

REPORT ON EXAMINATION

OF

BANKERS INSURANCE COMPANY

ST. PETERSBURG, FLORIDA

AS OF

DECEMBER 31, 2005

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

February 9, 2007

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

Honorable Eleanor Kitman
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Director of Insurance
300 Arbor Lake Drive
Columbia, SC 29223

Alfred W. Gross
Chairman, NAIC Financial Condition (E) Committee
Commissioner, Virginia Bureau of Insurance
State Corporation Commission
1300 East Main Street
Richmond, VA 23219

Dear Sirs and Madam:

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 of December 31, 2005, of the financial condition and corporate affairs of:

**BANKERS INSURANCE COMPANY
360 CENTRAL AVENUE
ST. PETERSBURG, FLORIDA 33701**

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

SCOPE OF EXAMINATION

This examination covered the period of July 1, 2002 through December 31, 2005. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of June 20, 2002. This examination commenced, with planning at the Office, on May 1, 2006, to May 5, 2006. The fieldwork commenced on May 8, 2006, and was concluded as of August 4, 2006. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This financial examination was a zone 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.

In this examination, emphasis was directed to the quality, value and integrity of the statement assets and the determination of liabilities, as those balances affect the financial solvency of the Company.

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 report, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) were reviewed and utilized where applicable within the scope of this examination.

We valued and verified the integrity of the balances of the Company's assets and liabilities as reported in its annual statement as of December 31, 2005, as those balances affect the financial solvency of the Company.

Transactions subsequent to year-end 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 are deemed to require special explanation or description.

Based on the review of the Company's control environment and the materiality level set for this examination, reliance was placed on work performed by the Company's CPAs, after verifying the statutory requirements, for the following accounts:

- Mortgage Loans on Real Estate-First and Second Liens
- Electronic Data Processing Equipment and Software
- Reinsurance Recoverables on Loss and LAE
- Remittances and Items not Allocated
- Net Deferred Tax Asset
- Ceded Reinsurance Premiums Payable
- Current Federal and Foreign Income Taxes
- Taxes, Licenses and Fees
- Other Expenses
- Aggregate Write-ins for Other Than Invested Assets
- Aggregate Write-ins for Liabilities

Status of Adverse Findings from Prior Examination

The following is a summary of adverse findings contained in the Office's prior examination report along with the resulting action taken by the Company.

EDP Equipment

The Company was capitalizing EDP equipment of amounts less than \$25,000. **Resolution:** **The Company capitalized EDP equipment acquisitions greater than \$25,000 in the annual statements filed with the Office in accordance with Section 625.012(11), Florida Statutes.**

Taxes, Licenses, and Fees

The Company included a contra amount of \$554,466 that represented an amount for state income taxes recoverable. **Resolution:** **The Company reported state income taxes recoverable that were in compliance with SSAP No. 10 in subsequent annual statements filed with the Office.**

Provision for Reinsurance

The Company miscalculated the provision for reinsurance by \$334,191. **Resolution:** **The Company calculated the provision for reinsurance correctly in its subsequent annual statements filed with the Office.**

Loss and Loss Adjustment Expenses

The reserves at December 31, 2002 were deficient by \$3,796,000. **Resolution:** **The Company increased its reserves to eliminate deficiencies in the filed financial statements with the Office.**

HISTORY

General

The Company was incorporated in Florida on May 11, 1976 and commenced business on June 11, 1976 as Bankers Insurance Company. It was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2005:

Homeowners Multi Peril	Glass
Commercial Multi Peril	Burglary and Theft
PPA Physical Damage	Accident and Health
Other Liability	Bail Bonds
Private Passenger Auto Liability	Surety
Commercial Automobile Liability	Fidelity
Commercial Auto Physical Damage	Fire
Allied Lines	Credit
Ocean Marine	Service Warranties (non-auto)
Inland Marine	Workers' Compensation

The articles of incorporation and the bylaws were not amended during the period covered by this examination.

Capital Stock

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

Number of authorized common capital shares	1,500,000
Number of shares issued and outstanding	1,500,000
Total common capital stock	\$4,500,000
Par value per share	\$3.00

Control of the Company was maintained by its parent, Bankers Insurance Group, Inc. (BIG), who owned 100 percent of the stock issued by the Company, who in turn was 100 percent owned by Bankers Financial Corporation. Bankers International Financial Corporation (BIFC), a Florida corporation, was the ultimate controlling United States corporation in the consolidated group. Bankers International Financial Corporation, LTD, a corporation organized and existing under the Cayman Islands, British West Indies, owned all of the common capital stock of BIFC.

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 statement.

	2005	2004	2003
Premiums Earned	59,619,038	57,367,296	43,109,328
Net Underwriting Gain/(Loss)	(7,172,937)	(5,964,194)	(7,438,852)
Net Income	1,642,738	(2,457,087)	(3,868,123)
Total Assets	102,858,775	84,793,630	77,480,988
Total Liabilities	67,723,046	57,563,718	48,104,306
Surplus As Regards Policyholders	35,135,730	27,229,912	29,376,682

Dividends to Stockholders

There were no dividends declared or paid to stockholders during the period of examination.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2005, were:

Directors

Name and Location	Principal Occupation
William D. Gunter, Jr. Tallahassee, Florida	Chairman, CEO and Director Rogers, Atkins, Gunter & Associates
Edwin C. Hussemann St. Petersburg Beach, Florida	Director/Treasurer Bankers Insurance Company
David K. Meehan St. Petersburg, Florida	Chairman & President Bankers Insurance Company
John A. Strong Greensboro, North Carolina	Physician Moses Cone Hospital
Robert M. Menke Tierra Verde, Florida	Founder and Director Bankers Insurance Company
John W. Mixson Tallahassee, Florida	Director Bankers Insurance Company
David J. Nye (a) Gainesville, Florida	Professor University of Florida
Douglas B. Pierce (b) Plano, Texas	Director Bankers Insurance Company
William Van Syckle Stamford, Connecticut	Director Bankers Insurance Company
Brian L. Keefer Tampa, Florida	Director, Executive VP & COO Bankers Insurance Company

(a) Resigned on January 26, 2006 and was replaced by David K. Meehan.

(b) Resigned on January 26, 2006.

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

Senior Officers

Name	Title
David K. Meehan	President
Brian L. Keefer	Executive Vice President
Edwin C. Hussemann	Treasurer
John T. White	Secretary
Barry W. Gates	Senior Vice President
Brian J. Kesneck	Senior Vice President
Barbara A. Peat	Senior Vice President
Russell A. Fischer	Senior Vice President
Teresa D. Heller	Senior Vice President
Wayne S. Matthews	Senior Vice President
Judy M. Copechal	Vice President
William M. Gray II	Vice President
Robert G. Southey, Jr.	Vice President
Janet H. Till	Vice President

The Company's board appointed several internal committees in accordance with Sections 607.0825 and 624.424(8), Florida Statutes. Following are the principal internal board committees and their members as of December 31, 2005:

Executive Committee

David J. Nye¹ (a)
 David K. Meehan²
 Edwin C. Hussemann
 Douglas B. Pierce (b)
 Robert M. Menke

Audit Committee

Bill Gunter¹
 J. Wayne Mixson
 William Van Syckle²
 John A. Strong
 Donald B. Roberts

Investment Committee

David J. Nye¹
 E. Mario Gil
 David K. Meehan²
 Edwin C. Hussemann
 Brian L. Keefer
 William Gray
 Robert M. Menke
 Wayne S. Mathews

¹ Chairman

² Co-Chairman

(a) Resigned on January 26, 2006 as Chairman and was replaced by David K. Meehan.

(b) Resigned on January 26, 2006 and was replaced by Robert M. Menke and Brian Keefer.

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. No exceptions were noted during the period of examination.

Corporate Records

The recorded minutes of the shareholder, Board of Directors, and certain internal committees adequately documented its meetings and approval of Company transactions 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, disposals, dissolutions, and purchase or sales through reinsurance during the period of examination.

Surplus Debentures

The Company had no surplus debentures for the period under examination.

AFFILIATED COMPANIES

The latest holding company registration statement was filed with the State of Florida on June 30, 2006, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

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

Tax Allocation Agreement

The Company, along with its parent, filed a consolidated federal income tax return. On June 30, 2002, the method of allocation between the Company and its parent was based upon the tax which would have been payable if the respective operations had filed separate tax returns. Credit for tax losses were distributed based on utilization in the tax return.

Management Agreement

The Company had an agreement with BIG, dated January 1, 1999, to appoint BIG as its executive management in connection with all management matters pertaining to the operation of its business as set within the agreement.

Agency Agreement

The Company had a general agency agreement, dated October 1, 2001, with Bankers Surety Services, Inc., to produce and administer insurance policies and renewals for the Bail Bond line of business. The Company wrote other lines of business through independent agents.

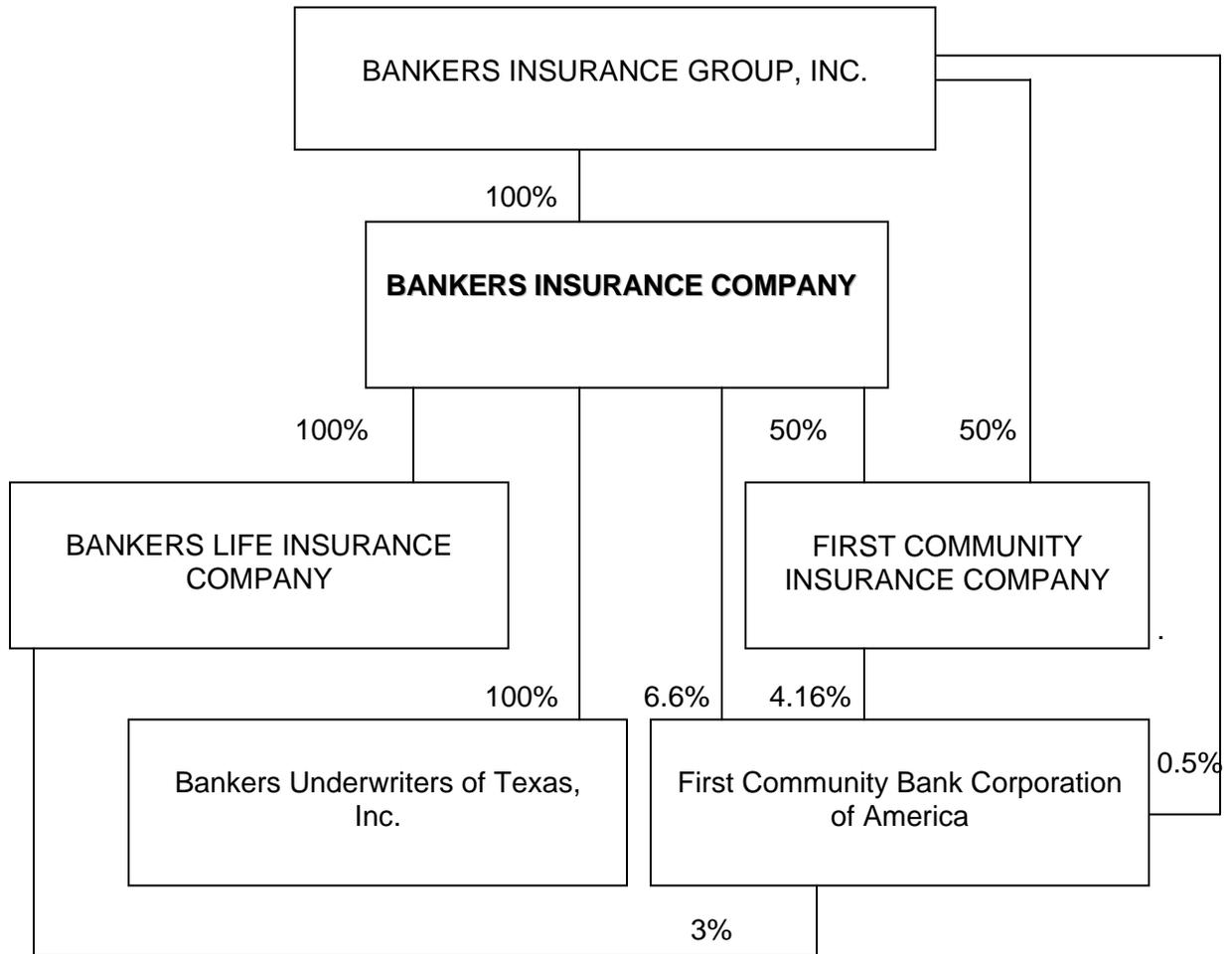
Service Agreement

The Company had an agreement with Insurance Management Solutions Group, Inc. (IMSG), dated January 1, 1998, which stated that IMSG agreed to make available its facilities to the Company to perform the services required for the conduct of its operations, including but not limited to data processing equipment, business property, whether owned or leased, and communications equipment. IMSG agreed at all times to use its best efforts to maintain sufficient personnel and facilities of the kind necessary to perform under the agreement. The agreement with IMSG was terminated on July 1, 2003. Subsequent to this time, certain services were provided by IMSG on a month-to-month basis which materially ceased in May 2004.

An organizational chart as of December 31, 2005, reflecting the holding company system, is shown below. Schedule Y of the Company's 2005 annual statement provided a list of all related companies of the holding company group.

**BANKERS INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2005



FIDELITY BOND

The Company maintained fidelity bond coverage up to \$1,500,000 with no deductible, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Bankers Financial Corporation, parent company to Bankers Insurance Group, parent company to Bankers Insurance Company, sponsored a defined contribution savings plan covering substantially all employees. Effective January 1, 2003, the plan provided that the Company was not required to make a contribution each year. An employee may contribute an amount up to the maximum government amount allowed for a given year to the plan, subject to the discretionary match by the parent. The match was allocated to the Company based on employee contributions. The Company had no legal obligation for benefits under this plan.

STATUTORY DEPOSITS

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

Florida Statutes:

STATE	DESCRIPTION	RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
FL	Alcoa	6.5%	06/01/11	\$ 725,000	\$ 813,494
	Federal Express	8.8%	05/22/15	500,000	571,420
	MS State Taxable	7.1%	09/01/15	350,000	355,443
	NCNB Corp.	10.2%	07/15/15	250,000	341,815
	Bethlehem, PA	5.3%	11/01/17	277,000	278,645
	Lafourche Parish, LA	4.4%	03/01/25	535,000	528,024
	National Rural	8.0%	03/01/32	1,000,000	1,304,900
	Verizon Global	7.4%	09/01/12	500,000	588,395
TOTAL FL DEPOSITS				<u>\$ 4,137,000</u>	<u>\$ 4,782,136</u>
GA	USTNS	3.5%	11/15/06	\$108,821	\$100,844
IN	Chase Bank-Savings	-	-	85,121	85,121
LA	USTNS	5.6%	02/15/06	75,302	77,321
MA	USTNS	4.6%	05/15/06	501,087	511,525
NV	Alcoa, Inc.	6.5%	06/01/11	204,546	224,412
NM	General Electric	5.0%	06/15/07	357,797	350,984
NC	USTNS	4.4%	08/15/12	3,056,520	3,068,031
PA	VARIOUS BAIL BONDS	-	-	200,000	200,000
SC	Alcoa, Inc./FedEx/Morgan Stanley	8.8%	06/11/06	1,040,253	1,124,585
TX	VARIOUS BAIL BONDS	-	-	3,439,453	3,439,453
VA	General Electric	6.8%	03/15/32	499,516	605,370
TOTAL OTHER DEPOSITS				<u>\$9,568,416</u>	<u>\$9,787,646</u>
TOTAL SPECIAL DEPOSITS				<u>\$13,705,416</u>	<u>\$14,569,782</u>

INSURANCE PRODUCTS

Territory

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

Alabama	Iowa	North Dakota
Arizona	Kansas	Ohio
Arkansas	Kentucky	Oklahoma
California	Louisiana	Pennsylvania
Connecticut	Maryland	South Carolina
Delaware	Massachusetts	South Dakota
District of Columbia	Mississippi	Tennessee
Florida	Missouri	Texas
Georgia	Montana	Utah
Hawaii	Nebraska	Virginia
Idaho	Nevada	Washington
Illinois	New Mexico	West Virginia
Indiana	North Carolina	Wyoming

During 2005, the Company continued to run off the losses for the discontinued products, mainly the Auto and Workers Compensation lines of business.

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 626.954(1)(i)3,a, Florida Statutes.

REINSURANCE

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

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

Assumed

The Company assumed risk on a quota share basis from the affiliated companies of First Community Insurance Company and Bankers Life Insurance Company. Additional risk was assumed from other insurance companies.

Ceded

The Company also ceded risk to Western International Insurance Company (Western), an offshore-unauthorized reinsurer. The Company and Bankers Life Insurance Company were the primary sources of business for Western.

ACCOUNTS AND RECORDS

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

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

An independent CPA audited the Company's statutory basis financial statements annually for the years 2002, 2003, 2004 and 2005, in accordance with Section 624.424(8), Florida Statutes. We relied on supporting work papers which 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 had a custodial agreement with Bank of New York Trust Company of Florida dated April 7, 1998. The agreement was in accordance with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

The Company had an agreement with Gregory, Sharer and Stuart, P.A. to perform an audit of its statutory financial statements for the years 2002, 2003, 2004 and 2005.

Risk-Based Capital

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

Information Technology (IT) Report

An independent IT report performed by Solutions @MBA, LLC as of March 2005 had significant findings regarding internal controls as follows:

In March of 2005, Solutions @ MBA, LLC identified that the Company needed to improve its process of validating backup data files. This process would include testing of the backup files for transaction, transaction history, software and master file both quarterly and immediately after backup media is created. Upon completion of the backup, reports created by the backup hardware/software should be reviewed to assure accuracy of the backup. To date, the Company has stated that file restorations from its backup library has occurred without incident.

There was no evidence that a disaster recovery plan was tested; however, pursuant to the Company's May 8, 2006 IT Internal Audit Review, disaster recovery testing was scheduled to be completed in July 2006. The Company stated that disaster recovery testing will be scheduled and performed annually.

The IT report recommended that the Company implement and continue monitoring internal controls.

Subsequent event:

An Internal Audit Committee Report dated January 25, 2006, referenced that an IT Audit Report would be issued by early February 2006. The Internal Audit Committee Report issued on July 26, 2006 regarding the IT review did not mention any steps taken by the Company to resolve

the findings noted in the March 2005 IT report; however, the findings from the IT audit were addressed in a report issued May 8, 2006.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2005, 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."

BANKERS INSURANCE COMPANY
Assets

DECEMBER 31, 2005

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 46,550,488		\$ 46,550,488
Stocks:			
Common	25,219,758		25,219,758
Mortgage loans on real estate:			
First liens	25,000		25,000
Other than first liens	2,025,000		2,025,000
Real Estate:			
Properties held for the production of income	903,843		903,843
Cash and Short-term investments	10,031,842		10,031,842
Agents' Balances:			
Uncollected premium	2,186,030		2,186,030
Deferred premium	2,274,435		2,274,435
Reinsurance recoverable	2,290,269		2,290,269
Funds held or deposited with reinsurer	73,042		73,042
Net deferred tax asset	1,612,715		1,612,715
Guaranty funds receivable or on deposit	34,966		34,966
EDP Equipment	807,926		807,926
Interest and dividend income due & accrued	530,440		530,440
Receivable from parents, subsidiaries and affiliates	68,004		68,004
Aggregate write-in for other than invested assets	8,225,019		8,225,019
Difference due to rounding off	(2)		(2)
Totals	\$ 102,858,775	\$ -	\$ 102,858,775

BANKERS INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2005

	Per Company	Examination Adjustments	Per Examination
Losses	\$23,058,666		\$23,058,666
Reinsurance payable on paid losses and loss adjustment expenses	403,838		403,838
Loss adjustment expenses	7,623,608		7,623,608
Commission payable	1,180,162		1,180,162
Other expenses	1,309,901		1,309,901
Taxes, licenses and fees	718,613		718,613
Current federal & foreign income taxes	962,788		962,788
Unearned premium	28,850,460		28,850,460
Ceded reinsurance premiums payable	1,701,455		1,701,455
Amounts withheld or retained by company for others	655,823		655,823
Remittances and items not allocated	517,661		517,661
Provision for reinsurance	55,158		55,158
Payable to parent, subsidiaries and affiliates	35,679		35,679
Aggregate write-ins for liabilities	649,234		649,234
Total Liabilities	\$67,723,046		\$67,723,046
Common capital stock	\$4,500,000		4,500,000
Gross paid in and contributed surplus	32,380,816		32,380,816
Unassigned funds (surplus)	(1,745,087)		(1,745,087)
Surplus as regards policyholders	\$35,135,729		\$35,135,729
Total liabilities, capital and surplus	\$102,858,775	\$0	\$102,858,775

BANKERS INSURANCE COMPANY
Statement of Income

December 31, 2005

Underwriting Income

Premiums earned	\$59,619,038
DEDUCTIONS:	
Losses incurred	29,570,168
Loss expenses incurred	\$5,584,913
Other underwriting expenses incurred	31,636,894
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	\$66,791,975
Net underwriting gain or (loss)	(\$7,172,937)

Investment Income

Net investment income earned	\$3,475,418
Net realized capital gains or (losses)	(71,589)
Net investment gain or (loss)	<u>\$3,403,829</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$57,360)
Finance and service charges not included in premiums	167,277
Aggregate write-ins for miscellaneous income	6,742,863
Total other income	<u>\$6,852,780</u>

Net income before dividends to policyholders and before federal & foreign income taxes	\$3,083,672
Dividends to policyholders	<u>0</u>
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$3,083,672
Federal & foreign income taxes	<u>1,440,934</u>
Net Income	\$1,642,738

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$27,229,912
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Gains and (Losses) in Surplus

Net Income	\$1,642,738
Net unrealized capital gains or losses	3,733,785
Change in net deferred income tax	(296,272)
Change in non-admitted assets	2,408,653
Change in provision for reinsurance	416,914
Examination Adjustment	0
Change in surplus as regards policyholders for the year	<u>\$7,905,818</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$35,135,730</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$31,086,112

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, 2005, make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office actuary reviewed work papers provided by the Company and was in concurrence with this opinion.

**BANKERS INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2005

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 per December 31, 2005, Annual Statement	\$ 35,135,730
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustment.			
LIABILITIES:			
No Adjustment.			
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2005, Per Examination			\$ 35,135,730

SUMMARY OF FINDINGS

Compliance with previous directives

The Company has taken the necessary actions to comply with the comments made in the 2002 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 in the examination as of December 31, 2005:

The IT report issued by Solutions @MBA, LLC as of March 2005 had significant findings regarding internal controls such as the need to improve its process of validating backup data files. This process would include testing of the backup files for transaction history, software and master file both quarterly and immediately after backup media is created. Recommendations were made to the Company by Solutions @MBA, LLC to implement and monitor internal controls. **We recommend that the Company continue its follow up process and comply and resolve the IT issues to reduce the risk of losing valuable financial and management information. We further recommend the Office conduct a follow-up target examination as of June 30, 2007 to verify compliance with this recommendation.**

CONCLUSION

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

Per examination findings, the Company's Surplus as regards policyholders was \$35,135,730, which was in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Joe Boor, FCAS, Office Actuary, participated in the examination.

Respectfully submitted,

Joel V. Bengo
Financial Examiner/Analyst II
Florida Office of Insurance Regulation

Michael F. Hampton, CPA, CFE, DABFA, CFE, CPM
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation