

Report of Examination of

Excess Share Insurance Corporation
Dublin, Ohio

As of December 31, 2012

Table of Contents

Subject	Page
Salutation	1
Description of Company.....	1
Scope of Examination.....	1
Management and Control:	
Board of Directors	2
Officers	2
Insurance Holding Company System	2
Territory and Plan of Operations	2
Reinsurance.....	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds	4
Statement of Operations	5
Statement of Changes in the Capital and Surplus Account	5
Notes to Financial Statements:	
Investments	5
Policy Reserves and Related Actuarial Items	5
Conclusion	6
Acknowledgement	6

Columbus, Ohio
November 1, 2013

Honorable Mary Taylor
Lieutenant Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lieutenant Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Excess Share Insurance Corporation

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2007. The Department’s current examination covers the period of January 1, 2008 through December 31, 2012.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate 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.

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

For all years under examination, the Certified Public Accounting firm of Deloitte & Touche LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

Name	Principal Occupation
Dennis R. Adams	President and Chief Executive Officer, American Mutual Share Insurance Company (“ASI”)
Elizabeth A. Calderone	President and Chief Executive Officer, Earthmover Credit Union
Bruce A. Ingraham	Former President and Chief Executive Officer, Beacon Credit Union
James C. Miles	President and Chief Executive Officer, MidUSA Credit Union
Curtis L. Robson	Vice President, Secretary and Treasurer, ASI

Officers

As of the examination date, the following principal executive officers were elected and serving in accordance with the Company’s Bylaws:

Name	Title
Dennis R. Adams	President
Curtis L. Robson	Secretary and Treasurer

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The Company is a wholly owned subsidiary of ASI, the ultimate controlling person in the holding company system.

Territory and Plan of Operations

The Company’s only line of business is the guaranty of excess share deposits in credit unions. Its product is currently sold only through a direct channel and is provided to both state and federally

chartered credit unions. Excess share insurance provides protection above the insurance limit of the primary share insurance provided by ASI or insurance provided by the National Credit Union Administration (“NCUA”). For credit unions with ASI’s primary share insurance, excess share insurance adds an additional \$250,000 in coverage for each account of an individual credit union member, which makes each account of a credit union member insured up to \$500,000. NCUA’s coverage is generally \$250,000 for the sum of all savings, certificates and checking accounts, and \$250,000 on an individual retirement account. Members exceeding the maximum level of insurance coverage provided by the NCUA are then insured up to an additional \$250,000 by the Company’s excess share insurance, which generally provides credit union members with coverage up to \$500,000 for the sum of all savings, certificates and checking accounts, and \$500,000 for an individual retirement account.

The Company is licensed to write business in the District of Columbia and the following 32 states:

Alabama	Arkansas	Colorado	Delaware	Florida
Georgia	Hawaii	Idaho	Illinois	Indiana
Iowa	Kansas	Kentucky	Maine	Maryland
Michigan	Minnesota	Missouri	Nevada	New Hampshire
New Jersey	North Carolina	North Dakota	Ohio	Oklahoma
Oregon	Pennsylvania	South Carolina	Tennessee	Texas
Utah	Washington			

Reinsurance

The Company and ASI have reinsurance that provides per occurrence and aggregate loss coverage of \$7,500,000 in excess of the companies’ aggregate retention of \$7,500,000 on the Company’s business and the excess share insurance business of ASI.

The contract contained the necessary clauses to meet the guidelines prescribed by the NAIC.

Financial Statements

The financial condition and the results of its operations for the five-year period under examination as reported and filed by the Company with the Department and audited by the Company’s external auditors are reflected in the following:

- Statement of Assets, Liabilities, Surplus and Other Funds
- Summary of Operations
- Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 2012**

Assets

Bonds	\$ 42,500,000
Cash and short term investments	<u>8,704,599</u>
Subtotal, cash and invested assets	51,204,599
Investment income due and accrued	123,905
Deferred premiums booked but deferred and not yet due	<u>401,330</u>
Total assets	<u><u>\$ 51,729,834</u></u>

Liabilities

Losses	\$ 2,002,000
Other expenses	60,342
Payable to affiliate	76,135
Aggregate write-ins for liabilities	<u>29,110,000</u>
Total liabilities	<u>31,248,477</u>

Capital and Surplus

Common capital stock	2,500,000
Gross paid in and contributed surplus	4,200,000
Unassigned funds	<u>13,781,357</u>
Total capital and surplus	<u>20,481,357</u>
Total liabilities, capital and surplus	<u><u>\$ 51,729,834</u></u>

Summary of Operations
For the Year Ended December 31, 2012

Premiums earned	\$ <u>1,302,898</u>
Losses incurred	240,000
Other underwriting expenses incurred	<u>1,432,610</u>
Total underwriting deductions	<u>1,672,610</u>
Net underwriting (loss)	(369,712)
Net investment income earned	546,596
Aggregate write-ins for miscellaneous income	<u>2,066</u>
Net income before federal income taxes	178,950
Federal income taxes incurred	<u>144,800</u>
Net income	<u>\$ 34,150</u>

Statement of Changes in the Capital and Surplus Account
As of and For the Year Ended December 31
(In thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Capital and surplus, prior year end	<u>\$ 20,447</u>	<u>\$ 20,355</u>	<u>\$ 20,202</u>	<u>\$ 19,917</u>	<u>\$ 17,784</u>
Net income	34	124	153	279	2,143
Change in net deferred income taxes	84	105	48	77	-
Change in nonadmitted assets	<u>(84)</u>	<u>(137)</u>	<u>(48)</u>	<u>(71)</u>	<u>(10)</u>
Net change in capital and surplus	<u>34</u>	<u>92</u>	<u>153</u>	<u>285</u>	<u>2,133</u>
Capital and surplus, current year end	<u>\$ 20,481</u>	<u>\$ 20,447</u>	<u>\$ 20,355</u>	<u>\$ 20,202</u>	<u>\$ 19,917</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Reserves for Losses and Loss Adjustment Expenses

The Company's Board of Directors appointed Elissa M. Sirovatka, FCAS, MAAA, of Towers Watson, to render the Company's Statement of Actuarial Opinion ("Opinion"). Ms. Sirovatka prepared an Actuarial Report supporting the Opinion in connection with the preparation of the Company's 2012 Annual Statement.

Thomas S. Botsko, ACAS, MAAA, the Department's Property and Casualty Actuary, reviewed the Actuarial Report and performed other procedures as considered necessary to evaluate the Company's reserves for losses and loss adjustment expenses. On the basis of his analysis, Mr. Botsko determined that the reserves for losses and loss adjustment expenses presented in the 2012 Annual Statement are consistent with requirements in Ohio law, and furthermore, that the reserves for losses and loss adjustment expenses held by the Company are adequate and appropriate.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2012, and is summarized as follows:

Total Admitted Assets	<u>\$ 51,729,834</u>
Liabilities	\$31,248,477
Capital and Surplus	<u>20,481,357</u>
Total Liabilities, Capital and Surplus	<u>\$ 51,729,834</u>

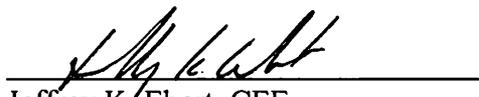
Acknowledgement

In addition to the aforementioned and undersigned, the following representatives of the Department participated in this examination: Ryan S. Gibson, CFE, FLMI; and Aaron R. Hibbs, CFE, ChFC, CPA, FLMI.

Respectfully,



Kevin J. Rupp, CFE
Examiner-in-Charge
Ohio Department of Insurance



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2012.

Kevin J. Rupp
Examiner-In-Charge

11/1/13
Date

Mykelt
Assistant Chief Examiner

11/1/13
Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Kevin J. Rupp, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 1 day of November, 2013.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 1 day of November, 2013.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires