

Report of Examination of

Excess 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

Excess Share Insurance Corporation

an Ohio domiciled, stock, property and casualty insurance 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 American Mutual Share Insurance Corporation
Craig Bradley	Chief Executive Officer Kane County Teachers Credit Union
William A. Herring	President and Chief Executive Officer Cincinnati Central Credit Union

Jack A. Sheets Chief Executive Officer
Interra Credit Union

Gerald D. Welsh Executive Vice President and General Counsel
American Mutual Share Insurance Corporation

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
Gerald D. Welsh	Secretary
Curtis L. Robson	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 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, American Mutual 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 following states and territory:

Alabama	Arizona	Colorado	Delaware
District of Columbia	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			

The Company writes Guaranty of Excess 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	\$39,731,483
Cash, cash equivalents and short-term investments	18,942,410
Total cash and invested assets	<u>58,673,893</u>

Accrued investment income 360,887

Deferred premiums, agents' balances and installments booked but
deferred and not yet due 911,100

Total admitted assets \$59,945,880

Liabilities, capital and surplus

Liabilities:

Losses	\$1,087,000
Other expenses	38,096
Current federal and foreign income tax payable	8,700
Amounts due to parent, subsidiaries and affiliates	140,337
Payable for securities	2,000,000
Aggregate write-ins for other liabilities	38,887,500
Total liabilities	<u>42,161,633</u>

Capital and surplus:

Aggregate write-ins for special surplus funds	
Common capital stock	2,500,000
Gross paid in and contributed surplus	4,200,000
Unassigned funds	11,084,247
Total capital and surplus	<u>17,784,247</u>
Total liabilities, capital and surplus	<u><u>\$59,945,880</u></u>

Statement of Operations

	For the Year Ended December 31, 2007
Premiums earned	\$3,187,113
Losses incurred	150,000
Other underwriting expenses incurred	1,778,601
Total underwriting deductions	1,928,601
Net underwriting gain	1,258,512
Net investment gains	2,432,428
Aggregate write-ins for other income or expenses	8,791
Net income before income taxes	3,699,731
Federal income taxes incurred	1,258,000
Net income	\$2,441,731

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

	2003	2004	2005	2006	2007
Capital and surplus December 31, previous year	\$9,441	\$10,609	\$11,794	\$13,315	\$15,399
Net income	1,189	1,197	1,533	2,108	2,442
Change in nonadmitted assets	(21)	(12)	(12)	(24)	(57)
Net change in capital and surplus	1,168	1,185	1,521	2,084	2,385
Capital and surplus December 31, current year	\$10,609	\$11,794	\$13,315	\$15,399	\$17,784

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:

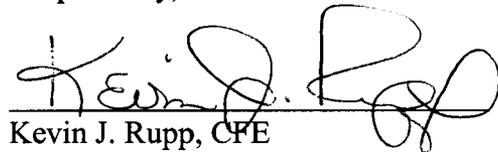
Total Admitted Assets	<u>\$59,945,880</u>
Liabilities	\$42,161,633
Surplus as Regards Policyholders	<u>17,784,247</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$59,945,880</u>

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
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