

**REPORT ON EXAMINATION**  
**OF**  
**CLARENDON SELECT INSURANCE**  
**COMPANY**  
**ORLANDO, FLORIDA**

**AS OF**  
**DECEMBER 31, 2009**

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

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**TALLAHASSEE, FLORIDA**

February 18, 2011

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

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2009, of the financial condition and corporate affairs of:

**CLARENDON SELECT INSURANCE COMPANY  
6831 EDGEWATER COMMERCE PARKWAY, SUITE 1101  
ORLANDO, FLORIDA 32810**

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, 2005, through December 31, 2009. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2004. This examination commenced with planning at the Office on November 29, 2010, to December 3, 2010. The fieldwork commenced on December 6, 2010, and concluded as of February 18, 2011.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

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

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

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Examination 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.

### **Unclaimed Property**

The Company was not in compliance with Section 717.117, Florida Statutes. The Company was unable to provide a report of unclaimed property for the examination year end December 31, 2009.

### **Prior Examination Findings**

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2004, along with resulting action taken by the Company.

### **Claims Outstanding Check Understatement**

The Company's 2004 filed Annual Statement general ledger (and annual statement) at December 31, 2004 indicates a claims outstanding check amount of \$37,676,517. However, the December 31, 2004 claims outstanding check reconciliation calculated by Tower Hill and provided to the Company, indicated that the actual reconciled outstanding amount was \$49,958,828. **Resolution:** The Company has also implemented a "standard reconciliation template" and an "un-reconciled difference worksheet" for better control of the GL balances.

### **Investment Approval**

The Board of Directors (Board), or an Investment Committee appointed by the Board, is required by Section 625.304, Florida Statutes, to approve all investments made by the Company. This has not been done in any of the three years under examination. The Company did not have an Investment Committee although there was an Investment Committee for all Clarendon group companies. In the CNIC board meeting held on March 14, 2004 and November 16, 2004, all investment transactions were approved to date. These must be ratified at least annually and by the Company's own Board. **Resolution:** The Company provided unanimous written consent of the Board which stated, effective October 3, 2006, the Board will annually review the Company's investment transactions.

### **Appointment of Actuary**

The Company's Board has failed, in all of the three years covered by this examination, to appoint an actuary. **Resolution:** In a Board meeting held on April 11, 2005, the Board appointed an actuary for the Company.

### **Reconciliation of Schedule P**

It was noted by the Office Actuary that several deficiencies existed in reconciling Schedule P to the annual statement. These deficiencies included a significant number of December 2004 losses paid by the Company that were not included in Schedule P, together with losses paid and salvage and subrogation amounts that did not reconcile to the supporting details. **Resolution:** On September 30, 2005, the Company provided adjustments to Schedule P that were reflected in the 2005 Annual Statement Schedule P.

### **Corporate Records**

The Company did not maintain their stock certificate in accordance with Section 607.0625 (2) Florida Statutes. **Resolution:** The Company corrected the stock certificate to show the class of stock on August 22, 2005.

### **Information Technology**

The business continuity plan is outdated. **Resolution:** The Company updated the business continuity plan in September 2009.

### **Taxes, Licenses and Fees**

The Company failed to accrue all miscellaneous liabilities and also did not provide a proper reconciliation between premium taxes payable and the annual statement. **Resolution:** The Company was placed in run off in July 2005. Subsequently no business; the exception was forced renewals during the period under examination.

## **SUBSEQUENT EVENTS**

On December 22, 2010, the Company's ultimate parent, Hannover Ruckversicherung-Aktiengesellschaft (Hannover Re), a German company, announced the sale of the Clarendon Group, Inc., New York, to the Bermuda-based Enstar Group Ltd., Hamilton, subject to regulatory approval.

## HISTORY

### General

The Company was incorporated on June 17, 1986 and commenced business on June 26, 1986, under the laws of the State of Oklahoma, as Winston Insurance Company. Effective February 28, 1997, the Company was re-domesticated to the State of Florida. As of December 20, 1996, the Company became a controlled insurer of Lion Holding, Inc., a Delaware corporation. The stock of Lion Holding, Inc. was then held solely by the management of Clarendon Insurance Group and Kansa International Corp. The name of Winston Insurance Company was changed to Clarendon Select Insurance Company, by approval of the Office in April of 1997.

In June, 1998, Clarendon National Insurance Company acquired one hundred percent (100%) of the outstanding voting securities of the Company as a result of the dissolution of RLH Winston Holding, Inc.

On February 25, 1999, the Company became a controlled insurer of Hannover Finance, Inc., when Hannover Finance, Inc., acquired all of the issued and outstanding shares of common stock of Lion Holding, Inc. At that time, Hannover Finance was owned one hundred percent (100%) by Hannover Re.

The Company was authorized to write the following lines of business at December 31, 2009 in the States of Florida and Oklahoma:

- Fire
- Allied Lines
- Homeowners Multi Peril
- Accident and Health
- Mobile Home Multi Peril
- Mobile Home Physical Damage

On April 5, 2005, the Company notified the Office that it intended to discontinue writing insurance policies in the State of Florida. The lines of business to be discontinued were Fire, Allied Lines, Homeowners Multi Peril, Accident and Health, Mobile Home Multi Peril and Mobile Home Physical Damage. The notice stated that the discontinuance was intended to comply with the requirements of Section 624.430, Florida Statutes, and Rule 69O-141.020, Florida Administrative Code. A letter dated May 10, 2005, from the Office, contained the following: "Based on the information submitted, the Office has no objection to Clarendon Select's proposed plan to non-renew the affected policies in Florida provided the following directives are met:

1. None of the affected policies will be cancelled except for the reasons allowed in Chapter 627, Florida Statutes, or at the specific request of the policyholder/agent.
2. Each of the affected policyholders will receive at least 90 days advanced notice pursuant to Section 627.4133(2)(b), Florida Statutes, as applicable.
3. Clarendon Select shall provide written notification to each mortgage holder (mortgagee), as applicable, for the discontinued homeowners insurance policies.
4. Clarendon Select shall notify all affected agents not to place any new or renewal business with the company except those policies that have not received the required advance notice of non-renewal as prescribed by Section 627.4133(2)(b), Florida Statutes.
5. Clarendon Select shall take no action in furtherance of the discontinuance of the affected policies, prior to the expiration of 90 days after the receipt by the Office of the notice as required by Section 624.430, Florida Statutes. Clarendon Select's notice was received by the Office in the proper format on April 5, 2005.
6. Clarendon Select shall continue to service its existing policyholders and shall honor all claims and other liabilities arising under its contractual obligations pursuant to policies issued in this state.
7. Clarendon Select shall satisfy all obligations to any residual markets.

8. Clarendon Select acknowledges that it will comply with Emergency Rule #69OER05-05 and all prior and subsequent EMERGENCY ORDERS, EXECUTIVE ORDERS and EMERGENCY RULES issued by the Governor or the Office regarding recent hurricane disasters (e.g. moratoriums regarding canceling or non-renewing policies in Florida) as they affect the referenced insurance policies.”

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

### **Dividends to Stockholders**

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2007 and 2006 in the amounts of \$10,000,000 and \$2,800,000, respectively.

### **Capital Stock and Capital Contributions**

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

Number of authorized common capital shares	2,000,000
Number of shares issued and outstanding	166,667
Total common capital stock	\$3,000,000
Par value per share	\$18.00

Control of the Company was maintained by its parent, Clarendon National Insurance Company, who owned 100% of the stock issued by the Company, who in turn was 100% owned by Clarendon Insurance Group, Inc., a Delaware corporation, who in turn was 100% owned by Hannover Finance Inc., a Delaware corporation who in turn was owned by Hannover Re, Germany.

No contributions were made, in cash or equivalents, by the Company's parent during the period under examination.

## **Surplus Debentures**

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

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

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

## **CORPORATE RECORDS**

The Board minutes reviewed adequately documented the authorization of investments as required by Section 625.304, Florida Statutes.

## **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 Company did not provide minutes of the shareholder meetings and, therefore, they did not provide documentation for the annual appointment or election of Board members of the

Company as required by Sections 607.1601 and 628.231, Florida Statutes, and Article II (1) of its Bylaws, as amended.

The following Directors were serving as of December 31, 2009:

### **Directors**

<b>Name and Location</b>	<b>Principal Occupation</b>
Patrick Paul Fee Wauwatosa, Wisconsin	Director, Chief Executive Officer and President Clarendon Insurance Group
Andres Folke Larsson Westport, Connecticut	Director, Chief Operating Officer and Chief Operating Officer, Clarendon Insurance Group
Robert Francis Redpath Weston, Connecticut	Director, General Counsel and Secretary Clarendon Insurance Group
Michael William Sheehan Westcliff Lake, New Jersey	Director and Senior Vice President Clarendon Insurance Group
Catherine Frances Hood Jackson, New Jersey	Director, Senior Vice President and Chief Compliance Officer Clarendon Insurance Group

The following were serving as the Company's senior officers:

### **Senior Officers**

<b>Name</b>	<b>Title</b>
Patrick Paul Fee	President & CEO
Andres Folke Larsson	Chief Operating Officer
Robert Francis Redpath	Secretary & General Counsel
Matthew Mascia	Senior Vice President & Treasurer

The Clarendon Group shared the internal committees. The Company's Board appointed its internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and their members as of December 31, 2009:

**Audit Committee**

Roland Vogel (Chairman)  
Patrick Fee  
William Kelty, III  
Olaf Brock  
(Permanent Guest)

**Investment Committee**

Roland Vogel (Chairman)  
Patrick Fee  
Anders Larsson  
Matthew Macia

**Affiliated Companies**

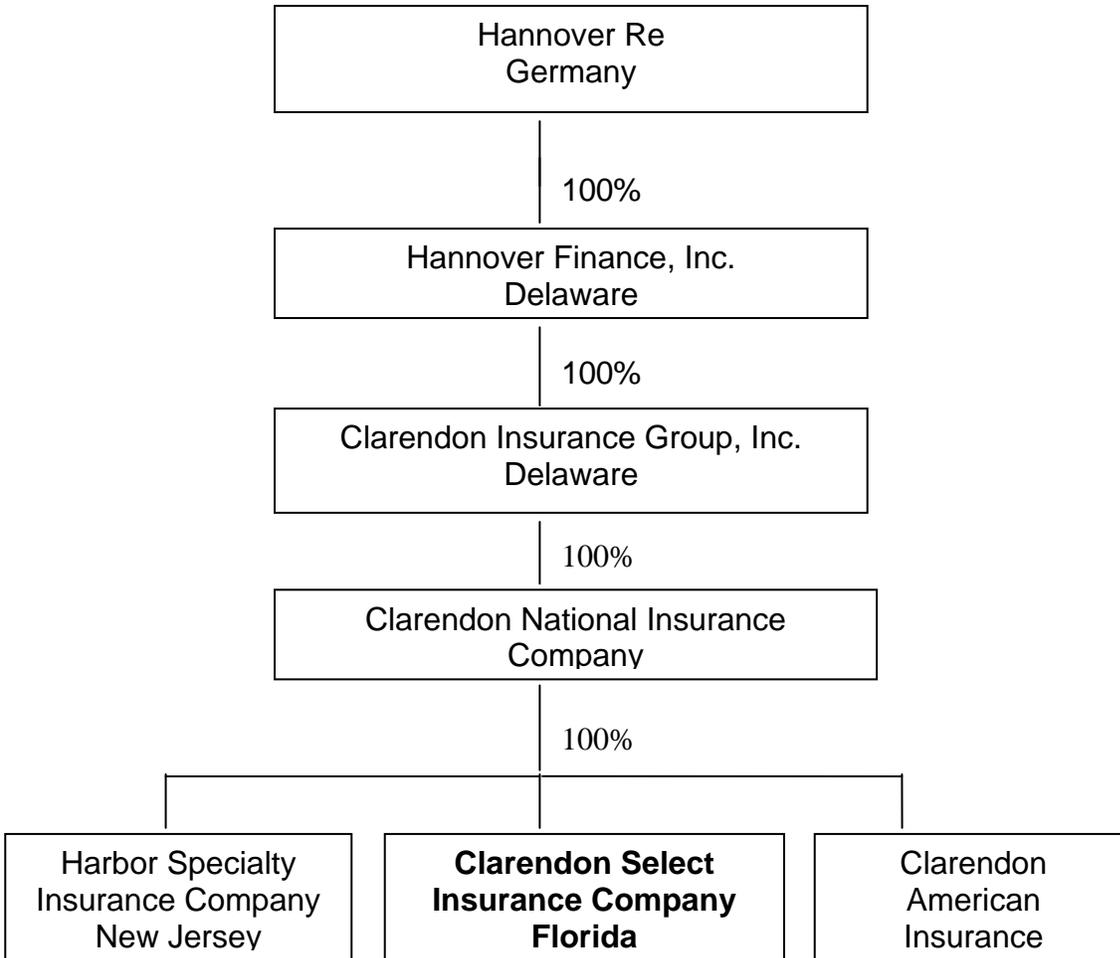
The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on March 31, 2010, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

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

The Company's organizational chart is noted below.

**CLARENDON SELECT INSURANCE COMPANY  
Organizational Chart**

**DECEMBER 31, 2009**



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

### **Tax Allocation Agreement**

The Clarendon Group filed a consolidated federal income tax return with Hannover Finance, Inc., the ultimate United States domiciled parent. On December 31, 2009, the method of allocation between the Company, subsidiaries and the parent was on a separate-entity basis.

On or before the prescribed due date (without the extension) of federal consolidate income tax return for the group, each subsidiary shall compute the amount of federal income tax the subsidiary would be required to pay if it filed a separate return. In the event the Parent owes an amount to the subsidiary, the Parent shall pay such amount to the subsidiary on or before the due date of consolidated federal income tax return of the Group.

### **Cost Allocation Agreement**

The Company entered into an Expense Allocation Agreement with Clarendon National Insurance Company (Clarendon), as of January 1, 2003. Pursuant to the agreement, Clarendon agreed to perform such services as the companies may request including coordinating the activities, coordinating the development of corporate plans, and providing consulting, accounting, actuarial, underwriting, claims and other services, except any investment services. Fees incurred under this agreement during 2009 amounted to \$734,068.

### **Investment Advisory Agreement**

The Company entered into an Investment Advisory Agreement with AmepgaGerling Asset Management (AmepgaGerling) to manage its assets on July 1, 2009. The provisions with regards to remuneration shall be retrospective effective from January 1, 2007. Pursuant to terms of the agreement, the Company shall pay a minimum of 25,000 EURO's per annum plus costs and taxes annually.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company is a named insured on a group maintained fidelity bond with coverage up to \$10,000,000 with a deductible of \$250,000, which exceeded the suggested minimum recommended by the NAIC.

In addition, the Clarendon Group had a number of insurance policies in place to protect the Group as well as the Company for the various aspects of their business.

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

The Company had no employee retirement or stock ownership plans.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance only in the states of Florida and Oklahoma. The Company was placed in runoff in July 2005, with the exception of forced renewals; no new business was written in the State of Florida. No business was written in Oklahoma during the period under examination.

### **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

On July 2005, the Company, with the approval of the Office, was placed in a runoff position. As of December 31, 2009, the Company's activities related to the research and settlement of 314 open claims. Pursuant to Company officials, the Clarendon Group was on the market. If the sale of the group was not accomplished, the Company will either be merged into its parent, Clarendon National Insurance Company, or liquidated in 2011.

### 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.

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Premiums Earned	0	0	0	0	0
Net Underwriting Gain/(Loss)	(645,899)	(745,270)	(258,676)	(2,576,334)	(4,372,313)
Net Income	(664,695)	(461,117)	34,250	(1,123,793)	(3,010,311)
Total Assets	14,235,786	17,191,087	16,021,098	23,960,080	25,053,628
Total Liabilities	215,213	2,447,450	812,923	(1,078,635)	(3,542,262)
Surplus As Regards Policyholders	14,020,573	14,743,637	15,208,175	25,038,715	28,595,889

## LOSS EXPERIENCE

As previously noted, the Company was placed in runoff in July 2005. As of December 31, 2009, the Company's focus was the research and settlement of the remaining 314 open claims.

## 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 any new business during the period under examination.

### **Ceded**

The Company made extensive use of reinsurance in managing the runoff of the 314 claims remaining open at December 31, 2009. The following reinsurance agreements were in effect at December 31, 2009:

**Quota Share Reinsurance Contract** – the contract covering 95% of the Company's net liability for losses occurring at or after February 1, 2005, to continue in effect until terminated, for business classified as homeowners insurance. The contract between the Company and various unauthorized reinsurers was negotiated by Benfield, with each unauthorized reinsurer providing a letter of credit for the portion of business assumed from the Company.

**Multi Peril Umbrella Run Off Excess of Loss** – a letter of credit was provided for the contract between the Company, Clarendon National Insurance Company, Clarendon American Insurance Company, Harbor Specialty Insurance Company and Hanover Reinsurance Company, an affiliate and also an unauthorized reinsurer. The contract covered all policies or contracts written during the covered period. The contract, initially, covered the period June 1, 2005 thru May 31, 2006. The contract was subsequently amended to cover the periods June 1, 2006 thru May 31, 2007 and June 1, 2007 thru May 31, 2008.

In addition to the reinsurance detailed above and the Florida Hurricane Catastrophe Fund, effective May 1, 1997, the Company entered into a 100% Quota Share Agreement with its parent, Clarendon National Insurance Company whereby it ceded 100% of its net retained liability under all policies, contracts and binders of insurance and reinsurance issued or renewed on or after May 1, 1997.

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

### **ACCOUNTS AND RECORDS**

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

The Company's accounting records were maintained on a computerized system and 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 New York, New York. This examination was conducted in Orlando, Florida, where the Company maintained a claims office.

### **Unclaimed Property**

The Company did not provide a report of unclaimed property for year end 2009 or remit any unclaimed property in 2009. They were not in compliance with Section 717.117 (1), Florida Statutes.

The Company reported that while Tower Hill, its (Third Party Administrator), reported the issued check register to the bank, it did not follow up with the information to clear the list of duplicate payments, voids or reissues from that list. Due to the lack of reporting of those items, a significant 'to be voided' listing was created on the Tower Hill reconciliation. Reconciliation of the account was necessary to prepare the required unclaimed property report.

**The Company and non-affiliates had the following agreements:**

#### **Custodial Agreement**

The Company maintained a custodial agreement with U.S. Bank National Association, entered into on October 28, 2008. The Agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

#### **Independent Auditor Agreement**

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

## Information Technology Report

Examination Resources, LLC performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

### STATUTORY DEPOSITS

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

STATE	Description	Par Value	Market Value
Florida	Cash	<u>\$550,357</u>	<u>\$551,569</u>
TOTAL SPECIAL DEPOSITS		<u>\$550,357</u>	<u>\$551,569</u>

### FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**CLARENDON SELECT INSURANCE COMPANY  
ASSETS**

**DECEMBER 31, 2009**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Bonds	\$4,722,613		\$4,722,613
Cash and short-term investments	9,574,569		9,574,569
Interest and dividend income due & accrued	17,992		17,992
Reinsurance recoverable from reinsurers	(80,738)		(80,738)
Aggregate write-in for other than invested assets	1,350		1,350
Totals	<u>\$14,235,786</u>	<u>\$0</u>	<u>\$14,235,786</u>

**CLARENDON SELECT INSURANCE COMPANY  
LIABILITIES, SURPLUS AND OTHER FUNDS**

**DECEMBER 31, 2009**

	Per Company	Examination Adjustments	Per Examination
Losses	\$0		\$0
Loss adjustment expenses	0		0
Other expenses	6,406		6,406
Ceded reinsurance premiums payable	101,407		101,407
Amounts withheld	65,769		65,769
Payable to parent, subsidiaries and affiliates	41,631		41,631
Total Liabilities	\$215,213		\$215,213
Common capital stock	\$3,000,000		\$3,000,000
Gross paid in and contributed surplus	10,850,000		10,850,000
Unassigned funds (surplus)	170,573		170,573
Surplus as regards policyholders	\$14,020,573	\$0	\$14,020,573
Total liabilities, surplus and other funds	\$14,235,786	\$0	\$14,235,786

**CLARENDON SELECT INSURANCE COMPANY  
STATEMENT OF INCOME  
DECEMBER 31, 2009**

**Underwriting Income**

Premiums earned		\$0
	<b>Deductions:</b>	
Losses incurred		\$0
Loss expenses incurred		195,997
Other underwriting expenses incurred		449,902
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$645,899
Net underwriting gain or (loss)		(\$645,899)

**Investment Income**

Net investment income earned		(\$18,965)
Net realized capital gains or (losses)		0
Net investment gain or (loss)		(\$18,965)

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		\$169
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		\$169
Net income before dividends to policyholders and before federal & foreign income taxes		(\$664,695)
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(\$664,695)
Federal & foreign income taxes		0
Net Income		(\$664,695)

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$14,743,638
Net Income		(\$664,695)
Net unrealized capital gains or losses		(217,397)
Change in deferred income tax		227,634
Change in nonadmitted assets		\$0
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		(68,607)
Aggregate write-ins for gains and losses in surplus		(\$723,065)
Change in surplus as regards policyholders for the year		\$14,020,573
Surplus as regards policyholders, December 31 current year		\$14,020,573

A comparative analysis of changes in surplus is shown below.

**CLARENDON SELECT INSURANCE COMPANY  
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

**DECEMBER 31, 2009**

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders  
December 31, 2009, per Annual Statement \$14,020,573

	<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>0</u>
Surplus as Regards Policyholders December 31, 2009, Per Examination			<u><u>\$14,020,573</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

#### Losses and Loss Adjustment Expenses \$0

The Company was placed in run off in July 2005. As of December 31, 2009, its only function was the research and settlement of 314 open claims. Pursuant to various reinsurance contracts, the Company ceded 100% of the liability related to the open claims.

An outside actuarial firm was appointed by the Board to render an opinion that the amounts carried in the Company's balance sheet as of December 31, 2009, made a reasonable provision for the unpaid loss and loss adjustment expense obligation related to the 314 claims outstanding at December 31, 2009.

The Office engaged Randall Ross and Brent Sallay, from the independent actuarial firm, Taylor-Walker & Associates, LLC to review the Company's loss and loss adjustment expense reserving for the 314 outstanding claims as of December 31, 2009, and was in concurrence with the opining actuary.

### Capital and Surplus

The amount reported by the Company of \$14,020,573, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

## **SUMMARY OF RECOMMENDATIONS**

### **Unclaimed Property**

We recommend that the Company comply with Section 717.117, Florida Statutes, and take the necessary steps to reconcile the outstanding checks to ensure that all escheatable funds are reported when due.

## CONCLUSION

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

Per examination findings, the Company's Surplus as regards policyholders was \$14,020,573, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

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

Respectfully submitted,

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