

REPORT ON EXAMINATION
OF
YEL CO. INSURANCE
MIAMI, FLORIDA

AS OF
DECEMBER 31, 2010

BY THE
FLORIDA OFFICE OF INSURANCE REGULATION

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March 30, 2012

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, 2010, of the financial condition and corporate affairs of:

**YEL CO. INSURANCE
3757 NW 36 STREET
MIAMI, FLORIDA 33142**

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, 2006, through December 31, 2010. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2005. This examination commenced with planning at the Office on December 4, 2011, to December 9, 2011. The fieldwork commenced on December 12, 2011, and concluded as of March 30, 2012.

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.

Office and Records

The Company did not maintain its corporate records at the statutory home office as required by Section 628.271(1)(b), 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, 2005.

HISTORY

General

The Company was incorporated in Florida on October 1, 1992, as a stock property and casualty insurer and commenced business on October 1, 1992, as YEL Co. Insurance.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2010:

Commercial auto liability
Commercial auto physical damage

Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2010 and 2009 in the amounts of \$1,900,000 and \$1,000,000, respectively.

Capital Stock and Capital Contributions

As of December 31, 2010, the Company's capitalization was as follows:

Number of authorized common capital shares	500
Number of shares issued and outstanding	500
Total common capital stock	\$500
Par value per share	\$1.00

Leslie Eisenberg who owned 100% of the stock issued by the Company maintained control of the Company.

Surplus Debentures

The Company did not have any surplus debentures during the period of examination.

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

The Company had no acquisitions, mergers, disposals, and purchase or sales through reinsurance during the period of examination.

CORPORATE RECORDS

The recorded minutes of the Shareholder, Board of Directors (Board) 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 compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

Conflict of Interest

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held. Directors serving as of December 31, 2010, were:

Directors

Name and Location	Principal Occupation
Leslie Eisenberg Miami, Florida	President, CEO
Susan Eisenberg Miami, Florida	Director of Company
Carolyn Lakhani Miami, Florida	Bookkeeper
Howard Phillips ^a Miami, Florida	Accountant
Alexander Eisenberg ^b Miami, Florida	Director of Company

a & b As of February 15, 2012, Howard Phillips was replaced by Alexander Da Costal Lima and Alexander Eisenbery was replaced by Terry Eisenberg.

The Board in accordance with the Company's bylaws appointed the following senior officer:

Senior Officer

Name	Title
Leslie Eisenberg	President, Secretary, Treasurer

The Company's Board appointed internal committees. Following is the principal internal Board committee and its members as of December 31, 2010:

Audit Committee

Alexander Da Costa Lima*
Susan Eisenberg
Carolyn Lakhani

*Chairman

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

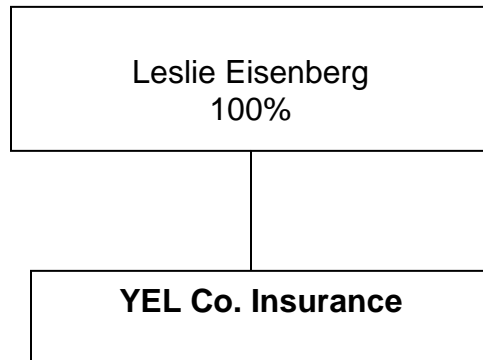
Affiliated Companies

The Company was not a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code.

A simplified organizational chart as of December 31, 2010 is shown below.

**YEL Co. Insurance
ORGANIZATIONAL CHART**

DECEMBER 31, 2010



FIDELITY BOND

The Company did not maintain fidelity bond coverage as of December 31, 2010, as recommended by the NAIC. The only employee and sole owner had no insurable interest. Therefore, there was no independent party with insurable interest and fidelity coverage was not purchased.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no pension, stock ownership or insurance plans in place at the Company during the period of examination.

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.

COMPANY GROWTH

The Company insured one policyholder and maintained premium income below \$1.2 million dollars by limiting the number of taxis covered on the policy year to year. From 2006 – 2009, losses and LAE reserves varied within 4% year to year. In 2010, losses and LAE reserves increased 10% from the prior year. During the period of examination, the Company paid shareholder dividends equal to the net income during that period. The Company's profitability trended downward in response to incurred losses.

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.

	2010	2009	2008	2007	2006
Premiums Earned	1,198,076	1,198,076	1,198,076	1,198,076	1,198,076
Net Underwriting Gain/(Loss)	680,036	835,185	996,191	954,270	849,696
Net Income	798,828	931,708	1,335,563	1,458,155	1,269,599
Total Assets	12,089,844	13,749,339	12,545,562	14,335,638	12,818,472
Total Liabilities	4,078,812	4,669,801	3,456,418	6,502,351	3,454,988
Surplus As Regards Policyholders	8,011,032	9,079,538	9,089,144	7,833,287	9,363,485

LOSS EXPERIENCE

The Company showed favorable development for prior accident years as a result of fewer claims being reported. Although the Company had limited loss experience due to the portfolio, loss patterns have been fairly consistent. Conservative, initial case reserving resulted in a take-down of outstanding case reserves between 48 and 60 months. The Company's base premium rate is below the industry average and loss ratios have been consistently low.

REINSURANCE

Assumed

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

Ceded

The Company did not cede any reinsurance during the period of examination.

ACCOUNTS AND RECORDS

The Company maintained its statutory home office in Miami, Florida. The Company did not maintain its corporate records in its statutory home office.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2006, 2007, 2008, 2009 and 2010, 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:

Accounting Consultant Agreement

The Company utilized a consultant, JS Alonso Accounting, Inc. of Miami, Florida, to maintain its general ledger and prepare statutory reports. This service was contracted with an engagement letter effective as of March 2010.

Independent Auditor Agreement

The Company contracted with an external independent CPA firm to perform the annual audit of its financial statements as required by Rule 69O-137.002 (7) (c), Florida Administrative Code.

Consulting Actuary Agreement

The Company contracted with JackSwisher.Com, LLC of Tallahassee, Florida to render the reserve opinion as required by Rule 69O-170.031, Florida Administrative Code. In 2010, the Company changed its actuary from Vogel Consulting, Inc. of Tallahassee, Florida, due to Mr. Vogel's retirement.

INFORMATION TECHNOLOGY REPORT

Highland Clark, 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	<u>\$ 250,000</u>	<u>\$ 250,000</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 250,000</u>	<u>\$ 250,000</u>

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2010, 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."

**YEL Co. Insurance
Assets**

DECEMBER 31, 2010

	Per Company	Examination Adjustments	Per Examination
Cash	\$ 12,077,269		\$ 12,077,269
Investment income due and accrued	1,575		1,575
Premiums and considerations: Uncollected premiums and agents' balances in course of collection	11,000		11,000
Total	<u>\$ 12,089,844</u>		<u>\$ 12,089,844</u>

**YEL Co. Insurance
Liabilities, Surplus and Other Funds**

DECEMBER 31, 2010

	Per Company	Examination Adjustments	Per Examination
Losses	\$ 3,786,426		\$ 3,786,426
Loss adjustment expenses	266,545		266,545
Taxes, licenses and fees	9,930		9,930
Current federal and foreign income taxes	15,911		15,911
Total liabilities	\$ 4,078,812		\$ 4,078,812
Common capital stock	\$ 500		\$ 500
Gross paid in and contributed surplus	2,847,567		2,847,567
Unassigned funds (surplus)	5,162,965		5,162,965
Surplus as regards policyholders	\$ 8,011,032		\$ 8,011,032
Totals	\$ 12,089,844		\$ 12,089,844

**YEL Co. Insurance
Statement of Income**

DECEMBER 31, 2010

Underwriting Income

Premiums earned		\$	1,198,076
Deductions:			
Losses incurred		\$	443,263
Loss adjustment expenses incurred			19,015
Other underwriting expenses incurred			55,762
Aggregate write-ins for underwriting deductions			0
Total underwriting deductions		\$	518,040
Net underwriting gain (loss)		\$	680,036

Investment Income

Net investment income earned		\$	160,240
Net realized capital gains (losses)			0
Total investment income (loss)		\$	160,240

Other Income

Aggregate write-ins for miscellaneous income			0
Total other income (loss)			0

Net income before dividends to policyholders and before federal and foreign income taxes		\$	840,276
Dividends to policyholders			0
Net income after dividends to policyholders but before federal & foreign income taxes		\$	840,276
Federal and foreign income taxes incurred			41,448
Net income		\$	798,828

Capital and Surplus Account

Surplus as regards policyholders December 31 prior year		\$	9,079,538
Net income		\$	798,828
Change in unrealized capital gains or (losses)			0
Change in deferred income tax			0
Change in non-admitted assets			32,666
Dividends to shareholders			(1,900,000)
Change in surplus as regards policyholders		\$	(1,068,506)
Surplus as regards policyholders December 31 current year		\$	8,011,032

A comparative analysis of changes in surplus is shown below.

YEL Co. Insurance
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2010

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, 2010 per Annual Statement			\$ 8,011,032
	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No Adjustment		\$ -	
LIABILITIES:			
No Adjustment		\$ -	
Net Change in Surplus:			<u>\$ -</u>
Surplus as regards policyholders December 31, 2010 per Examination			<u>\$ 8,011,032</u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$4,052,971

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, 2010, 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 examination actuary, Dennis Henry, FCAS, MAAA of The Actuarial Advantage, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount reported by the Company of \$8,011,032, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

Office and Records

We recommend that the Company take steps to ensure that the corporate records are maintained at the statutory home office at all times, as required by Section 628.271(1)(b), Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **YEL Co. Insurance** as of December 31, 2010, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$8,011,032, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Tracy Gates, CISA, CPA (North Carolina), Examiner-In-Charge, and Brad Hazelwood, Participating Examiner, of Highland Clark, LLC participated in the examination. In addition, Dennis Henry, FCAS MAAA, Examination Actuary of The Actuarial Advantage, Inc. and Chibueze Alutu, CISA, Financial Examiner/Analyst II of the Office also participated in the examination.

Respectfully submitted,

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