

REPORT ON EXAMINATION
OF
NATIONAL INDEMNITY COMPANY OF THE SOUTH
JACKSONVILLE, FLORIDA
AS OF
DECEMBER 31, 2003

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida
July 9, 2004

Kevin M. McCarty
Director
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 (FS), 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, 2003, of the financial condition and corporate affairs of:

**NATIONAL INDEMNITY COMPANY OF THE SOUTH
3024 HARNEY STREET
OMAHA, NEBRASKA 68131-3580**

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, 2001 through December 31, 2003. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2000. This examination commenced with planning at the Office on April 29, 2004. The fieldwork commenced on May 10, 2004 and was concluded as of July 2, 2004. 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 statutory financial examination conducted in accordance with the Financial 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 (FAC), 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/or verified the amounts of the Company's assets and liabilities as reported by the Company in its annual statement as of December 31, 2003. Transactions subsequent to year-end 2003 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.

Status of Adverse Findings from Prior Examination

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2000, along with resulting action taken by the Company in connection therewith.

Custodial Agreements

The Company entered into a custodian agreement with Norwest Bank Minnesota, N.A. of Minneapolis, MN. Subsequently, Norwest Bank Minnesota, N. A. merged with Wells Fargo Bank Minnesota, N.A. and changed its name to the later. The Company's custodian agreement was not amended to reflect the correct name of the parties. **Resolution:** The Company amended its custodian agreement to reflect the correct name of the custodian, Wells Fargo Bank Minnesota, N.A.

Pledged Depository Trust Agreement

The National Fire & Marine Insurance Company, a reinsurer and affiliate of National Indemnity Company of the South, and Norwest Bank Nebraska, N.A. (Depository) were parties to a trust (Pledged Depository) agreement. Subsequently, Norwest Bank Nebraska, N.A. merged with Wells

Fargo Nebraska, N.A. and changed its name to the later. The trust agreement was not amended to reflect the correct name of the parties. **Resolution:** The trust agreement was amended to reflect the correct name, Wells Fargo Bank Nebraska, N.A.

Schedule DA – Part 1

The Company incorrectly reported Columns 15 and 16 of Schedule DA – Part 1 in the 2001 Annual Statement. **Resolution:** The Company correctly reported Schedule DA in the 2003 Annual Statement.

HISTORY

General

The Company was incorporated in Florida on March 28, 1983 and commenced business on October 1, 1983.

In accordance with Section 624.401(1), FS, the Company was authorized to transact the following insurance coverage in Florida on December 31, 2003:

Fire	Allied Lines
Inland Marine	Workers' Compensation
Other Liability	PPA Physical Damage
Private Passenger Auto Liability	Glass
Commercial Automobile Liability	Burglary and Theft
Commercial Auto Physical Damage	Homeowners Multi Peril
Commercial Multi Peril	Mobile Home Multi Peril
Mobile Home Physical Damage	Aircraft

The Company was licensed to write aircraft on December 22, 2003.

The Company had not written insurance coverage in the last three years in the following lines of business:

Fire
Allied Lines
Homeowners Multi Peril

Commercial Multi Peril
Private Passenger Auto Liability
Burglary and Theft

In accordance with Section 624.430, FS, the Company is required to request to have these lines of insurance removed from its certificate of authority.

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

Capital Stock

As of December 31, 2003, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000
Number of shares issued and outstanding	10,000
Total common capital stock	\$1,000,000
Par value per share	\$100.00

Control of the Company was maintained by its parent, National Indemnity Company, a Nebraska domiciled insurance company, who owned 100 percent of the stock issued by the Company, who in turn was 100 percent owned by Berkshire Hathaway Inc., a Delaware corporation. Berkshire Hathaway Inc. was traded on the New York stock exchange and was 31.2% owned by Warren E. Buffett.

Profitability of Company

The Company's underwriting gains and losses, investment gains and net income gains and losses for the last five years are as follows:

<u>Year</u>	<u>Underwriting Gain (Loss)</u>	<u>Investment Gain</u>	<u>Net Income Gain (Loss)</u>
2003	\$3,521,393	\$1,198,171	(\$974,102)
2002	(\$341,328)	\$1,485,780	\$338,724

2001	\$1,318,329	\$1,775,914	\$2,439,685
2000	(\$4,246,917)	\$1,535,916	(\$2,667,705)
1999	\$275,966	\$1,162,699	\$1,148,185

Dividends to Stockholders

The Company did not pay dividends to its stockholder during the period of this examination.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, FS. Directors serving as of December 31, 2003, were:

Directors

Name and Location	Principal Occupation
Warren E. Buffett Omaha, Nebraska	Chairman and Chief Executive Officer Berkshire Hathaway Inc.
Michael A. Goldberg Omaha, Nebraska	President, Berkshire Hathaway Credit Corporation
Brian P. O'Leary Jacksonville, Florida	President, Shelly, Middlebrooks & O'Leary, Inc.
Daniel C. O'Leary, III Jacksonville, Florida	CEO, Shelly, Middlebrooks & O'Leary, Inc.
Donald F. Wurster Omaha, Nebraska	President National Indemnity Company

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

Senior Officers

Name	Title
Donald F. Wurster	President
Forrest N. Krutter	Senior Vice President & Secretary
Philip M. Wolf	Senior Vice President
Dale D. Geistkemper	Vice President & Controller
Leslie J. Baller	Vice President
Walter C. Strain	Vice President
Tracy L. Gulden	Vice President
Karen L. Rainwater	Vice President
Rodney L. Rathbun	Assistant Vice President
Brian G. Snover	Assistant Vice President
John P. Giandinoto	Assistant Vice President
Thomas L. Young	Assistant Vice President
John D. Arendt	Assistant Secretary
Marc D. Hamburg	Treasurer & Assistant Secretary
Daniel J. Jaksich	Assistant Secretary
Janelle K. Kay	Assistant Secretary
Mary A. Mailander	Assistant Secretary
Mary A. Moffitt	Assistant Secretary
Karen Speny	Assistant Secretary
Brennan S. Neville	Assistant Secretary
David Byrne	Assistant Treasurer
James M. Severson	Assistant Treasurer

The Company's board appointed several internal committees in accordance with Section 607.0825, FS. Following are the principal internal board committees and their members as of December 31, 2003:

Investment Committee

Warren E. Buffett
Michael A. Goldberg

Executive Committee

Michael A. Goldberg
Donald F. Wurster

On December 31, 2003, the Company did not maintain an audit committee. However, an audit committee existed at the Company's ultimate parent, Berkshire Hathaway Inc., which was in compliance with Section 624.424(8), Florida Statutes.

Conflict of Interest Procedure

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

Corporate Records

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

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

There were none during the period covered by this examination.

Surplus Debentures

There were none during the period covered by this examination.

AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), FAC. The latest holding company registration statement was filed with the State of Florida on May 12, 2004, as required by Section 628.801, FS, and Rule 69O-143.046, FAC.

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

Tax Allocation Agreement

The Company, along with its ultimate parent, Berkshire Hathaway Inc. and other affiliated companies, filed a consolidated federal income tax return. On December 31, 2003, the method of allocation between the Company and its ultimate parent was on a separate return basis.

Intercompany Service Agreement

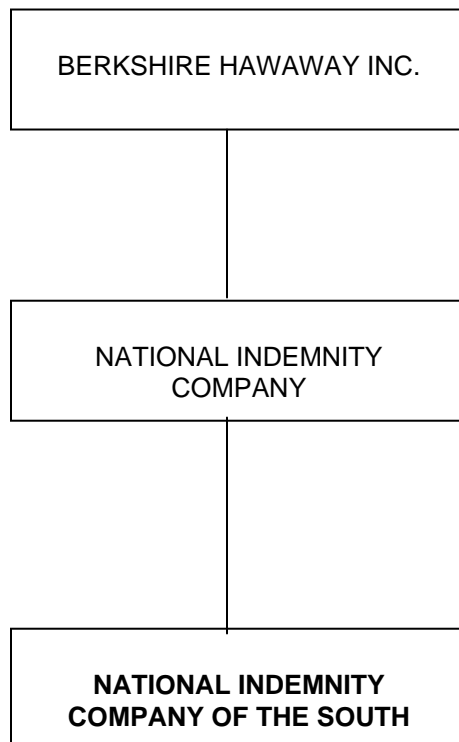
Effective January 1, 1988, the Company along with several affiliated companies entered into a written cost sharing agreement. The Company shared administrative offices and personnel with its parent, National Indemnity Company, and several other affiliates. These costs were allocated to the individual companies.

Pledged Depository Trust Agreement

As of December 31, 2003, the National Fire & Marine Insurance Company, a reinsurer and affiliate of National Indemnity Company of the South, and Wells Fargo Bank Nebraska, N.A. (Depository) were parties to a trust (Pledged Depository) agreement in which the Company directed that all monies and securities placed in this account were pledged to National Indemnity Company of the South. 200,000 shares of Coca-Cola stock were pledged for collateralizing unauthorized ceded reinsurance balances to National Fire & Marine Insurance Company. The pledged amount more than adequately covered the ceded amount.

A simplified organizational chart as of December 31, 2003, reflecting the holding company system, is shown below. Schedule Y of the Company's 2003 annual statement provided a list of all related companies of the holding company group.

**NATIONAL INDEMNITY COMPANY OF THE SOUTH
ORGANIZATIONAL CHART
DECEMBER 31, 2003**



FIDELITY BOND AND OTHER INSURANCE

The Company, along with several affiliated companies, maintained fidelity bond coverage up to \$5,000,000 with a deductible of \$100,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company did not have any employees and all personnel costs were covered in the Intercompany Service Agreement.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, FS, as required or permitted by law:

State	Description	Par Value	Market Value
FL	USTNTS, 6%, 08/15/04	\$355,000	\$365,760
Total Florida Deposits		<u>\$355,000</u>	<u>\$365,760</u>
Total Special Deposits		<u>\$355,000</u>	<u>\$365,760</u>

CERTIFICATION OF COMPLIANCE WITH EXECUTIVE ORDER 13224

The Company has not established and implemented procedures and guidelines for complying with Executive Order 13224 Blocking Property and Prohibiting Transactions with Persons Who Permit, Threaten to Commit, or Support Terrorism.

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company provided commercial automobile liability and physical damage in the State of Florida. The Company also assumed risk of property and liability coverage in the state of Florida.

Territory

The Company was authorized to transact insurance in the states of Florida and Tennessee in accordance with Section 624.401(2), Florida Statutes. The Company wrote on a Surplus Lines basis in Alabama and Nebraska.

Treatment of Policyholders

The Company had established procedures for handling written complaints in accordance with Section 626.9541(1)(j), FS.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

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

Assumed

During the examination period, the Company assumed business from National Workers' Compensation Reinsurance Pool. The Company did not write workers' compensation and this was the runoff activity from a mandatory pool. This activity was ceded under the National Fire & Marine Insurance Company treaty. See the Ceded caption of this report.

Effective December 31, 1999, the Company entered into a three year multiple line net account quota share reinsurance agreement with Qualsure Insurance Corporation, an unaffiliated company authorized in Florida. Under this agreement, the Company reinsured 80 percent of the covered Florida property and liability insurance business. See the Ceded caption of the report.

Effective June 1, 2000, the Company entered into a finite quota share reinsurance contract with Florida Family Mutual Insurance Company, an unaffiliated company authorized in Florida. Under this agreement, the Company reinsured 50 percent of the covered Florida property and liability insurance business. See the Ceded caption of this report.

Effective January 1, 2003, the Company entered into an 85% personal lines quota share reinsurance contract with Atlantic Preferred Insurance Company and Florida Preferred Property & Casualty Company, unaffiliated companies authorized in Florida. Under this agreement, the Company reinsured wind exposed residential property in connection with the reinsureds' Takeout Agreement with the Citizen's Property Insurance Company. The Company reported assumed premium on Schedule F, Part 1 of the 2003 annual statement in the amount of \$67,706,000 incorrectly allocated between the two aforementioned insurers. See the Ceded caption of this report.

Ceded

Effective October 1, 1985, the Company entered into an excess of loss reinsurance agreement with Columbia Insurance Company, an affiliated company and authorized in Florida. Under this agreement, the Company ceded 100 percent of automobile liability coverage on bus risks in excess of \$1,000,000 up to a maximum limit of \$5,000,000. This agreement was in runoff.

Effective January 1, 1987, the Company entered into a fronting arrangement with National Fire & Marine Insurance Company, an affiliated company and unauthorized in Florida. This agreement essentially covered workers' compensation business generated by the Commercial Casualty Division located in Stamford, Connecticut. This agreement was in runoff.

Effective January 1, 2000, the Company entered into an excess of loss reinsurance agreement with National Fire & Marine Insurance Company, an affiliated company and unauthorized in Florida. Under this agreement, the Company ceded 100 percent of automobile liability coverage on risks in excess of \$1,000,000 up to a maximum limit of \$5,000,000.

Effective January 1, 2000, the Company entered into a property catastrophe aggregate excess of loss reinsurance agreement with National Fire & Marine Insurance Company, an affiliated company and unauthorized in Florida. Under this agreement, the Company ceded 100 percent of \$20,000,000 per any one loss occurrence and in the aggregate in excess of \$5,000,000 ultimate net loss per occurrence. The agreement covered business assumed during the period of this contract on covered interests underwritten by Quallsure Insurance Corporation and Florida Family Mutual Insurance Company. The agreement was amended several times during the year 2003 to change the retention amount, the period, and the covered interests of the contract. Effective

January 1, 2003, the agreement was amended to remain continuously in force until December 31, 2005 and to cede 100 percent of \$50,000,000 per any one loss occurrence and in the aggregate in excess of \$5,000,000 ultimate net loss per occurrence. On January 1, 2003, Atlantic Preferred Insurance Company and Florida Preferred Property & Casualty Company were added as covered interests. Effective July 1, 2003, Qualsure Insurance Corporation was deleted as a covered interest.

Effective July 1, 2003, the Company entered into an excess of loss reinsurance agreement with National Fire & Marine Insurance Company, an affiliated company and unauthorized in Florida. Under this agreement, the Company ceded 100 percent of aircraft coverage on risks in excess of \$2,000,000 per occurrence.

The Company incorrectly reported reinsurance premiums on its aircraft risk as intercompany balances rather than in Schedule F.

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 years 2001, 2002 and 2003, in accordance with Section 624.424(8), FS. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, FAC.

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 Omaha, Nebraska, where this examination was conducted.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had a custodian agreement with Wells Fargo Bank Minnesota, N.A. for the safekeeping of the Company's securities in compliance with Rule 69O-143.042, FAC.

Independent Auditor Agreement

The Company engaged Deloitte & Touche LLP to perform the statutory audits of its 2003, 2002, and 2001 financial statements, as required by Section 624.424(8), Florida Statutes, and Rule 69O-137.002, FAC.

Actuary Agreement

The Company had an agreement with Ronald L. Wilson, Ph.D., F.C.A.S. of Beneficial Consultants, LLC, to render an actuarial opinion on the Company's December 31, 2003 loss reserves, as required by the NAIC's Annual Statement Instructions.

Risk-Based Capital

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

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2003, 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."

NATIONAL INDEMNITY COMPANY OF THE SOUTH
Assets

DECEMBER 31, 2003

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	\$360,821		\$360,821
Stocks:			
Common	64,416,500		64,416,500
Cash & Short-term investments	76,709,060		76,709,060
Agents' Balances:			
Uncollected premium	25,767,296		25,767,296
Interest and dividend			
income due & accrued	19,421		19,421
Receivable from parent,			
subsidiaries & affiliates	354,916		354,916
Aggregate write-ins for			
other than invested assets	167,118		167,118
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Totals	\$167,795,132	\$0	\$167,795,132
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NATIONAL INDEMNITY COMPANY OF THE SOUTH
Liabilities, Surplus and Other Funds

DECEMBER 31, 2003

Liabilities	Per Company	Examination Adjustments	Per Examination
Losses	\$35,726,221		\$35,726,221
Reinsurance payable on paid loss & lae	847,740		\$847,740
Loss adjustment expenses	6,913,723		6,913,723
Commissions payable	292,000		292,000
Other expenses	38,538		38,538
Taxes, licenses and fees	1,178,390		1,178,390
Current federal income taxes	392,525		392,525
Net deferred tax liability	13,490,267		13,490,267
Unearned premium	55,870,894		55,870,894
Ceded reinsurance premiums payable	3,870,190		3,870,190
Drafts outstanding	396,504		396,504
Payable to parent, subsidiaries and affiliates	533,813		533,813
Total Liabilities	<u>\$119,550,805</u>		<u>\$119,550,805</u>
Common capital stock	1,000,000		1,000,000
Gross paid in and contributed surplus	2,000,000		2,000,000
Unassigned funds (surplus)	<u>45,244,327</u>		<u>45,244,327</u>
Surplus as regards policyholders	<u>48,244,327</u>		<u>48,244,327</u>
Total liabilities, capital and surplus	<u>\$167,795,132</u>	<u>\$0</u>	<u>\$167,795,132</u>

NATIONAL INDEMNITY COMPANY OF THE SOUTH
Statement of Income
DECEMBER 31, 2003

Underwriting Income

Premiums earned	\$75,496,765
DEDUCTIONS:	
Losses incurred	38,705,353
Loss expenses incurred	5,600,974
Other underwriting expenses incurred	27,669,045
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	<u>\$71,975,372</u>
Net underwriting gain or (loss)	\$3,521,393

Investment Income

Net investment income earned	\$1,198,171
Net realized capital gains or (losses)	0
Net investment gain or (loss)	<u>\$1,198,171</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$5,326
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	(3,532)
Total other income	<u>\$1,794</u>

Net income before dividends to policyholders and before federal & foreign income taxes	\$4,721,358
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	<u>\$4,721,358</u>
Federal & foreign income taxes	<u>5,695,460</u>
Net Income	(\$974,102)

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$38,889,635
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Gains and (Losses) in Surplus

Net Income	(\$974,102)
Net unrealized capital gains or losses	6,299,270
Change in net deferred income tax	4,298,429
Cumulative effect of changes in accounting principles	0
Change in nonadmitted assets	(268,902)
Rounding	(3)
Aggregate write-ins for gains and losses in surplus	0
Examination Adjustment	0
Change in surplus as regards policyholders for the year	<u>\$9,354,692</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$48,244,327</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses	<u>\$42,639,944</u>
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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, 2003, 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.

NATIONAL INDEMNITY COMPANY OF THE SOUTH
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2003

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, 2003, Annual Statement	\$48,244,327
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	<u>PER</u> <u>COMPANY</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>
ASSETS:			
LIABILITIES:			
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2003, Per Examination			\$48,244,327

SUMMARY OF FINDINGS

Compliance with previous directives

The Company has taken the necessary actions to comply with the comments made in the 2000 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, 2003.

General

The Company had not written insurance coverage in certain lines of business for a period of three years. **The Company is directed to comply with Section 624.430, FS, and request that these lines of insurance be removed from its certificate of authority. The Company is to provide documentation of compliance to the Office within 90 days after the report is issued.**

Certification of Compliance With Executive Order 13224

The Company had not established and implemented procedures and guidelines for complying with Executive Order 13224 Blocking Property and Prohibiting Transactions with Persons Who Permit, Threaten to Commit, or Support Terrorism. **The Company is directed to establish and implement these procedures and to file the Certificate of Compliance Form with the Office within 90 days after the report is issued.**

Reinsurance

The Company reported assumed premium on Schedule F, Part 1 of the 2003 annual statement in the amount of \$67,706,000 from Atlantic Preferred Insurance Company, a Florida domiciled

company. The Company should have shown the assumed premium from Atlantic Preferred Insurance Company as \$53,089,000 and the remaining amount of \$14,617,000 from Florida Preferred Property & Casualty Company, an affiliate of Atlantic Preferred Insurance Company. **The Company is directed to correctly complete Schedule F, Part 1 in accordance with NAIC Annual Statement Instructions. The Company is to correctly report this on all future annual and quarterly statement filings.**

The company included premiums receivable and premiums payable from its aircraft risk, a newly licensed line of business, in the intercompany receivable from parent, subsidiaries and affiliates account in the 2003 annual statement, instead of the applicable reinsurance asset or liability account. These premium amounts were not reported on Schedule F of the 2003 annual statement. The amounts were less than the materiality amount set for this examination, therefore, no adjustment for these amounts were made to this examination report. **The Company is directed to correctly report all risks assumed or ceded and complete Schedule F, accordingly. The Company is to correctly report this on all future annual and quarterly statement filings.**

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **National Indemnity Company of the South** as of December 31, 2003, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$48,244,327, which was in compliance with Section 624.408, FS.

In addition to the undersigned, Mary James, CFE, CPM, Financial Examiner/Analyst Supervisor and March Fisher, Actuary, participated in the examination.

Respectfully submitted,

Donna Letterio, CFE, CPA, MS
Financial Specialist
Florida Office of Insurance Regulation