

Report on Examination
of
Amedex Insurance Company

Miami, Florida

as of

December 31, 2005

By The
State of Florida
Office of Insurance Regulation

Contents

SCOPE OF EXAMINATION.....	1
STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION.....	2
HISTORY	4
GENERAL	4
CAPITAL STOCK.....	4
PROFITABILITY.....	5
DIVIDENDS.....	5
MANAGEMENT.....	6
CONFLICT OF INTEREST PROCEDURE	7
CORPORATE RECORDS.....	7
ACQUISITIONS AND DIVESTITURES.....	7
AFFILIATED COMPANIES	8
MANAGING GENERAL AGENT AGREEMENT	8
THIRD PARTY ADMINISTRATOR AGREEMENT.....	8
ORGANIZATIONAL CHART	9
FIDELITY BOND AND OTHER INSURANCE	10
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS	10
STATUTORY DEPOSITS.....	10
INSURANCE PRODUCTS AND RELATED PRACTICES.....	11
TERRITORY AND PLAN OF OPERATION	11
TREATMENT OF POLICYHOLDERS.....	11
REINSURANCE	11
ASSUMED.....	11
CEDED	11
ACCOUNTS AND RECORDS	12
RISK-BASED CAPITAL.....	12
CUSTODIAL AGREEMENT.....	13
INDEPENDENT AUDITOR AGREEMENTS.....	13

FINANCIAL STATEMENTS PER EXAMINATION.....	14
ASSETS	15
LIABILITIES, SURPLUS AND OTHER FUNDS.....	16
SUMMARY OF OPERATIONS	17
CAPITAL AND SURPLUS ACCOUNT	18
COMMENTS ON FINANCIAL STATEMENTS.....	19
ASSETS	19
LIABILITIES.....	20
COMPARATIVE ANALYSIS OF CHANGES IN CAPITAL AND SURPLUS.....	21
SUMMARY OF FINDINGS.....	22
COMPLIANCE WITH PREVIOUS DIRECTIVES.....	22
CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION.....	22
INVESTMENT IN SUBSIDIARY	22
CUSTODIAL AGREEMENT	22
BONDS.....	23
COMMON STOCKS	23
CASH.....	23
CONTRACT CLAIMS – ACCIDENT AND HEALTH.....	23
PREMIUMS RECEIVED IN ADVANCE.....	24
CONCLUSION	25

Tallahassee, Florida

June 7, 2007

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399-0326

Commissioner - U.S. Virgin Islands
Division of Banking & Insurance
1131 King St., Suite 101
Christiansted
St. Croix, Virgin Islands 00820

Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chair, NAIC Financial Condition (E) Committee
P.O. Box 1157
Richmond, Virginia 23218

Joseph Torti, III, Superintendent
Rhode Island Insurance Division
Secretary, NAIC Northeastern Zone
233 Richmond St., Suite 233
Providence, Rhode Island 02903-4233

Gentlemen:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes (F.S.), 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, 2005, of the financial condition and corporate affairs of:

Amedex Insurance Company
7001 S.W. 97th Ave.
Miami, Florida 33173

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, 2003 through December 31, 2005. The Company was last examined by the Florida Office of Insurance Regulation (the "Office") as of December 31, 2001. In lieu of conducting statutory financial condition examinations of the Company for the year 2002, the Office accepted the independent certified public accountant's (CPA) audit report on the Company's statutory-basis financial statements for that year pursuant to Section 624.316(2)(a), F.S.

Planning for the current examination began on September 11, 2006. The fieldwork commenced on September 18, 2006 and concluded on March 8, 2007. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

This was an association zone statutory financial condition examination conducted in accordance with the *NAIC Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual*, and *Annual Statement Instructions* as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code (F.A.C.), with due regard to the requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value, and integrity of the statement assets and the determination of liabilities, as they affect the Company's solvency.

The examination included a review of corporate and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC Insurance Regulatory Information System (IRIS) ratio results, *Best's Insurance Reports*, the Company's independent audit reports, and certain work papers prepared by the Company's independent CPA were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the Company's assets and liabilities as reported by the Company in its 2005 annual statement. Transactions subsequent to December 31, 2005 were reviewed where relevant and deemed significant to the Company's financial condition.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which require special explanation or description.

After considering the Company's control environment and the materiality level set for this examination, we relied on work performed by the Company's CPA for the following accounts:

- Accident and health premiums due and unpaid
- Current federal and foreign income tax recoverable
- Commitments and contingent liabilities

STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION

The following is a summary of findings contained in the Office's prior examination report as of December 31, 2001, along with resulting action taken by the Company in connection therewith.

Board of Directors

The Company was required by Section 628.231(1), F.S., to have at least five directors on its board; however, according to its 2001 annual statement, there were only three directors. The Company was directed to comply with Section 628.231(1), F.S., and maintain the required number of directors on its board. Resolution: The Company complied with the directive.

Holding Company Registration Statement

The Company did not file an updated holding company registration statement to report subsequent changes in affiliates, as required. The Company was directed to timely file its holding company registration statements as required by Section 628.801, F.S., and Rule 69O-143.046, F.A.C.

Resolution: The Company filed an updated holding company registration statement on January 8, 2003.

HISTORY

GENERAL

The Company was incorporated in Florida on July 12, 1973, and commenced business on July 16, 1973.

As of the date of this examination, the Company was authorized to transact the following insurance coverage in Florida, in accordance with Section 624.401, F.S.:

- Life
- Group life and annuities
- Accident and health

The Company's bylaws were amended on September 9, 2005 following its acquisition on that date by The British United Provident Association Limited ("BUPA"), a company domiciled in the United Kingdom.

CAPITAL STOCK

As of December 31, 2005, the Company's capitalization was as follows:

Number of authorized common capital shares	3,000,000
Number of shares issued and outstanding	1,104,718
Total common capital stock	\$1,380,898
Par value per share	\$1.25

At December 31, 2005, the Company was wholly-owned and controlled by BUPA Iberia S.L., and was an indirect subsidiary of BUPA. An abbreviated organizational chart appears on page 9.

PROFITABILITY

For the period of this examination, the Company reported the following:

(In millions)	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net premiums	\$80.2	\$70.3	\$63.3
Total revenues	\$82.7	\$73.2	\$65.9
Net income	\$1.4	\$2.3	\$3.5
Total capital and surplus	\$31.6	\$29.4	\$27.0

DIVIDENDS

The Company did not pay any shareholder dividends during the period of this examination.

MANAGEMENT

The annual shareholder meeting for the election of directors was held in accordance with Section 607.0701, F.S. Directors serving as of December 31, 2005 were:

Directors

Name and Location	Principal Occupation
Michael A. Carricarte Miami, Florida	Chief Executive Officer of the Company
Michael L. Carricarte Miami, Florida	President of the Company
Julian P. Davies London, England	Director BUPA
Dean A. Holden London, England	Chairman of the Board BUPA
Clifford M. Kolber Miami, Florida	Chief Financial Officer of the Company
Elaine Linares-Grant Miami, Florida	Secretary of the Company
Francisco Lopez-Preusse Miami, Florida	Chief Operating Officer of the Company

At December 31, 2005, members of the principal committees of the Board were:

Audit Committee	Executive Committee	Investment Committee
Julian P. Davies Dean A. Holden Clifford M. Kolber	Michael L. Carricarte Julian P. Davies Dean A. Holden	Julian P. Davies Dean A. Holden Clifford M. Kolber

The following were the Company's senior officers as of December 31, 2005, as appointed by its board of directors in accordance with the Company's bylaws:

Senior Officers	
Name	Title
Michael A. Carricarte	Chief Executive Officer
Michael L. Carricarte	President
Clifford M. Kolber	Chief Financial Officer
Francisco Lopez-Preusse	Chief Operating Officer
Stuart Sheehy	Executive Vice President
Elaine Linares-Grant	Secretary

CONFLICT OF INTEREST PROCEDURE

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with Section 607.0832, F.S. No exceptions were noted during this examination.

CORPORATE RECORDS

The recorded minutes of the shareholder, Board of Directors, and Audit, Executive, and Investment Committee meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., including the authorization of investments as required by Section 625.304, F.S.

ACQUISITIONS AND DIVESTITURES

The Company was acquired on September 9, 2005 by BUPA. During 2005, the Company divested itself of its 99.9% interest in Amedex Insurance Company Venezuela S.A. (AICV). During the period of the Company's ownership of AICV, it failed to disclose its ownership interest in AICV in its annual statement as required by the NAIC Annual Statement Instructions.

AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 690-143.045(3), F.A.C. Its latest holding company registration statement was filed with the State of Florida, as required by Section 628.801, F.S., and Rule 690-143.046, F.A.C., on October 10, 2005.

The following agreements were in force between the Company and its affiliates on December 31, 2005:

MANAGING GENERAL AGENT AGREEMENT

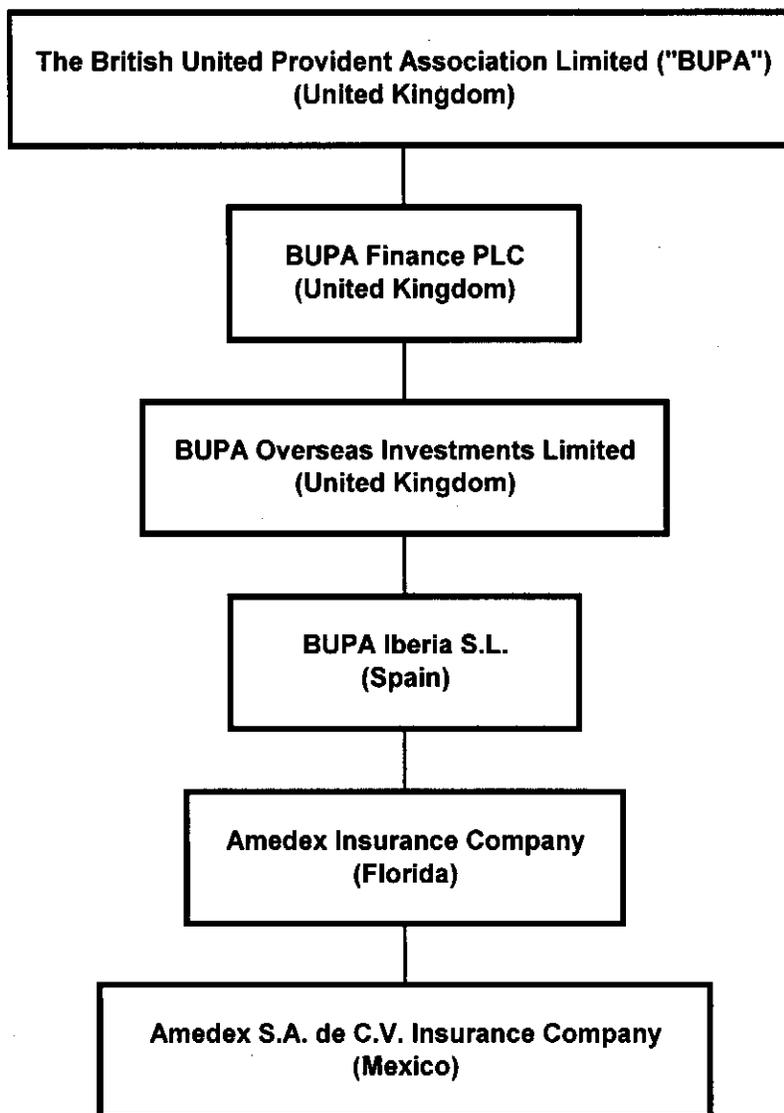
Amedex Worldwide Corporation provided certain marketing and management services to the Company pursuant to an agreement originally entered into on July 1, 1997 and subsequently amended. Fees for these services were \$21.0 million, \$21.7 million, and \$23.4 million in years 2003, 2004, and 2005, respectively.

THIRD PARTY ADMINISTRATOR AGREEMENT

U.S.A. Medical Services Corporation provided claims administration services to the Company pursuant to an agreement originally entered into on July 1, 1997 and subsequently amended. Fees for these services were \$3.7 million, \$3.8 million, and \$4.2 million in years 2003, 2004, and 2005, respectively.

An abbreviated organizational chart as of December 31, 2005 reflecting the holding company system is shown below.

**Amedex Insurance Company
Organizational Chart
December 31, 2005**



FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage of up to \$1 million with a deductible of \$25,000 which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC of \$700,000.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company provided benefits to eligible employees to include a 401(k) retirement plan, a profit sharing plan, and group health insurance.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, F.S., and with various other governments as required or permitted by law:

Holder	Description	Rate	Due	Par Value	Market Value
Florida	U.S. Treasury Note	3.00%	11/15/2007	\$100,000	\$98,547
Florida	U.S. Treasury Note	6.25%	8/15/2023	100,000	124,625
Florida	U.S. Treasury Note	4.375%	8/15/2012	100,000	99,984
Total Florida deposits				300,000	323,156
U.S. Virgin Islands	U.S. Treasury Note	3.125%	5/15/2007	100,000	99,936
U.S. Virgin Islands	U.S. Treasury Note	6.50%	10/15/2006	100,000	99,936
U.S. Virgin Islands	U.S. Treasury Note	4.375%	8/15/2007	100,000	99,936
U.S. Virgin Islands	U.S. Treasury Note	3.50%	11/15/2006	200,000	199,872
British Virgin Islands	Certificate of Deposit	2.30%	11/21/2007	35,000	35,000
Aruba	Checking Account			170,000	170,000
Total deposits				\$1,005,000	\$1,027,836

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company marketed individual and group accident and health insurance through agents and brokers.

TERRITORY AND PLAN OF OPERATION

At December 31, 2005, the Company was authorized to transact insurance in Florida, Puerto Rico, and the U.S. Virgin Islands. Most of its business was written in Central and South America, the U.S. Virgin Islands and other areas of the Caribbean.

TREATMENT OF POLICYHOLDERS

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(j), F.S., and maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

ASSUMED

The Company assumed risk from two affiliates and seven unaffiliated companies.

CEDED

The Company ceded policies to eight unaffiliated companies, mostly on a quota share basis.

The reinsurance agreements reviewed were found to comply with NAIC standards with respect to the standard insolvency and arbitration clauses, transfer of risk, and reporting and settlement information deadlines.

ACCOUNTS AND RECORDS

An independent CPA audited the Company's statutory-basis financial statements annually for years 2003, 2004, and 2005, pursuant to Section 624.424(8), F.S. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, F.A.C.

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

The Company's main administrative office was located in Miami, Florida, where this examination was conducted.

RISK-BASED CAPITAL

The Company reported its risk-based capital at an adequate level.

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

CUSTODIAL AGREEMENT

Wachovia provided securities holding and safekeeping services to the Company pursuant to a 1998 agreement. In addition, E-Trade Securities LLC (E-Trade) provided securities holding and safekeeping services to the Company and held a substantial amount of the Company's securities at December 31, 2005. The Company did not have a written custodial agreement with E-Trade, in violation of Rule 690-143.042, F.A.C., nor did it disclose the arrangement in its 2005 annual statement as required by the NAIC Annual Statement Instructions. The custodial account with E-Trade was closed in 2006.

INDEPENDENT AUDITOR AGREEMENTS

The Company contracted with Deloitte and Touche LLP to audit its statutory-basis financial statements as of December 31, 2003 and 2004, and with KPMG LLP to audit its statutory-basis financial statements as of December 31, 2005.

FINANCIAL STATEMENTS PER EXAMINATION

The following four pages contain statements of the Company's financial position at December 31, 2005, as determined by this examination, and the results of its operations for the year then ended as reported by the Company. Adjustments to the annual statement as filed are summarized on page 21.

Amedex Insurance Company
Assets
December 31, 2005

	Per Annual Statement	Adjustments	As Adjusted
Bonds	\$43,376,477	\$1,485,106	\$44,861,583
Preferred stocks	1,332,774	0	1,332,774
Common stocks	2,287,921	(399,307)	1,888,614
Cash, cash equivalents, and short-term investments	15,702,799	(2,088,121)	13,614,678
Contract loans	559,434	0	559,434
Receivables for securities	7,655	0	7,655
Aggregate write-ins for invested assets	126,232	0	126,232
	<u>63,393,292</u>	<u>(1,002,322)</u>	<u>62,390,970</u>
Investment income due and accrued	563,577	0	563,577
Uncollected premiums and agents' balances	4,225,410	0	4,225,410
Deferred premiums, agents' balances and installments	14,669	0	14,669
Amounts recoverable from reinsurers	1,764,610	0	1,764,610
Other amounts receivable under reinsurance contracts	408,021	0	408,021
Current federal and foreign income tax recoverable	729,183	0	729,183
Net deferred tax asset	1,795,780	0	1,795,780
Receivables from parent, subsidiaries and affiliates	4,472,752	0	4,472,752
Totals	<u>\$77,367,294</u>	<u>(\$1,002,322)</u>	<u>\$76,364,972</u>

Amedex Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2005

Liabilities	Per Annual Statement	Adjustments	As Adjusted
Aggregate reserve for life contracts	\$3,295,972	\$0	\$3,295,972
Aggregate reserve for A&H contracts	29,923,266	0	29,923,266
Liability for deposit-type contracts	81,056	0	81,056
Contract claims - life	50,000	0	50,000
Contract claims - accident and health	7,708,233	1,638,900	9,347,133
Policyholders' dividends due and unpaid	90	0	90
Premiums received in advance	1,193,996	842,500	2,036,496
Other amounts payable on reinsurance	30,441	0	30,441
Commissions and expense allowances payable	1,408,742	0	1,408,742
General expenses due or accrued	1,176,731	0	1,176,731
Taxes, licenses and fees due or accrued	8,220	0	8,220
Remittances and items not allocated	448,682	0	448,682
Asset valuation reserve	211,257	0	211,257
Funds held with unauthorized reinsurers	7,682	0	7,682
Liability under uninsured A&H plans	53,018	0	53,018
Aggregate write-ins for liabilities	171,130	0	171,130
Total liabilities	45,768,516	2,481,400	48,249,916
Capital and Surplus			
Gross paid in and contributed surplus	6,916,876	0	6,916,876
Unassigned funds (surplus)	23,301,004	(3,483,722)	19,817,282
Surplus	30,217,880	(3,483,722)	26,734,158
Common capital stock	1,380,898	0	1,380,898
Totals of capital and surplus	31,598,778	(3,483,722)	28,115,056
Totals	\$77,367,294	(\$1,002,322)	\$76,364,972

Amedex Insurance Company
Summary of Operations
For The Year Ended December 31, 2005

Premiums and annuity considerations		\$80,187,371
Net investment income		2,715,985
Amortization of interest maintenance reserve		4,693
Commissions and expense allowances on reinsurance ceded		12,282
Aggregate write-ins for miscellaneous income		<u>(176,311)</u>
		82,744,020
Death benefits	(\$19,068)	
Annuity benefits	7,734	
Disability benefits and benefits under A&H contracts	40,397,524	
Surrender benefits and withdrawals for life contracts	153,012	
Interest and adjustments on contract funds	1,413	
Increase in aggregate reserves for life and A&H contracts	<u>3,498,271</u>	
	44,038,886	
Commissions on premiums	23,447,175	
Commissions and expense allowances on reinsurance assumed	2,689,128	
General insurance expenses	10,465,548	
Insurance taxes, licenses and fees	457,927	
Increase in loading on deferred and uncollected premiums	(10,851)	
Aggregate write-ins for deductions	<u>20,215</u>	
		<u>81,108,028</u>
		1,635,992
Dividends to policyholders		76
Federal and foreign income taxes incurred		<u>299,031</u>
Net gain from operations before capital gains		1,336,885
Net realized capital gains		<u>100,342</u>
Net income		<u><u>\$1,437,227</u></u>

**Amedex Insurance Company
Capital and Surplus Account
For The Year Ended December 31, 2005**

Capital and surplus - December 31, 2004		\$29,384,178
Net income	\$1,437,227	
Change in net unrealized capital gains or (losses)	(23,486)	
Change in net deferred income tax	793,227	
Change in nonadmitted assets and related items	(477,391)	
Change in asset valuation reserve	(79,561)	
Paid in surplus adjustments	1,132,723	
Aggregate write-ins for gains and losses in surplus	(568,139)	
Adjustments to capital and surplus as reported	<u>(3,483,722)</u>	<u>(1,269,122)</u>
Capital and surplus - December 31, 2005		<u><u>\$28,115,056</u></u>

COMMENTS ON FINANCIAL STATEMENTS

ASSETS

Bonds **\$44,861,583**

The amount of bonds reported by the Company of \$43,376,477 has been increased by \$1,485,106. In its 2005 annual statement, the Company incorrectly reported long-term investments in the amount of \$1,485,106 as cash. The investments have been reclassified from cash to bonds.

Common Stocks **\$1,888,614**

The amount of common stocks reported by the Company of \$2,287,921 has been decreased by \$399,307. In its 2005 annual statement, the Company incorrectly valued its investment in its subsidiary Amedex S.A. de C.V. Insurance Company at \$1,642,851 rather than \$1,243,544 as required by Statement of Statutory Accounting Principles (SSAP) No. 88. The Company was aware of the need for this adjustment prior to the examination, and made the examiners aware of it during the examination.

Cash, Cash Equivalents, and Short-Term Investments **\$13,614,678**

The amount of cash reported by the Company of \$15,702,799 has been decreased by \$2,088,121. Included in the amount of cash reported by the Company as an admitted asset as of December 31, 2005 was \$603,015 representing cash on deposit in banks which were located outside the State of Florida and which were not members of the Federal Reserve System, in violation of Rule 69O-138.202, F.A.C. Accordingly, \$603,015 was non-admitted upon examination. Additionally, as reported above, long-term investments in the amount of \$1,485,106 have been reclassified from cash to bonds.

LIABILITIES**Contract Claims – Accident and Health****\$9,347,133**

The \$7,708,233 reported by the Company has been increased by \$1,638,900. The Company's appointed actuary rendered an opinion that the amounts carried on the Company's balance sheet as of December 31, 2005 reasonably provided for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements. However, the Office actuary reviewed work papers provided by the Company and determined that the liability was understated by \$1,638,900. The Company was aware of the need for part of this adjustment prior to the examination, and made the examiners aware of it during the examination.

Premiums Received in Advance**\$2,036,496**

The \$1,193,996 reported by the Company has been increased by \$842,500. Premiums received in advance in the amount of \$842,500 were incorrectly reported by the Company as premium revenue in 2005. The Company was aware of the need for this adjustment prior to the examination, and made the examiners aware of it during the examination.

Amedex Insurance Company
Comparative Analysis of Changes in Capital and Surplus
December 31, 2005

The following is a reconciliation of capital and surplus between that reported in the Company's annual statement and as determined by the examination.

Capital and surplus, December 31, 2005 - per annual statement				\$31,598,778
	<u>Per Company</u>	<u>Per Exam</u>	<u>Increase (Decrease) In Surplus</u>	
Assets:				
Bonds	\$43,376,477	\$44,861,583	\$1,485,106	
Common stocks	\$2,287,921	\$1,888,614	(\$399,307)	
Cash, cash equivalents, and short-term investments	\$15,702,799	\$13,614,678	(\$2,088,121)	
Liabilities:				
Contract claims - accident and health	\$7,708,233	\$9,347,133	(\$1,638,900)	
Premiums received in advance	\$1,193,996	\$2,036,496	<u>(\$842,500)</u>	
Net change in capital and surplus				<u>(3,483,722)</u>
Capital and surplus, December 31, 2005 - per examination				<u>\$28,115,056</u>

SUMMARY OF FINDINGS

COMPLIANCE WITH PREVIOUS DIRECTIVES

The Company has taken the necessary actions to comply with the comments contained in the 2001 examination report issued by the Office.

CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings of the examination as of December 31, 2005.

INVESTMENT IN SUBSIDIARY

As reported on page 7, the Company divested itself of its 99.9% interest in AICV during 2005. During the period of the Company's ownership of AICV, it failed to disclose its ownership interest in AICV in its annual statement as required by the NAIC Annual Statement Instructions. **We recommend that the Company disclose in its annual statements its ownership of all subsidiaries as required by the NAIC Annual Statement Instructions.**

CUSTODIAL AGREEMENT

As reported on page 13, E-Trade provided securities holding and safekeeping services to the Company. The Company did not have a written custodial agreement with E-Trade, in violation of Rule 690-143.042, F.A.C., nor did it disclose the existence of the custodial services in its 2005 annual statement as required by the NAIC Annual Statement Instructions. **We recommend that the Company maintain written custodial agreements with its securities custodians, as required by Rule 690-143.042, F.A.C., and that it disclose all such agreements in its annual statements, as required by the NAIC Annual Statement Instructions.**

BONDS

As reported on page 19, the Company incorrectly reported long-term investments in the amount of \$1,485,106 as cash. **We recommend that the Company correctly classify and report its investments in bonds in accordance with the NAIC Annual Statement Instructions.**

COMMON STOCKS

As reported on page 19, the Company incorrectly valued its investment in its subsidiary Amedex S.A. de C.V. Insurance Company at \$1,642,851 rather than \$1,243,544. **We recommend that the Company correctly value its investments in subsidiaries in accordance with SSAP No. 88.**

CASH

As reported on page 19, included in the amount of cash reported by the Company as an admitted asset as of December 31, 2005 was \$603,015 representing cash on deposit in banks which were located outside the State of Florida and which were not members of the Federal Reserve System. **We recommend that the Company nonadmit all amounts of cash deposited with banks located outside the State of Florida which are not members of the Federal Reserve System, as required by Rule 69O-138.202, F.A.C.**

CONTRACT CLAIMS – ACCIDENT AND HEALTH

As reported on page 20, in its 2005 annual statement, the Company understated its liability for accident and health contract claims by \$1,638,900. **We recommend that the Company accurately report in its annual statements the amount of its liability for contract claims in accordance with Section 625.041, F.S.**

PREMIUMS RECEIVED IN ADVANCE

As reported on page 20, in its 2005 annual statement, the Company incorrectly reported premiums received in advance in the amount of \$842,500 as premium revenue. **We recommend that the Company accurately report the amount of its premiums received in advance, in accordance with the NAIC Annual Statement Instructions.**

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Amedex Insurance Company** as of December 31, 2005, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's total capital and surplus was \$28,115,056 which was in compliance with Section 624.408, F.S. Its required minimum capital and surplus at December 31, 2005 was \$4,824,991.

In addition to the undersigned, the following individuals from the Florida Office of Insurance Regulation participated in this examination: Cathy S. Jones, CPA, Financial Examiner/Analyst; Kerry A. Krantz, Actuary; M. Alison Miele, Financial Examiner/Analyst; and David C. Schleit, AFE, CPA, Financial Examiner/Analyst Supervisor; as did Martin Emanuel and Marta Francis, U.S. Virgin Islands Banks and Insurance Examiners.

Respectfully submitted,

Russell K. Judge
Financial Examiner/Analyst
Florida Office of Insurance Regulation

Gwendolyn A. Collins
Banks and Insurance Examiner
U.S. Virgin Islands