,447
OTHER INCOME				
Net loss from agents charged off	\$ -	\$ -	\$ -	\$ (171)
Fiance and service charges not included in the premiums	281,288	-	281,288	-
Totals	\$ 281,288	\$ -	\$ 281,288	\$ (171)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ (1,369,675)	\$ -	\$ (1,369,675)	\$ (3,193,087)
Dividends to policyholders	-	-	-	-
Net income, after dividends to policyholder, after capital gains tax and before all other federal and foreign income taxes	\$ (1,369,675)	\$ -	\$ (1,369,675)	\$ (3,193,087)
Federal and foreign income taxes incurred	(718,311)	-	(718,311)	(710,257)
Net Income	\$ (651,364)	\$ -	\$ (651,364)	\$ (2,482,830)

GREAT NORTHWEST INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

As of December 31, 2009

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Surplus Account:				
Surplus as regards policyholders, December 31 prior year	\$ 6,713,721	\$ -	\$ 6,713,721	\$ 9,231,935
Net income	\$ (651,364)	\$ -	\$ (651,364)	\$ (2,482,830)
Change in net unrealized capital gains (losses)	(28,588)	-	(28,588)	(105,089)
Change in net deferred income tax	(244,018)	-	(244,018)	372,893
Change in nonadmitted assets	35,900	-	35,900	(327,388)
Change in provision for reinsurance	11,000	-	11,000	24,200
Paid in surplus	1,049,000	-	1,049,000	-
Change surplus as regards policyholders for the year	\$ 171,930	\$ -	\$ 171,930	\$ (2,518,214)
Surplus as regards policyholders, December 31 current year	\$ 6,885,651	\$ -	\$ 6,885,651	\$ 6,713,721

SUMMARY OF EXAMINATION FINDINGS

1. It was noted during the examination that the Board members didn't subscribe to the "Oath of Office." The same finding was noted during the course of last examination and no corrective measures were taken. It is recommended that the Company hereinafter comply with the provisions of IC 27-1-7-10(i).
2. It is recommended that the Company comply with the provisions of IC 21-1-7-11, IC 27-1-7-7, IC 27-1-7-10 (b) and IC 27-1-7-12.

SUBSEQUENT EVENTS

The IDOI determined the Company to be in hazardous financial condition during the period of the examination, as it was in violation of Indiana Administrative Code 760-1-53. It was noted at September 30, 2008, to be in violation. The Company notified the Department via letter March 4, 2009, the violation had been cured by infusing additional capital as required. During 2010, based on August 30, 2010, results the Company was again in violation. The IDOI is currently working with the Company to assure it will stay in compliance.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the examiners obtained a completed management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and has been made part of the examination work papers.

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 Huff, Thomas & Company, hereinafter collectively referred to as the "Examiners" performed an examination of the **Great Northwest Insurance Company**, as of **December 31, 2009**.

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

The examination was performed in accordance with those procedures required by the 2010 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 standard 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 the **Great Northwest Insurance Company**, as of **December 31, 2009**, as determined by the undersigned.

Neeraj Gupta
Neeraj Gupta, CFE
Huff, Thomas & Company

State of: California
County of: Orange

On this 14th day of December, 2010, before me personally appeared, Neeraj Gupta, 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 Dec. 4, 2012
N. Towner

Notary Public

