

REPORT ON EXAMINATION
OF
NORTHERN CAPITAL INSURANCE
COMPANY
MIAMI, FLORIDA

AS OF
DECEMBER 31, 2008

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

July 3, 2009

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2008, of the financial condition and corporate affairs of:

**NORTHERN CAPITAL INSURANCE COMPANY
7200 CORPORATE CENTER DRIVE
SUITE 505
MIAMI, FLORIDA 33126**

Hereinafter referred to as, the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2008, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2007. This examination commenced with planning at the Office on March 17, 2009, to March 20, 2009. The fieldwork commenced on April 13, 2009, and concluded as of July 3, 2009.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed 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 and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

Risk-focused examinations consist of a seven-phase process that can be used to identify and assess risk, assess the adequacy and effectiveness of strategies/controls used to mitigate risk and assist in determining the extent and nature of procedures and testing to be utilized in order to

complete the review of that activity. The process should generally include a determination of the quality and reliability of the corporate governance structure and risk management programs. In addition, it can be used for verification of specific portions of the financial statements or other limited-scope reviews, increased focus on, and can result in increased substantive testing of, accounts identified as being at high risk of misstatement. Conversely, the risk assessment process should result in decreased focus on, and fewer substantive tests on the accounts identified as being at low risk of misstatement. The risk-focused surveillance process can be used to assist examiners in targeting areas of high-risk.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2008. Transactions subsequent to year-end 2008 were reviewed where relevant and deemed significant to the Company's financial condition.

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

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the Demotech Inc. report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination. This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

Status of Adverse Findings from Prior Examination

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2007, along with resulting action taken by the Company in connection therewith.

Finding: The Company did not have a fidelity bond as required by the NAIC Handbook.

Resolution: The Company obtained a fidelity bond for \$1,000,000 that was above the minimum requirements of the NAIC Financial Condition Examiners Handbook.

HISTORY

General

The Company was incorporated in Florida on December 9, 2004. The Company commenced business on May 4, 2006, as Northern Capital Insurance Company.

The Company was party to Consent Order No. 85975-06-CO filed May 4, 2006, with the Office regarding the application for the issuance of a Certificate of Authority. The Company was in compliance with the Consent Order.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2008:

Homeowners Multi Peril	
Fire	Glass
Allied Lines	Burglary and Theft
Commercial Multi Peril	Miscellaneous Casualty
Inland Marine	Commercial auto physical damage
Other liability	Commercial automobile liability

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

Capital Stock

As of December 31, 2008, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$1,000,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, Northern Capital Inc (NCI), who owned 100% of the stock issued by the Company, and was a Florida Domiciled Holding Company.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed annual statements. **Subsequent Event:** The Company filed an amended Annual Statement on June 24, 2009. The profitability trend reflected herein is representative of the amended 2008 Annual Statement.

	2008	2007	2006
Premiums Earned	38,046,637	21,985,635	(192,968)
Net Underwriting Gain/(Loss)	(484,611)	(134,936)	(2,938,336)
Net Income	(64,929)	(16,532)	(2,703,422)
Total Assets	52,239,802	35,563,165	11,222,660
Total Liabilities	36,197,526	20,159,798	6,922,520
Surplus As Regards Policyholders	16,042,276	15,403,367	4,300,140

Dividends to Stockholders

No dividends were declared or paid during the period of examination.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2008, were:

Directors

Name and Location

Principal Occupation

Alexander Anthony
Miami Springs, Florida

Chairman, Northern Capital Inc.

Albert Fernandez
Miami, Florida

Vice Chairman, Northern Capital Inc.

Wayne Fletcher
Weston, Florida

CEO, Northern Capital Insurance Co.

Juan Carlos Miguez
Miami, Florida

COO, Northern Capital Insurance Co.

John Laurie
Bradenton, Florida

Vice President, BB&T Insurance Services

Maria L DiGiorgio
Miami, Florida

General Counsel, Northern Capital Inc.

The Board of Directors in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
Wayne Fletcher	Chief Executive Officer
Juan Carlos Miguelez	Chief Operating Officer
Abraham Garzon (a)	Chief Financial Officer
Maria DiGiorgio	Corporate Secretary

(a) Resigned on July 22, 2008 and was replaced by Michael Samach as CFO. Michael Samach resigned on June 5, 2009.

The Company's board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following are the principal internal board committees and their members as of December 31, 2008:

Executive Committee

Wayne Fletcher ¹
Albert Fernandez
JC Miguelez

¹ Chairman

Compensation Review Committee

Alexander Anthony¹
Albert Fernandez
Wayne Fletcher

¹ Chairman

Audit Committee

John Laurie ¹
Michael Brookman
Maria DiGiorgio

Nominating and Corporate Governance Committee

Maria DiGiorgio ¹
Wayne Fletcher
Juan Carlos Miguelez

Investment Committee

John Laurie ¹
Albert Fernandez
Michael Samach
Wayne Fletcher

Real Estate Acquisition and Management Committee

Albert Fernandez ¹
Wayne Fletcher
Michael Samach

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook.

Corporate Records

The recorded minutes of the shareholder, Board of Directors, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance

There were no acquisitions, mergers, disposals, or purchase or sales through reinsurance during this examination period.

Surplus Debentures

On March 20, 2007, the Company issued a qualified surplus note to NCI, its parent, in exchange for \$5 million. Interest accrues from the date of issuance at an annual rate equal to prime, as published in the "Wall Street Journal," adjusted quarterly, plus 2% on the unpaid balance, not to exceed 12% per year. Accrued interest was payable on July 1, 2007, and quarterly thereafter, upon approval by the Office. The principal and unpaid interest is due and payable on March 31,

2027, upon approval by the Office. There was no interest or principal paid on this surplus note during 2008 or 2007.

On September 17, 2007, the Company issued a qualified surplus note to NCI, its parent, in exchange for \$3 million. Interest accrued from the date of issuance at an annual rate equal to prime, as published in the "Wall Street Journal," adjusted quarterly, plus 2% on the unpaid balance, not to exceed 12% per year. Accrued interest is payable on October 1, 2007, and quarterly thereafter, upon approval by the Office. The principal and unpaid interest was due and payable on September 30, 2027, upon approval by the Office. There was no interest or principal paid on this surplus note during 2008 and 2007.

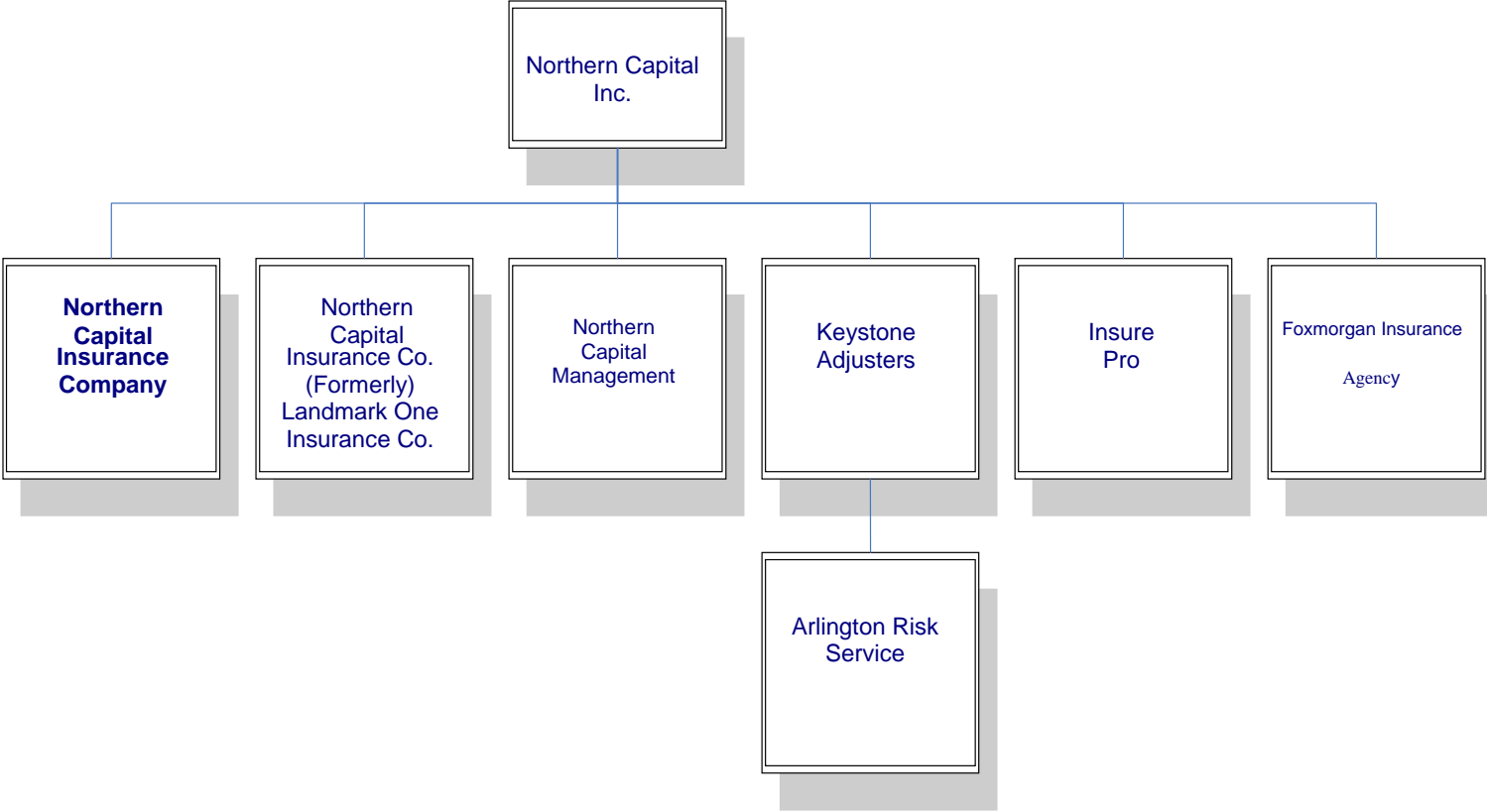
AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on April 14, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2008, reflecting the holding company system, is shown below. Schedule Y of the Company's 2008 annual statement provided a list of all related companies of the holding company group.

**NORTHERN CAPITAL INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2008



The following agreements were in effect between the Company and its affiliates:

Tax Allocation Agreement

The Company, along with its parent, filed a consolidated federal income tax return. The Company's federal income tax return was consolidated with the following entities:

Northern Capital, Inc.
Northern Capital Management, Inc.
Landmark One Insurance Company
Keystone Adjusters, Inc.
Fox Morgan Insurance Company
InsurePro Technologies, Inc.

The method of allocation between the companies was subject to written agreement, approved by the Board of Directors. Allocation was based upon separate return calculations with current credit for net losses. Intercompany balances were settled quarterly.

Cost Sharing Agreement

Effective October 1, 2008, the Company implemented a Cost Sharing Agreement with Northern Capital, Inc (parent) and Northern Capital Management (affiliate), Landmark One Insurance Company (affiliate), and Keystone Adjusters (affiliate). Under this agreement, the parties were to share in the costs of certain services incurred by one party on behalf of another of the other parties. These costs were to be determined, allocated and charged to each company in accordance with SSAP 70 and were to be settled on a quarterly basis. The agreement was to remain in effect until terminated by written notice by any one of the parties involved.

Managing General Agent Agreement

The Company had a managing general agency (MGA) contract with an affiliate, Northern Capital Management, Inc., of which the parent was the direct owner. Under the terms of the

contract, Northern Capital Management, Inc, solicited Homeowner's insurance policies on behalf of the Company from independent insurance agencies, and paid agent commissions, policy processing fees and other acquisition related costs. The MGA received a portion of the policy premium as commission and retained a policy fee charged to each policyholder. In addition, the MGA had an agreement with WestPoint Underwriters that provided services to the Company that included the development and maintenance of a software platform that supported processing for all policy related operations.

Claims Adjudication Agreement

The Company entered into an agreement with an affiliate, Keystone Adjusters Inc., of which the parent was the direct owner. Under the terms of the contract, Keystone Adjusters Inc. handled all claims adjudication for all Homeowners and Commercial claims for Northern Capital Insurance Company. Keystone Adjusters Inc. received a fee based on earned premium for their services.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$1,000,000 with a deductible of \$10,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

The Company also maintained Directors and Officers (D&O) liability insurance with an aggregate limit liability of \$3,000,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

As of October 2007 Northern Capital Inc and subsidiaries offered a 401(k) plan to all Northern Capital Inc. and subsidiaries employees. The Company did not have any stock ownership plans during the examination period. The Company provided employees with group medical insurance coverage.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	Description	Par Value	Market Value
FL	Cash	\$300,000	\$300,000
TOTAL SPECIAL DEPOSITS		<u>\$300,000</u>	<u>\$300,000</u>

INSURANCE PRODUCTS

The Company began writing homeowners policies in 2006 as an admitted Florida-based carrier. The Company wrote homeowners multi peril, inland marine and burglary and theft lines during 2008. The Company launched a commercial lines program during the examination period; however, the Company did not write commercial lines policies in 2008.

Territory

The Company was authorized to transact insurance only in Florida.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Assumed

The Company did not assume any reinsurance during the examination period.

Ceded

The Company ceded risk on an excess of loss basis to commercial reinsurers and coverage provided by the Florida Hurricane Catastrophe Fund. The Company purchased the commercial reinsurance on a combined basis with affiliate Northern Capital Select Insurance Company (F.K.A Landmark One Insurance Company). Both Companies purchased a coverage limit that provided separate coverage to their 100-year event Probable Maximum Loss. If one company had a disproportionately higher amount of loss, additional reinsurance coverage would have been available to the other company.

The Company obtained a letter of credit for reinsurers not authorized but did not establish a proper provision for reinsurance in the amount \$89,000 in the Annual Statement. **Subsequent Event:** The Company filed an amended Annual Statement on June 24, 2009, and properly accounted for the provision for reinsurance as a liability and on the Schedule F Part 7.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Miami, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2008 that was due on June 1, 2009. It was not filed on the due date and therefore the Company was not in compliance with Section 614.424(8), Florida Statutes. **Subsequent Event:** The Company filed the 2008 audited financial statement on June 5, 2009. Any penalty related to

the late filing is handled by the analysis unit. Supporting work papers were prepared by the CPA as required by Rule 690-137.002(13(b), Florida Administrative Code. Any penalty related to the late filing is handled by the analysis unit.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company entered into a custodial agreement, which was effective on May 24, 2007. The agreement was between US Bank and Northern Capital Insurance Company. The agreement was in compliance with the provisions of Rule 690-143.042, Florida Administrative Code.

Independent Auditor Agreement

The Company entered into an independent auditor agreement with BDO Seidman, LLP for annual statutory audit services for the year ending December 31, 2008.

Independent Actuary Agreement

The Company utilized the actuarial services of Butler Dunlap and Linquist, LLC for issuing the Statement of Actuarial Opinion (SAO) and supporting actuarial report with the Actuarial Opinion Summary (AOS) for 2008.

Information Technology Report

Parente Randolph, LLC performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

NORTHERN CAPITAL INSURANCE COMPANY
Assets
DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$25,536,100		\$25,536,100
Real Estate			-
Properties held for production of income	2,564,643		2,564,643
Cash	15,483,631	155,118	15,638,749
Interest and dividend income due and accrued	205,062		205,062
Agents Balances:			
Uncollected Premium	867,574	(348,694)	518,880
Deferred Premium	1,664,178		1,664,178
Net Deferred Tax Asset	1,406,904	(514,311)	892,593
Guaranty Fund Receivable	97,354		97,354
EDP Equipment	382,248		382,248
Receivable from parents, subsidiaries and affiliates	1,350,494	3,355,945	4,706,439
Aggregate write-in for other than invested assets	4,086	29,470	33,556
Totals	<u>\$49,562,275</u>	<u>\$2,677,528</u>	<u>\$52,239,802</u>

NORTHERN CAPITAL INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	\$5,069,401	\$2,747,021	\$7,816,422
Loss adjustment expenses	560,574		560,574
Other expenses	377,853	380,320	758,173
Taxes, licenses and fees	560,158	(222,123)	338,035
Current and Federal Foreign Income taxes	1,631,115	(1,062,863)	568,252
Unearned premium	18,964,113	(348,694)	18,615,419
Advance Premiums	1,465,361		1,465,361
Ceded Reinsurance Premiums Payable	1,803,215	733,000	2,536,215
Amounts withheld or retained on account of others	769,839		769,839
Provision for Reinsurance	0	89,000	89,000
Payable to parent, subsidiaries and affiliates	107,965	2,572,271	2,680,236
Total Liabilities	\$31,309,594	\$4,887,932	\$36,197,526
Common capital stock	\$1,000,000		\$1,000,000
Surplus Notes	\$8,000,000		8,000,000
Gross paid in and contributed surplus	8,800,000		8,800,000
Unassigned funds (surplus)	452,682	(2,210,406)	(1,757,724)
Surplus as regards policyholders	<u>\$18,252,682</u>	<u>(\$2,210,406)</u>	<u>\$16,042,276</u>
Total liabilities, surplus and other funds	<u>\$49,562,275</u>	<u>\$2,677,526</u>	<u>\$52,239,802</u>

NORTHERN CAPITAL INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income

Premiums earned		\$38,046,637
	Deductions:	
Losses incurred		16,046,951
Loss expenses incurred		3,489,116
Other underwriting expenses incurred		18,995,180
Total underwriting deductions		\$38,531,247
Net underwriting gain or (loss)		(\$484,610)

Investment Income

Net investment income earned		\$1,337,934
Net investment gain or (loss)		\$1,337,934

Other Income

Net income before dividends to policyholders and before federal & foreign income taxes		\$853,322
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$853,322
Federal & foreign income taxes		918,252
Net Income		(\$64,930)

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$15,403,357
Net Income		(\$64,930)
Change in net deferred income tax		620,045
Change in non-admitted assets		(521,206)
Change in provision for reinsurance		(6,000)
Examination Adjustment		611,000
Change in surplus as regards policyholders for the year		\$638,909
Surplus as regards policyholders, December 31 current year		\$16,042,276

COMMENTS ON FINANCIAL STATEMENTS

Subsequent Event: The Company filed an amended Annual Statement on June 24, 2009, due to proposed audit adjustments by the Company's independent CPA and due to Company adjustments identified during the 2008 Statutory Audit. The following comments were reflected in the amended Annual Statement unless otherwise noted.

Assets

Cash \$15,638,749

Cash reported as \$15,483,631 was increased by \$155,118 due to an increase of \$180,320 due to reversal of a check cancelled subsequent to year-end, and a decrease of \$25,202 to reverse an entry posted by the company

Agents Balances-Uncollected Premium \$518,880

Agents Balances-Uncollected Premiums reported as \$867,574, were reduced by \$348,964 which represented the recording of a reserve for premium receivable balances that were cancelled subsequent to year end.

Net Deferred Tax Asset \$892,593

Net Deferred Tax Asset reported as \$1,406,904 was reduced by \$514, 311 due to the effect of audit adjustments proposed during the 2008 Statutory Audit.

Receivable from parents, subsidiaries and affiliates \$1,350,494

Receivable from parents, subsidiaries and affiliates were increased by \$3,355,945 due to the reclass of a negative liability of \$2,572,272. In addition, the asset was increased due to a reclass in a reinsurance payable from a change in the cost allocation of the combined reinsurance program of \$733,000, and an adjustment of \$50,673 due to a misallocation of salaries and bonuses in accordance with the companies cost sharing agreement amongst affiliates.

Aggregate write in for other than invested asset \$33,556

The aggregate write in was increased by \$29,470 due to a subrogation payment recorded in error.

Liabilities

Losses and Loss Adjustment Expenses \$7,816,422

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2008, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Examiner's consulting actuary from AMI Risk Consultants (AMI Risk) reviewed work papers provided by the Company and was not in concurrence with this opinion. AMI Risk concluded that the company was deficient in their provision by \$2,660,000. The independent CPA also conducted an analysis and concluded the Company was deficient in their incurred but not reported losses (IBNR) in the amount of \$3,270,000 and recommended the Company make the applicable adjustment. The Company reflected the adjustment proposed by the independent CPA in the amended Annual Statement as mentioned above. The Examiners reflected the opinion of AMI Risk as an examination adjustment to the losses.

In addition to the comment above, Losses reported in the amount of \$5,061,401 were increased by \$87,021 due to audit adjustments to expected recovery resulting in a reduction in the contra reserve account to Losses and Loss Adjustment Expenses.

Other Expenses \$758,173

The amount reported by the Company of \$377,853 was increased by \$380,320 due to an increase in Bonus Payable by \$200,000 to adjust for proper allocation of salaries and bonus expense in accordance with the Company's Cost sharing agreement and an increase by \$180,320 to record the liability associated with a check issued prior to fiscal year end that was subsequently voided by the Company.

Taxes, Licenses and Fees \$560,158

The amount recorded by the company was decreased by \$222,123 due to the effect of audit adjustments.

Current and Federal Foreign Income Taxes \$568,252

The amount recorded by the company was decreased by \$1,062,863 due to the effect of audit adjustments.

Unearned Premium \$18,615,419

The amount recorded by the Company was decreased by \$348,694 represented the recording of a reserve for premium receivable balances that were cancelled subsequent to year end.

Ceded Reinsurance Premiums Payable**\$2,536,215**

The amount recorded by the Company was increased by \$733,000 due to a reclass in a reinsurance payable from an affiliate due to a change in the cost allocation of the combined reinsurance program.

Provision for Reinsurance**\$89,000**

The amount recorded by the Company was increased by \$89,000 due to a deficiency in amounts carried by letters of credit. The company did not report a Provision for Reinsurance in accordance with SSAP 62 Paragraph 55.

Capital and Surplus

The amount reported by the Company of \$18,252,682 exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes. Surplus per examination of \$16,042,276 was reduced due to examination adjustments of \$2,210,406. The amount per examination is in compliance with Section 624.408.

A comparative analysis of changes in surplus is shown below.

**NORTHERN CAPITAL INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2008

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2008, per Annual Statement	\$18,252,682
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
Cash	\$15,483,631	\$15,638,749	\$155,118
Uncollect Premium	\$867,574	\$518,880	(\$348,694)
Net Deferred Tax Asset	\$1,406,904	\$892,593	(\$514,311)
Receivables from Parents, Subsidiary and Affiliates	\$1,350,494	\$4,706,439	\$3,355,945
Aggregate Write In	\$4,086	\$33,556	\$29,470
LIABILITIES:			
Losses	\$5,069,401	\$7,816,422	(\$2,747,021)
Other Expenses	\$377,853	\$758,173	(\$380,320)
Taxes Licenses and Fees	\$560,158	\$338,035	\$222,123
Current and Federal Foreign Income Taxes	\$1,631,115	\$568,252	\$1,062,863
Unearned Premiums	\$18,964,113	\$18,615,419	\$348,694
Ceded Reinsurance Premiums Payable	\$1,803,215	\$2,536,215	(\$733,000)
Provision for Reinsurance	\$0	\$89,000	(\$89,000)
Payables to Parents, Subsidiaries and Affiliates	\$107,965	\$2,680,236	(\$2,572,271)
Rounding adjustment		2	(2)
Net Change in Surplus:			(2,210,406)
Surplus as Regards Policyholders December 31, 2008, Per Examination			\$16,042,276

SUMMARY OF FINDINGS

Compliance with previous directives

The Company had taken the necessary actions to comply with the comments made in the 2007 examination report issued by the Office.

Current examination comments and corrective action

There were no exceptions or findings in the examination as of December 31, 2008.

SUBSEQUENT EVENTS

Changes have been made to the management of the Company subsequent to the examination date. Michael Samach, CFO resigned on June 5, 2009. The Company hired Kevin Walton as the new CFO effective July 16, 2009.

Application for merger of the Company and Northern Capital Select Insurance Company was approved by the Office as of December 31, 2009. The surviving entity was Northern Capital Insurance Company.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Northern Capital Insurance Company** as of December 31, 2008, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$16,042,278 in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, John Romano, CPA, Examiner In-Charge, Phil Schmoyer, Participating Examiner, and Gail Flannery FCAS, MAAA consulting Actuary representing Parente Randolph, LLC participated in the examination.

Respectfully submitted,

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