

**REPORT ON EXAMINATION**  
**OF**  
**OMEGA INSURANCE COMPANY**  
**GAINESVILLE, FLORIDA**

**AS OF**  
**DECEMBER 31, 2008**

**BY THE**  
**OFFICE OF INSURANCE REGULATION**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL</b> .....	-
<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION .....	3
<b>HISTORY</b> .....	<b>4</b>
GENERAL .....	4
CAPITAL STOCK .....	6
PROFITABILITY OF COMPANY .....	7
DIVIDENDS TO STOCKHOLDERS .....	7
MANAGEMENT .....	7
CONFLICT OF INTEREST PROCEDURE .....	8
CORPORATE RECORDS .....	9
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS, AND PURCHASE OR SALES THROUGH REINSURANCE .....	9
<b>AFFILIATED COMPANIES</b> .....	<b>9</b>
<b>ORGANIZATIONAL CHART</b> .....	<b>10</b>
GENERAL AGENCY AGREEMENT .....	10
CLAIMS SERVICE AGREEMENT .....	11
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	<b>12</b>
<b>PENSION, STOCK OWNERSHIP AND INSURANCE PLANS</b> .....	<b>12</b>
<b>STATUTORY DEPOSITS</b> .....	<b>13</b>
<b>INSURANCE PRODUCTS</b> .....	<b>13</b>
TERRITORY .....	13
TREATMENT OF POLICYHOLDERS .....	14
<b>REINSURANCE</b> .....	<b>14</b>
ASSUMED .....	14
CEDED .....	14
<b>ACCOUNTS AND RECORDS</b> .....	<b>15</b>
CUSTODIAL AGREEMENT .....	15
ASSET MANAGEMENT AGREEMENT .....	15
INDEPENDENT AUDITOR AGREEMENT .....	15
INFORMATION TECHNOLOGY REPORT .....	16
<b>FINANCIAL STATEMENTS PER EXAMINATION</b> .....	<b>16</b>
ASSETS .....	17
LIABILITIES, SURPLUS AND OTHER FUNDS .....	18
STATEMENT OF INCOME .....	19

<b>COMMENTS ON FINANCIAL STATEMENTS.....</b>	<b>20</b>
LIABILITIES .....	20
CAPITAL AND SURPLUS.....	20
<b>COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS.....</b>	<b>21</b>
<b>SUMMARY OF FINDINGS .....</b>	<b>22</b>
<b>SUBSEQUENT EVENTS.....</b>	<b>22</b>
<b>CONCLUSION .....</b>	<b>24</b>

Tallahassee, Florida

March 25, 2010

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:

**OMEGA INSURANCE COMPANY  
7201 N.W. 11<sup>th</sup> PLACE  
GAINESVILLE, FLORIDA 32605**

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, 2004, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2003. This examination commenced with planning at the Office on November 16, 2009, to November 20, 2009. The fieldwork commenced on November 23, 2009, and concluded as of March 25, 2010.

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 National Association of Insurance Commissioners (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 A.M. Best Report, the Demotech rating 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, 2003, along with resulting action taken by the Company.

### **Fidelity Bond and Other Insurance**

As of year-end 2003, the Company maintained fidelity bond coverage up to \$350,000 with a deductible of \$10,000. However, the coverage was not sufficient coverage for the Company, as recommended by the NAIC guidelines of \$400,000 minimum in coverage required. **Resolution:** The Company increased and maintained fidelity bond coverage to meet the minimum amount of coverage suggested by the NAIC.

### **Management**

The Company did not conduct the annual stockholders meeting on the fourth Tuesday of April or the next legal business day thereafter as prescribed in Article II - Section 2 of its bylaws. **Resolution:** The Company amended Article II – Section 2 of its bylaws to allow more flexible meeting date for the annual meeting of the stockholders.

### **Audit Committee Minutes**

The Company had no minutes for the Audit Committee. Per Section 607.1601 (1) Florida Statutes, Corporate Records – 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. **Resolution:** Subsequently, the Company maintained minutes of the meetings of the Audit Committee in compliance with Section 607.1601 (1) Florida Statutes.

### **Management**

The minutes of the Special Board Meetings did not list the people present at the meeting and only had the signatures of the President/Director and the Secretary of the Company at the majority of the meetings during the examination period. The Company is not in compliance with its bylaws which require a majority of three directors. **Resolution:** The Company amended Article III – Section 8 of its bylaws to provide that at all meetings of the board of directors (Board) a majority of the whole Board, but not less than two (2) directors, shall constitute a quorum. The minutes of the meetings listed all persons present.

## **HISTORY**

### **General**

The Company was incorporated in Florida on May 8, 1979, under the laws of the State of Florida, as a stock property and casualty insurer and commenced business on July 1, 1979 under the name Omni Life Insurance Company. The Company changed its name to Omega Insurance Company on August 13, 1980.

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

Fire  
Allied Lines  
Homeowners Multi Peril  
Inland Marine  
Other Liability  
Mobile Home Multi Peril  
Mobile Home Physical Damage

In June 2008, and in compliance with Section 624.430 (1), Florida Statutes, the Company agreed to remove line Private Passenger Automobile Physical Damage from its Florida Certificate of Authority because there were no inforce policies or outstanding liabilities in connection with this line of business.

The Articles of Incorporation and the bylaws were amended during the period covered by this examination. An amendment to the bylaws occurred as of September 23, 2004, to modify Article II - Section 2, and Article II - Section 8. The amendment to Article II – Section 2 allowed a more flexible meeting date for the annual meeting of the stockholders. The amendment to Article III – Section 8 decreased the number of directors that constitute a quorum from three (3) to two (2).

On March 21, 2005, the sixth amendment to the Articles of Incorporation was approved by the Board and sole shareholder in accordance with Section 607.1003 Florida Statutes, and filed with the Office on April 28, 2005. An amendment was made to Article III to increase the total number of shares of common stock from eight hundred ninety three thousand (893,000) to two million, two hundred thirty two thousand, five hundred (2,232,500). In addition, Article X was amended pertaining to voting power.

## Capital Stock

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

Number of authorized common capital shares	2,232,500
Number of shares issued and outstanding	2,232,500
Total common capital stock	\$4,509,650
Par value per share	\$2.02

On April 28, 2005, the Office approved by Consent Order 81353-05, and the Company implemented a stock purchase agreement with William J. Shively, owner of the Company's managing general agent. Shively contributed \$6 million on May 11, 2005, in exchange for 1,339,500 new shares of the Company, resulting in 60 percent of common stock issued to Shively and 40 percent remaining with LMPC, Inc., the Company's former parent and 100 percent stockholder. As of the examination date, the Company had 2,232,500 issued and outstanding shares of common capital stock with a par value of \$2.02 for total common capital stock of \$4,509,650. William J. Shively owns 760,320.5 shares and Patricia Ann Shively Revocable Living Trust Agreement owns 760,320.5 shares of common stock. Pursuant to the terms of a Stock Transfer Agreement and Irrevocable Proxy executed by Patricia A. Shively (pursuant to Consent Order 92087-07, filed October 31, 2007), William J. Shively maintains 68.1 percent of the voting control of Omega. LMPC, Inc. owns 711,859 shares, or 31.9 percent of the common stock of the Company.

## Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination, as reported in the filed annual statements.

	2008	2007	2006	2005	2004
Premiums Earned	12,725,544	13,808,251	12,262,439	4,052,164	7,162,032
Net Underwriting Gain/(Loss)	1,815,296	652,552	(3,796,122)	1,136,536	(15,072,828)
Net Income	2,122,053	2,054,419	(2,689,627)	2,689,537	(13,484,671)
Total Assets	24,370,620	25,737,100	31,135,031	29,104,153	40,115,194
Total Liabilities	12,155,862	13,455,471	20,476,188	16,607,724	35,134,403
Surplus As Regards Policyholders	12,214,759	12,281,628	10,658,843	12,496,429	4,980,791

## Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2008 and 2004 in the amounts of \$1,600,000 and \$450,000, respectively.

## 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

William John Shively  
Lexington, Kentucky

#### Principal Occupation

Tower Hill Insurance Group, Owner  
Omega Insurance Company, President and  
CEO

James Homer Winston  
Jacksonville, Florida

LPMC, Inc., President  
Omega Insurance Company, Chairman of the Board

Joel Philip Curran  
Gainesville, Florida

Tower Hill Insurance Group, Chief Underwriting Officer

Mary Burgman Winston  
Jacksonville, Florida

Civic Leader

Donald Carl Matz, Jr.  
Gainesville, Florida

Tower Hill Insurance Group, President

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

#### **Senior Officers**

##### **Name**

##### **Title**

William John Shively  
Donald Carl Matz, Jr.  
Keyton Benson  
Joel Phillip Curran

President and CEO  
Executive Vice President  
Treasurer  
Secretary

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

#### **Audit Committee**

William J. Shively  
Donald C. Matz, Jr.

#### **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**

The Company had no acquisitions, mergers, dissolutions, or purchases or sales through reinsurance during the period under examination.

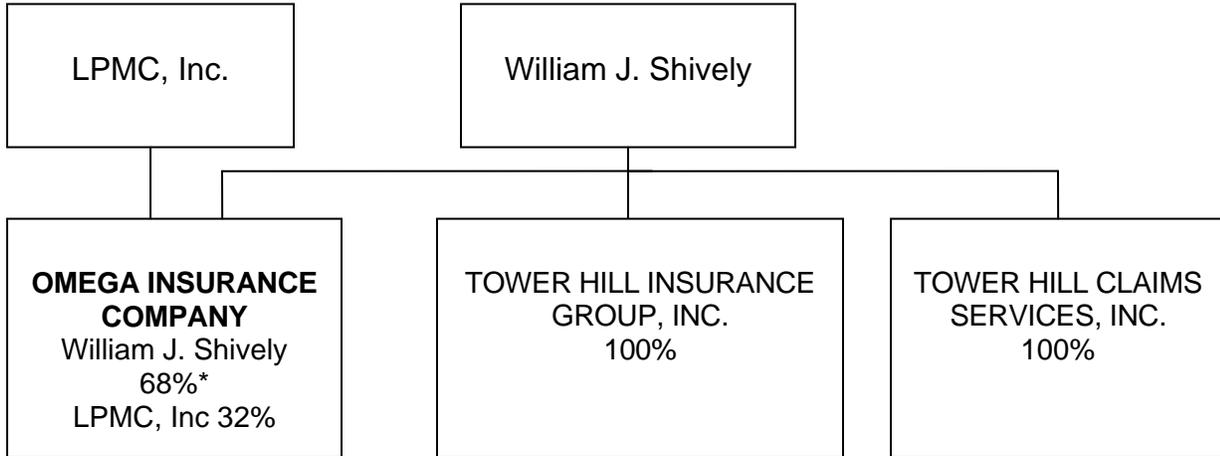
## **AFFILIATED COMPANIES**

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 January 23, 2009.

A simplified 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.

**OMEGA INSURANCE COMPANY, INC.  
ORGANIZATIONAL CHART**

**DECEMBER 31, 2008**



\*Includes 34% proxy by Patricia A. Shively

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

**General Agency Agreement**

On January 1, 2008, the Company entered into a general agency agreement with Tower Hill Insurance Group, Inc. (the MGA), with effective date of July 1, 2000. Pursuant to the agreement, the MGA produced, administered and managed insurance policies on behalf of the Company. Services provided by the MGA included, but were not limited to, marketing, underwriting, policy issue, premium billing and policy service. The Agreement provided for limitations on the MGA's underwriting authority pursuant to Sections 624.609 and 624.4095, Florida Statutes, or other relevant state law.

All funds collected by the MGA for the account of the Company were held by the MGA in a fiduciary capacity in a bank which was a member of the Federal Reserve System. The MGA remitted all funds to the Company, whether collected or not from any agent, on or before forty-five (45) days after the end of each month for business reported to the Company for such month pursuant to the policy register and return premium register. The MGA remitted net written premium after deducting the provisional commission and such other fees as outlined in the Agreement.

The Agreement provided for commission in the amount of twenty two and one-half (22.5%) percent of net written premium less various fees as defined in Schedule I of the Agreement. In addition, the MGA was entitled to charge and retain installment fees, as provided by Florida Statutes, Section 627.901, actual inspection fees incurred and a per policy MGA fee of \$25.00.

The Agreement was continuous until terminated, and may be terminated by either party with ninety (90) days prior written notice.

### **Claims Service Agreement**

The Company entered into a claims service agreement with Tower Hill Claims Services, Inc. (THCS) on January 1, 2008. Pursuant to the Agreement, THCS provided certain services with respect to the investigation and payment of insurance claims. THCS was authorized to process, investigate, evaluate, adjust and negotiate settlements of all claims. The agreement defined settlement authority limitations, with settlement in excess of this authority to be approved by an officer of the Company in advance.

THCS received consideration pursuant to Schedule I of the Agreement, which outlined fees paid based on the amount of the claim. In addition, THCS received twenty-five (25%) percent of the net recovery as defined in the Agreement.

This Agreement automatically renewed on an annual basis, and may be terminated by either party with ninety (90) days prior written notice.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company was a named insured on a Crime Plus Policy affording coverage for employee dishonesty with a limit of \$3,100,000 (\$50,000 deductible), which exceeded the minimum amount of coverage as suggested by the NAIC. The Company was included with the Tower Hill Insurance Group, Inc. under a Professional Liability Policy with a limit of liability (inclusive of defense expenses) of \$5,000,000 in the aggregate, with retention of \$250,000.

### **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company had no pension, stock ownership or insurance plans as of December 31, 2008.

## 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	\$ 150,000	\$ 150,000
FL	FL ST BRD ED 4.5%, 06/01/18	50,000	50,289
FL	FL ST BRD ED 5.0%, 06/01/31	<u>100,000</u>	<u>95,207</u>
TOTAL FLORIDA DEPOSITS		<u>\$ 300,000</u>	<u>\$ 295,496</u>
GA	Evergreen MM	\$ 25,000	\$ 25,000
LA	Cash	100,250	100,250
SC	FANNIE MAE 3.25%, 04/09/13	55,000	57,303
SC	USTBNB 3.50%, 05/31/13	<u>75,000</u>	<u>82,148</u>
TOTAL OTHER DEPOSITS		<u>\$ 255,250</u>	<u>\$ 264,701</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 555,250</u>	<u>\$ 560,197</u>

## INSURANCE PRODUCTS

### Territory

The Company was authorized to transact insurance in the following states:

Florida	Louisiana	South Carolina
Georgia	Mississippi	

The Company's business was comprised primarily of homeowner's coverage 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 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 business.

### **Ceded**

The Company ceded premiums under a 50 percent quota-share agreement and maintained property catastrophe excess coverage. Property catastrophe occurrence claims were protected by excess covers with the Florida Hurricane Catastrophe Fund and with private reinsurance sources.

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 Gainesville, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2004 through 2008, 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 and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with US Bank, N. A. The Company was in compliance with Rule 69O-143.042, Florida Administrative Code which stipulates the requirements of a custodial agreement.

### **Asset Management Agreement**

The Company's investment portfolio was managed by Conning Asset Managers pursuant to the Asset Management Agreement. Conning valued the Company's investments using NAIC prices, and reviewed investments for impairment. The Company maintained an investment policy which is followed by their asset manager.

### **Independent Auditor Agreement**

The Company had an agreement with KPMG, LLP to perform a statutory annual audit of the Company's financial statements for the 2008 year.

## **Information Technology Report**

INS Services, Inc., Philadelphia, PA, performed a desk review of the Evaluation of Controls in Information Systems Questionnaire prepared by the Company. The desk review documented an understanding of the IT control environment and provided an assessment of the Company's overall risk mitigation strategies/controls related to the Company's information systems for those policies and procedures represented to be in place as of December 31, 2008, and subsequent thereto. 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."

**OMEGA INSURANCE COMPANY**  
**Assets**  
**DECEMBER 31, 2008**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$2,590,815		\$2,590,815
Stocks:			
Preferred	86,663		86,663
Common	189,005		189,005
Cash and short-term investments	14,095,391		14,095,391
Investment income due and accrued	44,436		44,436
Agents' balances:			
Uncollected premium	4,941,903		4,941,903
Reinsurance recoverable	1,090,238		1,090,238
Current federal and foreign income tax recoverable	416,500		416,500
Net deferred tax asset	508,000		508,000
Guaranty funds receivable	405,459		405,459
Aggregate write-in for other than invested assets	2,210		2,210
Totals	\$24,370,620	\$0	\$24,370,620

**OMEGA INSURANCE COMPANY**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2008**

	Per Company	Examination Adjustments	Per Examination
Losses	\$1,768,963		\$1,768,963
Loss adjustment expenses	172,361		172,361
Other expenses	53,900		53,900
Taxes, licenses and fees	72,967		72,967
Unearned premium	4,776,883		4,776,883
Ceded reinsurance premium payable	4,903,428		4,903,428
Funds held under reinsurance treaties	1,284		1,284
Amounts withheld	406,076		406,076
Total Liabilities	\$12,155,862	\$0	\$12,155,862
Common capital stock	\$4,509,650		\$4,509,650
Gross paid in and contributed surplus	5,736,757		5,736,757
Unassigned funds (surplus)	1,968,352		1,968,352
Surplus as regards policyholders	\$12,214,759		\$12,214,759
Total liabilities, surplus and other funds	\$24,370,621	\$0	\$24,370,621

**OMEGA INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2008**

Underwriting Income		
Premiums earned		\$12,725,544
	Deductions:	
Losses incurred		4,233,083
Loss expenses incurred		679,355
Other underwriting expenses incurred		5,997,810
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$10,910,248</u>
Net underwriting gain or (loss)		\$1,815,296
Investment Income		
Net investment income earned		\$547,280
Net realized capital gains or (losses)		1,133
Net investment gain or (loss)		<u>\$548,413</u>
Other Income		
Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		<u>\$0</u>
Net income before dividends to policyholders and before federal & foreign income taxes		\$2,363,710
Dividends to policyholders		<u>0</u>
Net income, after dividends to policyholders, but before federal & foreign income taxes		\$2,363,710
Federal and foreign income taxes		<u>241,657</u>
Net income		\$2,122,053
Capital and Surplus Account		
Surplus as regards policyholders, December 31 prior year		\$12,281,628
Net income		\$2,122,053
Change in net unrealized capital gains or losses		(171,255)
Change in non-admitted assets		149,333
Change in net deferred tax asset		(569,000)
Change in provision for reinsurance		2,000
Dividends to stockholders		(1,600,000)
Change in surplus as regards policyholders for the year		<u>(\$66,869)</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$12,214,759</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

**Losses and Loss Adjustment Expenses** \$1,941,324

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 consulting actuary for this examination reviewed work papers provided by the company's actuary and was in concurrence with this opinion.

### Capital and Surplus

The amount reported by the Company of \$12,214,759, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**OMEGA 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	\$12,214,759
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustments			
LIABILITIES:			
No adjustments			
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2008, Per Examination			<u><u>\$12,214,759</u></u>

## **SUMMARY OF FINDINGS**

### **Compliance with previous directives**

The Company took the necessary actions to comply with the recommendations made in the 2003 examination report issued by the Office.

### **Current examination comments and corrective action**

There were no findings resulting from this examination.

## **SUBSEQUENT EVENTS**

Changes have been made to the management of the Company subsequent to the examination date. The following is a listing of directors serving as of September 30, 2009:

William J. Shively

James H. Winston

Donald C. Matz, Jr.

Timothy J. Meenan

Joel P. Curran

Timothy A. Bienek

In February 2009, the Company received approval from the Office to pay \$1.96 million in dividends to stockholders. These dividends were paid on February 27, 2009.

The Company's annual quota-share reinsurance program was not renewed on June 1, 2009, due to capacity in the reinsurance market for the industry in general. The catastrophe contracts were expanded to cover this change in the overall reinsurance program.

The Company entered into a pooling agreement as of June 1, 2009 with Tower Hill Preferred Insurance Company. The participants are affiliated and under common ownership, and each pool member desired to pool their net underwriting results proportionately and provide a broader distribution of risk by line and territory. Under the terms of the agreement, the quota-share percentage participation is thirty five (35%) percent to the Company and sixty five (65%) percent to Tower Hill Preferred Insurance Company. Effective with the agreement there was an initial portfolio transfer of the net underwriting liabilities in order to reflect the quota-share percentage for each participant as provided for under the agreement.

During the third quarter of 2009, the Company and its affiliate Tower Hill Insurance Group, LLC (General Agent) amended the General Agency Agreement to provide for a profit sharing disbursement to the Company by the General Agent.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Omega 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 \$12,214,759, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Jean Alton, CFE, Ins Regulatory Insurance Services, Inc. (InsRis); Patricia Casey Davis, CPA, CFE, Supervisor, InsRis; John V. Normile, CFE, InsRis; Giles W. Larkin, CFE, InsRis; Robert McGee, CFE, InsRis; Joseph Funkhouser, InsRis; Vetrecia Smith, Florida Office of Insurance Regulation Financial Analyst/Examiner; Oswaldo Herrera, Florida Office of Insurance Regulation Financial Analyst/Examiner; and Brian Dunn, CFE, INS Consultants, Inc., participated in portions of the examination. Eugene G. Thompson, ACAS, MAAA, INS Consultants, Inc. and James R. Neidermyer, FCAS, MAAA, INS Consultants, Inc. completed the actuarial portion of this examination. We also recognize Claude Granese, CPA, INS Services, Inc. participation in the examination.

Respectfully submitted,

---

Kethessa Carpenter, CPA  
Financial Examiner/Analyst Supervisor  
Florida Office of Insurance Regulation