

Report of Examination of

American Mutual Share Insurance Corporation
Dublin, Ohio

As of December 31, 2007

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Columbus, Ohio
November 26, 2008

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance (“Department”)
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), an examination was made of

American Mutual Share Insurance Corporation

an Ohio domiciled, mutual, credit union share guaranty company, hereinafter referred to as the “Company.” The examination was conducted at the Company’s home office, located at 5656 Frantz Road, Dublin, Ohio.

A report of this examination is hereby respectfully submitted.

The Company was last examined as of December 31, 2002, by the Department. Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2007.

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 The Company
D. Matthew Davidson	Chief Operating Officer San Diego County Federal Credit Union
Eric D. Estes	Executive Vice President Boulder Dam Credit Union

William A. Herring	President and Chief Executive Officer Cincinnati Central Credit Union
Bruce A. Ingraham	President Beacon Credit Union
Paul G. Simons	President and Chief Executive Officer Credit Union 1
Janice L. Thomas	President and Chief Executive Officer PSE Credit Union

Officers

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

Name	Title
Dennis R. Adams	President and Chief Executive Officer
Gerald D. Welsh	Vice President and Secretary
Curtis L. Robson	Vice President and Treasurer
John F. Hink	Vice President
Kurt G. Kluth	Vice President
David M. Watson	Vice President

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The following displays the chain of ownership of the insurance companies as of December 31, 2007:

American Mutual Share Insurance Corporation
Excess Share Insurance Corporation

Reinsurance

Ceded

Reinsurance from Federal Insurance Company (Chubb Group) provides per occurrence and aggregate loss coverage of \$7,500,000 in excess of the Companies' aggregate retention of \$8,200,000 on the excess share insurance business of the Company and its affiliate, Excess Share Insurance Corporation.

The contract contained an insolvency clause, errors and omission clause and an arbitration clause, which meet the guidelines prescribed by the National Association of Insurance Commissioners (“NAIC”).

Assumed

The Company does not assume any reinsurance.

Territory and Plan of Operations

The Company was licensed to transact business in the states of California, Idaho, Illinois, Indiana, Maine, Nevada, New Hampshire, New Jersey, Ohio, and Pennsylvania.

The Company writes Guaranty of Share Deposits in Credit Unions as its only line of business.

Scope of Examination

One of the purposes of the examination was to make an assessment of the financial condition of the Company as of December 31, 2007. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the NAIC Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

For each year during the period under examination, the Certified Public Accounting (“CPA”) firm of Deloitte & Touche LLP, has provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers.

The Department’s property and casualty actuary reviewed the relevant work performed by the opining actuary, to report on the adequacy of the carried reserves, and to comment on any other statutory matters relating to reserves.

In addition, the following items were reviewed during the course of this examination:

1. Company history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Company;
5. loss experience;
6. pending litigation; and
7. Articles of Incorporation and Bylaws.

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
Statement of Operations
Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds

December 31, 2007

Admitted assets

Cash and invested assets:	
Bonds	\$152,393,547
Common Stocks	17,448,341
Real estate	688,528
Cash, cash equivalents and short-term investments	<u>44,999,254</u>
Total cash and invested assets	215,529,670
Accrued investment income	1,455,298
Deferred premiums, agents' balances and installments booked but deferred and not yet due	404,430
Electronic data processing equipment and software	49,630
Receivables from parent, subsidiaries and affiliates	140,337
Aggregate write-ins for other than invested assets	<u>2,230,000</u>
Total admitted assets	<u>\$219,809,365</u>

Liabilities, capital and surplus

Liabilities:	
Losses	\$8,242,000
Loss adjustment expenses	40,000
Other expenses	940,294
Taxes, licenses and fees	29,783
Current federal and foreign income taxes	<u>8,773</u>
Total liabilities	9,260,850
Capital and surplus:	
Aggregate write-ins for special surplus funds	169,538,566
Unassigned funds	<u>41,009,949</u>
Total capital and surplus	<u>210,548,515</u>
Total liabilities, capital and surplus	<u>\$219,809,365</u>

Statement of Operations

	For the Year Ended December 31, 2007
Premiums earned	\$1,503,584
Losses incurred	883,474
Loss expenses incurred	301,310
Other underwriting expenses incurred	6,898,984
Total underwriting deductions	<u>8,083,768</u>
Net underwriting loss	(6,580,184)
Net investment gains	8,616,831
Aggregate write-ins for other income or expenses	<u>1,212,684</u>
Net income before federal income taxes	3,249,331
Federal income taxes incurred	6,900
Net income	<u><u>\$3,242,431</u></u>

Statement of Changes in the Capital and Surplus Account (In thousands)

	2003	2004	2005	2006	2007
Capital and surplus December 31, previous year	<u>\$153,964</u>	<u>\$166,954</u>	<u>\$184,701</u>	<u>\$192,577</u>	<u>\$204,092</u>
Net income	1,630	782	2,263	2,628	3,242
Net unrealized capital gains (losses)	1,189	1,197	1,533	2,108	2,442
Change in nonadmitted assets	693	(1,556)	(111)	391	(1,163)
Aggregate write-ins	<u>9,478</u>	<u>17,324</u>	<u>4,191</u>	<u>6,388</u>	<u>1,936</u>
Net change in capital and surplus	<u>12,990</u>	<u>17,747</u>	<u>7,876</u>	<u>11,515</u>	<u>6,457</u>
Capital and surplus December 31, current year	<u><u>\$166,954</u></u>	<u><u>\$184,701</u></u>	<u><u>\$192,577</u></u>	<u><u>\$204,092</u></u>	<u><u>\$210,549</u></u>

Summary of Examination Changes

There were no changes made as a result of this examination.

Notes to Financial Statements

Investments

The Company's investments were in compliance with Section 3925.08 of the ORC.

Loss and Loss Adjustment Expense Reserves

The Company had an outside actuary, Elissa M. Sirovatka, FCAS, MAAA, of Towers Perrin, certify the total reserves for the years covered by the examination. The Department's actuary, Mary D. Miller, FCAS, MAAA, reviewed the calculations for the reserves as of December 31, 2007.

On the basis of the above-mentioned analysis, it was determined that the loss and loss adjustment expense reserves were reasonable as of December 31, 2007.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2007, and is summarized as follows:

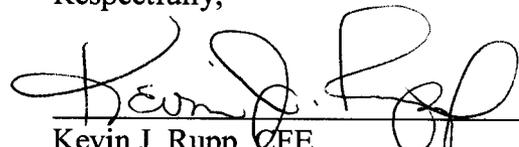
Total Admitted Assets	<u>\$219,809,365</u>
Liabilities	\$9,260,850
Surplus as Regards Policyholders	<u>210,548,515</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$219,809,365</u>

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the aforementioned and the undersigned, the following representatives of the Department participated in this examination: Jeffrey J. Ferris, CFE, AES, CISA; Aaron R. Hibbs, CPA, ChFC, FLMI; and Leroy J. Moster, CPA.

Respectfully,


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


David A. Cook, 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, 2007.

Kevin J. Rupp 12/9/08 David A. Cook 12/9/08
Examiner-In-Charge Date Assistant Chief Examiner 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/her knowledge and belief.

Subscribed and sworn to before me this 9 day of December, 2008.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires

State of Ohio
County of Franklin

Personally appeared before me the above named, David A. Cook, 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/her knowledge and belief.

Subscribed and sworn to before me this 9 day of December, 2008.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
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