REPORT ON EXAMINATION

OF

OLYMPUS INSURANCE COMPANY

ORLANDO, FLORIDA

AS OF

DECEMBER 31, 2009

BY THE

OFFICE OF INSURANCE REGULATION

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TALLAHASSEE, FLORIDA

January 10, 2011

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, Rule 69O-138.005, Florida Administrative Code, 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, 2009, of the financial condition and corporate affairs of:

OLYMPUS INSURANCE COMPANY
1780 WEST SAND LAKE ROAD, SUITE 115
ORLANDO, FLORIDA 32819-5250

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, 2009, through December 31, 2009. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2008. This examination commenced with planning at the Office on September 20, 2010, to September 23, 2010. The fieldwork commenced on September 27, 2010, and concluded as of January 10, 2011.

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.

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

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

SUMMARY OF SIGNIFICANT FINDINGS

Current Exam Findings

The following is a summary of material adverse findings, significant non-compliance findings or material changes in the financial statements noted during this examination.

Annual Meeting of Shareholder/Directors

The Company's shareholder failed to hold an Annual meeting during the period under examination for the election of its Directors as required by Section 628.231 (2), Florida Statutes.

Prior Exam Findings

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2008.

HISTORY

General

The Company was incorporated in Florida on May 31, 2007, and commenced business August 8, 2007, as Olympus Insurance Company.

The Company was party to Consent Order 90263-07-CO, filed May 27, 2007, with the Office regarding the application for the issuance of a Certificate of Authority. The Company had not written insurance coverage for Commercial Multi-Peril as authorized in the consent order during the period under examination.

Subsequent event: In August 2010, the Company requested removal of this line of business. It was approved by the Office in September 2010.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2009:

Fire	Allied lines
Homeowners multi peril	Commercial multi peril
Inland marine	Other liability
Mobile home multi peril	Mobile home physical damage

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

Dividends to Stockholders

There were no dividends declared or paid during the period under examination.

Capital Stock and Capital Contributions

As of December 31, 2009, the Company's capitalization was as follows:

Number of authorized common capital shares	35,000
Number of shares issued and outstanding	35,000
Total common capital stock	$35,000
Par value per share	$1.00

Control of the Company was maintained by its parent, Gemini Financial Holdings Corporation, a Delaware corporation, who owned 100% of the stock issued by the company, and in turn was 100% owned by Gemini Financial Holdings LLC, a Delaware limited liability company.

As of December 31, 2009, the parent had contributed $33,533,334 in cash to the Company.

Surplus Debentures

On December 3, 2009, the Company repaid a 16,000,000 SBA subordinated note as approved by the Office in Consent Order 107673-09, filed December 1, 2009.

As of December 31, 2009, the Company did not have any surplus debentures.

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

During the period of this examination, there were no acquisitions, mergers, disposals, dissolutions or purchase or sales through reinsurance.

CORPORATE RECORDS

The Company did not provide any minutes of the Shareholders' meetings. From the minutes provided for its Board meetings, it was determined that the Board was not in compliance with Section 607.1601, Florida Statutes, which requires the following: "A corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation".

Conflict of Interest

The Company provided its guidelines regarding annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code. There was no evidence that the Board approved a policy statement requiring annual disclosure of conflicts of interest.

MANAGEMENT AND CONTROL

Management

The shareholder did not hold an annual meeting for the election of Directors, as required by Sections 628.231, Florida Statutes, which provides the following in part: "Directors must be elected by the members or stockholders of a domestic insurer at the annual meeting of stockholders or members..."

The Company was in violation of Section 3.1 of its By-Laws. Pursuant to the By-Laws – Section 3.1-Annual Meeting, which provides in part the following: "The annual meeting of the shareholders of the Company shall be held at the principal office of the Company…Any proper business may be transacted at an annual meeting, including, without limitation, the election of the Directors of the Company ."

There was no documentation to indicate that the Directors were appointed by the shareholder, however, the Directors serving were:

Directors

Name and Location	**Principal Occupation**
Barry Michael Fox (a) New York, New York	Pegasus Operating Advisor
William Ketchin Lowry, Jr. Upper Saddle River, New Jersey	President/Chief Financial Officer Olympus Insurance Company
Daniel Benjamin Stencel Upper Saddle River, New Jersey	Chief Financial Officer Pegasus
Jeffrey Bernard Scott Schenectady, New York	Chief Executive Officer/Secretary Olympus Insurance Company
Steven Warren Wacaster New York, New York	Vice President Pegasus

(a) Resigned on July 20, 2010, and was replaced by Lon Jared Powell on July 20, 2010.

The Board failed to hold an Annual Meeting during the period under examination for the election/appointment of its Officers and was not in compliance with Section 5.1, General, of the Company's By-Laws which provides the following:

"The officers of the Company shall consist of a Chief Executive Officer, a President, Chief Financial Officer and a Secretary each of whom shall be elected by the Board of Directors at each annual meeting." The following officers were serving as of December 31, 2009:

Senior Officers

Name	Title
Barry Michael Fox (a)	Chairman
Jeffrey Bernard Scott	Chief Executive Officer/Secretary
William Ketchin Lowry, Jr.	President / Chief Financial Officer

(a) Resigned on July 20, 2010.

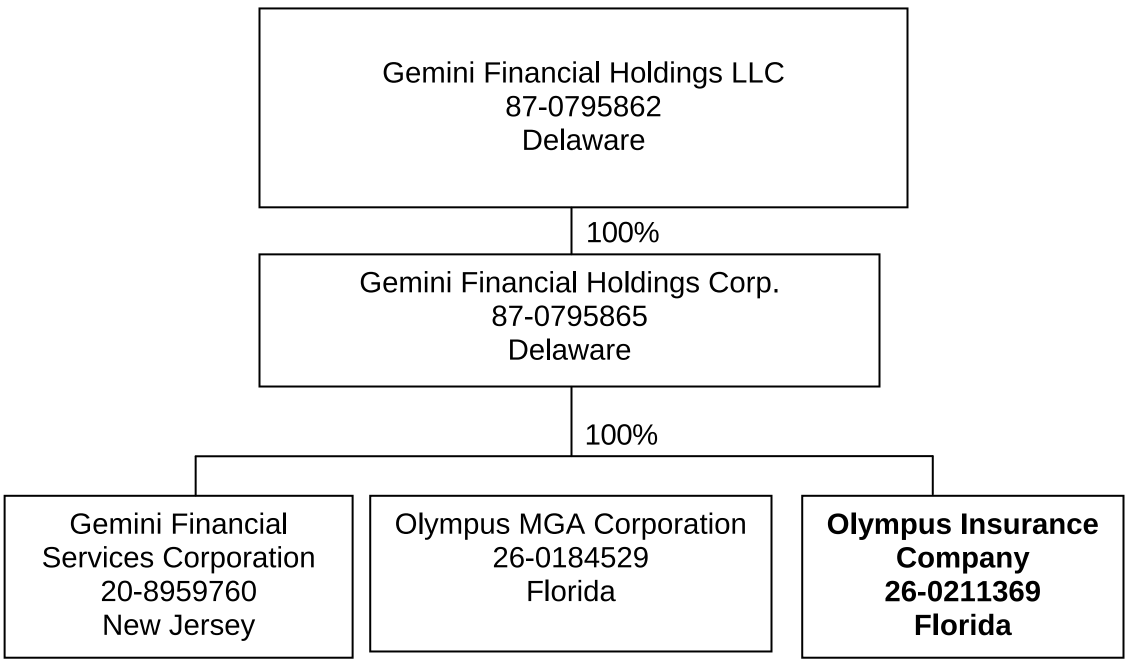
Affiliated Companies

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 February 24, 2010, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code. On June 8, 2010, an amended holding company registration statement to report subsequent changes was filed with the Office as required by Rule 69O-143.046 (4), Florida Administrative Code.

A simplified organizational chart as of December 31, 2009, reflecting the holding company system, is shown below. Schedule Y of the Company's 2009 annual statement provided a list of all related companies of the holding company group.

OLYMPUS INSURANCE COMPANY
Organizational Chart

DECEMBER 31, 2009



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

Tax Allocation Agreement

The Company was a participant in a Tax Allocation Agreement with its affiliates, and as such Thomas Howell Ferguson, CPA prepares a consolidated return for filing. All participating entities were disclosed in the Agreement.

Management Agreement

The Company entered into an Intercompany Services Agreement on May 22, 2007, with Gemini Financial Services Corporation (Gemini), an affiliate. Under the terms of this agreement, Gemini provided all human resources, purchasing, treasury, tax and finance, bookkeeping, management and information, lease payment and other services. The Company paid a charge equal to all costs, direct and in-direct, reasonably and equitably determined by Gemini.

Managing General Agent Agreement

The Company had a Managing General Agent and Claims Administration Agreement, effective May 22, 2007, with Olympus MGA Corporation (MGA), an affiliate. Under the terms of this agreement, MGA provided all underwriting, policy administration, agent services, claims settlement, and executive management services for the Company. For these services, MGA received an 11% commission (inclusive of a 5% executive management fee) plus the actual acquisition expenses paid to producing agents and actual third party administration costs for underwriting, policy administration and claims settlement. In addition, MGA received a profit sharing distribution from the Company equal to 5% of statutory underwriting profits. The profit sharing distribution accrued for 2009 was zero.

Subsequent event: The Office required the Company to file an "Amended and Restated Managing General Agency and Claims Administration Agreement" (ARMGACA) with an effective date of January 1, 2010, under Order 109832-10, filed April 9, 2010. In the agreement, the MGA's compensation is capped at 28% as noted below:

- Compensation: other than claims services, 25% of total gross written premiums inclusive of all policy fees and any other non-commissionable fees. The sum of 1) amount of commission and 2) all other underwriting expenses paid directly by company (other than investment, reinsurance, loss and LAE expenses) to MGA shall not exceed 28% of total gross written premiums ("cap"). MGA to refund amounts over cap (28%) to company within 60 days
- Duties: produce, administer and manage policies; negotiates reinsurance

The ARMGACA contract was accepted by the Office on May 11, 2010. An executed copy of the agreement executed on May 17, 2010 was provided to the Office.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to $500,000 with a deductible of $50,000, which did not reach the suggested minimum as recommended by the NAIC.

Subsequent event: On October 20, 2010, the Company increased its fidelity bond coverage to $600,000, with a $50,000 deductible which met the NAIC suggested minimum amount.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any pension or stock ownership plans. Employee insurance benefits were provided through the Company's immediate parent, Gemini Financial Holdings Corporation.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of 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.

GROWTH OF THE 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.

	2009	2008	2007
Premiums Earned	12,552,208	22,799,375	1,178,269
Net Underwriting Gain/(Loss)	3,125,543	(10,124,852)	(9,870,447)
Net Income	3,580,112	(9,489,162)	(9,508,107)
Total Assets	39,133,973	69,958,106	74,136,248
Total Liabilities	18,010,310	35,335,094	30,419,022
Surplus As Regards Policyholders	21,123,663	34,623,012	43,737,226

LOSS EXPERIENCE

This examination covered the Company's second full year of operation. Changes in the Company's loss experience related to the increased business written.

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 risk during the period of this examination.

Ceded

The Company utilized the reinsurance expertise of Guy Carpenter and Company (Guy Carpenter). Guy Carpenter provided reinsurance program design and placement as well as catastrophe modeling and other risk management services for the Company.

At December 31, 2009, the Company's ceded reinsurance coverage consisted primarily of an 80% quota share agreement, a per risk excess of loss agreement, a catastrophe excess of loss agreement, with unaffiliated reinsurers, as well as a reimbursement contract with the Florida Hurricane Catastrophe Fund (FHCF).

Through the FHCF traditional layer as well as optional increased coverage limits selected by the Company, 90% of losses in excess of the estimated retention up to $170.6 million for the year ended December 31, 2009, per event are assumed by the FHCF. The Company estimated its retention under this contract to be approximately $46.8 million, per event, for the year ended December 31, 2009.

Losses beneath, in excess, or beyond the scope, of the coverage provided by the FHCF contract were covered under the Company's catastrophe excess of loss contracts.

The Company also had the following property catastrophe excess of loss coverage:

First XOL:

$4,000,000 Per Occurrence Limit excess of $6,000,000 Retention
Term limit = 2x Per occurrence limit

Second XOL:

$17,000,000 Per Occurrence Limit excess of $10,000,000 Retention
Term limit = Per occurrence limit

Third XOL:

$20,000,000 Per Occurrence Limit excess of $27,000,000 Retention
Term limit = 2x Per occurrence limit

Fourth XOL:

$19,000,000 Per Occurrence Limit excess of $47,000,000 Retention
Term limit = 2x Per occurrence limit
Above 3^{rd} layer and FHCF

In addition to its catastrophe coverage, the Company also had Excess Per Risk coverage as follows:

First XOL:

$250,000 Per Risk Limit excess of $750,000 Retention
$500,000 Per Occurrence Limit
Term limit = 2x Per occurrence limit

Second XOL:

$2,000,000 Per Risk Limit excess of $1,000,000 Retention
$2.000,000 Per Occurrence Limit
Term limit = 3x Per occurrence limit

The Company entered into an 80% Quota Share Agreement to reinsure all policies classified as homeowners and dwelling fire, subject to a limit of liability of the reinsurer of $2,400,000 in respect of each and every risk, or $4,800,000 in respect to each and every loss occurrence. The reinsurer is to pay its quota share of losses under policies, loss adjustment expense, extra contractual obligations and losses in excess of policy limits. With regards to sinkholes, the reinsurers' loss shall not exceed 5% of the gross earned premium ceded. The reinsurers limit of liability as respects all losses under this agreement shall not exceed 95% of gross earned premiums ceded.

The Company also ceded 100% of its Identity Fraud Expense Coverage under a quota share treaty. Under the terms of the treaty, Virginia Surety covered and indemnified the Company for 100% of policyholder losses that occurred and met the definition of "identity fraud expense coverage" provided in the contract up to a maximum of $25,000 per each coverage for a 12 month period.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Orlando, Florida, where this examination was conducted. As previously stated, through a Managing General Agent and Claims Administration Agreement with Olympus MGA Corporation (MGA), an affiliate, the Company was outsourcing its underwriting and policy administration to Seibels, Bruce & Company (Seibels), located in Columbia, South Carolina.

Through that same agreement, the Company also outsourced its claims processes to Seibels and its subsidiary, Insurance Network Services, Inc. The claims administration services were performed under a set of guidelines established by the Company and included claims investigation, claims negotiation/settlement, provided a Catastrophic Response Team, prepared and maintained claim files and records, provided and developed necessary computer software, took all necessary and appropriate salvage and subrogation recovery efforts, and maintained a complaint log. It was determined during examination, that policy and claims records being maintained by Seibels in its computers were available for examination through a web based system in the Company's home office.

An independent CPA audited the Company's statutory basis financial statements annually, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained by Seibels and in the home office 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 Board, in June 2007, authorized the negotiation and acceptance of a custodial agreement with JP Morgan Chase and further, authorized the President/CFO to sign all documents related to the agreement. The agreement became effective September 24, 2007, and was in compliance with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

The Company contracted Thomas Howell Ferguson, Certified Public Accounts, of Tallahassee, Florida to conduct its 2009 annual audit.

Information Technology Report

Examination Resources, 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.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

STATE	Description	Par Value	Market Value
FL	Cash Deposit	$330,159	$330,159
TOTAL FLORIDA DEPOSITS		$330,159	$330,159

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, 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."

OLYMPUS INSURANCE COMPANY
Assets

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Bonds	$27,439,800		$27,439,800
Cash and short-term investment	2,468,480		2,468,480
Investment income due and accrued	232,710		232,710
Agents' Balances:			
Deferred premium	3,734,201		3,734,201
Reinsurance recoverable	1,520,885		1,520,885
Net deferred tax asset	3,147,561		3,147,561
Guaranty funds receivable or on deposit	364,819		364,819
EDP Equipment	160,853		160,853
Receivable from parents, subsidiaries and affiliates	64,622		64,622
Aggregate write-in for other than invested assets	42		42
Totals	$39,133,973	$0	$39,133,973

OLYMPUS INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Losses	$5,217,979		$5,217,979
Loss adjustment expenses	816,414		816,414
Other expenses	408,966		408,966
Taxes, licenses and fees	1,053,197		1,053,197
Unearned premium	(7,647,891)		(7,647,891)
Ceded reinsurance premiums payable	15,867,510		15,867,510
Payable to parent, subsidiaries and affiliates	2,287,566		2,287,566
Aggregate write-ins for liabilities	6,569		6,569
Total Liabilities	$18,010,310	$0	$18,010,310
Aggregate write-ins for special surplus funds	$1,149,109		$1,149,109
Common capital stock	35,000		35,000
Gross paid in and contributed surplus	33,498,334		33,498,334
Unassigned funds (surplus)	(13,558,780)		(13,558,780)
Surplus as regards policyholders	$21,123,663	$0	$21,123,663
Total liabilities, surplus and other funds	$39,133,973	$0	$39,133,973

OLYMPUS INSURANCE COMPANY
Statement of Income
DECEMBER 31, 2009

Underwriting Income	
Premiums earned	$12,552,208
Deductions:	
Losses incurred	$11,296,316
Loss expenses incurred	2,511,923
Other underwriting expenses incurred	(4,381,574)
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$9,426,665
Net underwriting gain or (loss)	$3,125,543
Investment Income	
Net investment income earned	($407,983)
Net realized capital gains or (losses)	274,574
Net investment gain or (loss)	($133,409)
Other Income	
Net gain or (loss) from agents' or premium balances charged off	($20,026)
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	608,004
Total other income	$587,978
Net income before dividends to policyholders and before federal & foreign income taxes	$3,580,112
	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$3,580,112
Federal & foreign income taxes	0
Net Income	$3,580,112
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$34,623,012
Net Income	$3,580,112
Change in net deferred income tax	1,993,111
Change in non-admitted assets	(2,611,607)
Change in provision for reinsurance	39,035
Change in surplus notes	(16,500,000)
Change in surplus as regards policyholders for the year	($13,499,349)
Surplus as regards policyholders, December 31 current year	$21,123,663

A comparative analysis of changes in surplus is shown below.

OLYMPUS INSURANCE COMPANY
Comparative Analysis of Changes In Surplus

DECEMBER 31, 2009

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, 2009, per Annual Statement				$21,123,663
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS: No Adjustment				
LIABILITIES: No Adjustment				
Net Change in Surplus:				0
Surplus as Regards Policyholders December 31, 2009, Per Examination				$21,123,663

COMMENTS ON FINANCIAL STATEMENTS

Assets

Bonds $27,439,800

The bonds reported by the Company in its filed 2009 Annual Statement was accepted for examination purposes. Minutes of the Board meetings revealed that investments had not been approved by the Board, as required by Section 625.304, Florida Statutes. Subsequent event: On July 20, 2010, the Board approved the investments.

Liabilities

Losses and Loss Adjustment Expenses $6,034,393

An outside actuarial firm, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2009, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office engaged an independent actuarial firm, Taylor-Walker and Associates, Inc., to review the loss and loss expense reserve work papers provided by the Company and prepared by the outside actuarial firm and they were in concurrence with opinion rendered.

Capital and Surplus

The amount reported by the Company of $21,123,663, exceeded the minimum of $4,000,000 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

Management

Annual Meetings

We recommend that the Company’s shareholders comply with Section 628.231 (2), Florida Statutes and Section 3.1 of the Company’s By-Laws to hold an annual meeting and elect its directors, as required.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Olympus Insurance Company** as of December 31, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was $21,123,663, which exceeded the minimum of $4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Beverly A. Dale, CFE, CIE, FLMI, CPA, with Examination Resources, LLC, Fidel Gonzalez, Financial Examiner/Analyst Supervisor with the Office of Insurance Regulation, and James Pafford, Financial Examiner/Analyst Supervisor with the Office of Insurance Regulation participated in the examination. We also recognize the participation of Deanna Leyden, IS Specialist, of Examination Resources, LLC; Glenn Taylor, ACAS, MAAA, with Taylor-Walker & Associates and Brent Sallay, FCAS, MAAA, with Taylor-Walker & Associates in the examination.

Respectfully submitted,

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Mary James, CFE, CPM
Chief Examiner
Florida Office of Insurance Regulation