

**REPORT ON EXAMINATION**  
**OF**  
**NORTH POINTE CASUALTY**  
**INSURANCE COMPANY**  
**SOUTHFIELD, MICHIGAN**

**AS OF**  
**DECEMBER 31, 2008**

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

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Tallahassee, Florida

October 6, 2009

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, 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, 2008, of the financial condition and corporate affairs of:

**NORTH POINTE CASUALTY INSURANCE COMPANY  
28819 FRANKLIN ROAD  
SOUTHFIELD, MICHIGAN 48034**

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, 2004, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2003. This examination commenced with planning at the Office on July 20, 2009, to July 24, 2009. The fieldwork commenced on August 10, 2009, and concluded as of October 6, 2009.

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.

Risk-focused examinations consist of a seven-phase process that can be used to identify and assess risk, assess the adequacy and effectiveness of strategies/controls used to mitigate risk and

assist in determining the extent and nature of procedures and testing to be utilized in order to complete the review of that activity. The process should generally include a determination of the quality and reliability of the corporate governance structure and risk management programs. In addition, it can be used for verification of specific portions of the financial statements or other limited-scope reviews, increased focus on, and can result in increased substantive testing of, accounts identified as being at high risk of misstatement. Conversely, the risk assessment process should result in decreased focus on, and fewer substantive tests on the accounts identified as being at low risk of misstatement. The risk-focused surveillance process can be used to assist examiners in targeting areas of high-risk.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2008. Transactions subsequent to year-end 2008 were reviewed where relevant and deemed significant to the Company's financial condition.

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

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

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

### **Status of Adverse Findings from Prior Examination**

There were no exceptions or findings in the examination as of December 31, 2003.

## **HISTORY**

### **General**

North Pointe Casualty Insurance Company (Company), a wholly-owned subsidiary of North Pointe Financial Services, Inc (NPFS) received their authorization from the State of Florida on June 26, 1980. The Company is a Florida-domiciled property and casualty insurance company licensed by the State of Florida. NPFS is a wholly-owned subsidiary of North Pointe Holdings Corporation (NPHC), a Michigan financial services holding company. In April 2008, QBE Holdings, Inc, (QBE), a subsidiary of QBE Insurance Group Ltd. purchased 100% of the outstanding shares of NPHC for \$144 million. On September 22, 2009, NPHC was merged into NPFS.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2008:

Fire	Commercial Automobile Liability
Allied Lines	Commercial Auto Physical Damage
Homeowners Multi Peril	Glass
Commercial Multi Peril	Burglary and Theft
Inland Marine	Mobile Home Multi Peril
Other Liability	

The Company had not written insurance coverage in the previous four years in the line of business of Glass. The Company was not in compliance with section 624.430 (1), Florida Statutes which requires that: Any insurer desiring to surrender its Certificate of Authority, withdraw from this state, or discontinue the writing of any one or multiple kinds or lines of insurance in this state shall give 90 days' notice in writing to the office setting forth its reasons for such action.

**Subsequent event:** The Office was notified on October 24, 2008 of the Company's intentions to discontinue all lines of business in Florida. The Office responded with no objection to the request on December 17, 2008.

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

## Capital Stock

As of December 31, 2008, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	1,500,000
Total common capital stock	\$3,510,000
Par value per share	\$2.34

All outstanding shares of the Company were owned 100% by North Pointe Financial Services. North Pointe Holdings Corporation owned 100% of North Pointe Financial Services outstanding shares. On April 30, 2008, North Pointe Holding Corporation, the ultimate parent of North Pointe Insurance Company was acquired by QBE Holding Inc. (QBE), a subsidiary of QBE Insurance Group Ltd.

## Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed annual statements.

	2008	2007	2006	2005	2004
Premiums Earned	\$21,417,027	\$20,431,431	\$18,744,528	\$29,212,786	\$919,490
Net Underwriting Gain/(Loss)	\$495,005	(\$1,738,413)	(\$682,911)	(\$10,025,440)	(\$1,566,203)
Net Income	\$306,296	(\$366,286)	\$938,534	(\$6,425,094)	(\$499,672)
Total Assets	\$ 44 ,944,310	\$45,796,056	\$40,743,210	\$38,158,023	\$23,820,498
Total Liabilities	\$25,398,096	\$26,711,119	\$20,008,717	\$25,444,184	\$8,802,722
Surplus As Regards Policyholders	\$19,546,214	\$19,084,937	\$20,734,493	\$12,713,839	\$15,017,776

## **Dividends to Stockholders**

The Company did not declare or pay dividends to stockholders in 2008.

## **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, 2008, were:

### **Directors**

<b>Name and Location</b>	<b>Principal Occupation</b>
James Justin Fiore Bardonia, NY	QBE Insurance Corp, Sr. Exec. VP and Chief U/W Officer
Christopher Colin Fish Montvale, NJ	QBE Reinsurance Corp, CFO
James George Petcoff Birmingham Michigan	North Pointe Financial Services, President/CEO
Stephen George Fitzpatrick Bartlett, IL	Specialty Insurance - QBE Americas, President
Richard Joseph Fiato Lake Orion, MI	North Pointe Vice President

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

### **Senior Officers**

<b>Name</b>	<b>Title</b>
Stephen Fitzpatrick	President-Specialty Insurance, QBE Americas
Richard Fiato	Vice President
Celeska Fredianelli	Controller/Treasurer
Peter Maloney	QBE Reinsurance Corp. SVP, Secretary and Corporate Counsel

Susan Rivera resigned on June 30, 2008, and was immediately replaced by Stephen George Fitzpatrick as President.

The Company's Board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal Board committees and their members as of December 31, 2008:

**Executive Committee**

Frank O'Halloran<sup>(1)</sup>  
Vincent McLenaghan

**Employee Benefits Committee**

Anthony Przybyszewski<sup>(1)</sup>  
Valerie Stewart  
Tim Lardinois  
Nancy Kelly  
Christopher Fish  
Shaun Flynn  
Rob Felix  
Vincent Dekker  
Peter Christen

**Risk and Audit Committee**

Alan Levin<sup>(1)</sup>  
Vincent McLenaghan  
Christopher Fish  
Rod Farrell  
Harvey Bazaar

**Policies, Conduct and Conflicts  
Of Interest Committee**

Anthony Przybyszewski<sup>(1)</sup>  
Peter Christen  
Alan Levin

<sup>(1)</sup> Indicates chairman of committee

**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.

## **Corporate Records**

The Company did not maintain minutes of all meetings of its shareholders and Board of Directors in accordance with Section 607.1601, Florida Statutes. The minutes of the 2008 Annual Shareholders meeting reportedly conducted on April 10, 2008 could not be located. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events 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**

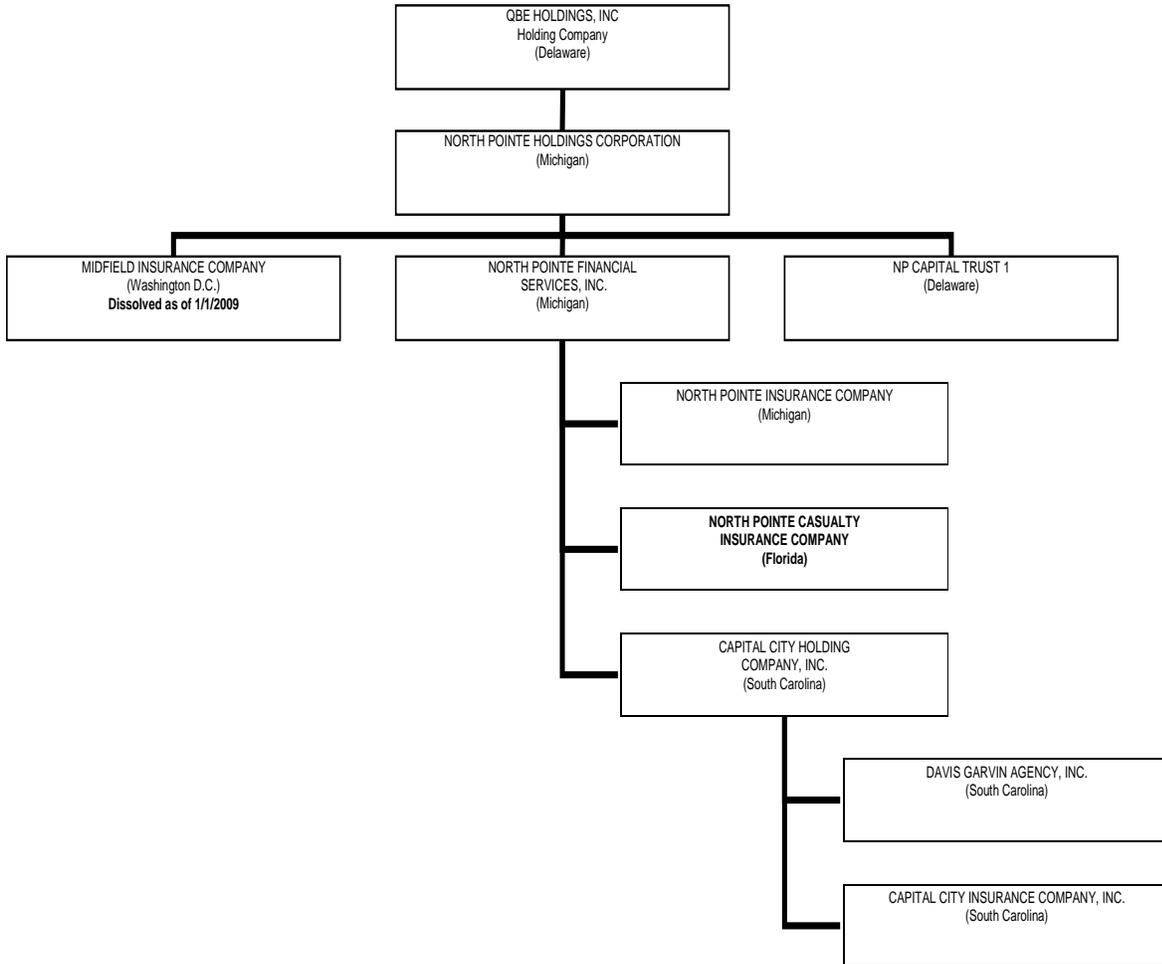
The Company was not subject to acquisitions, mergers, disposals, or purchase or sales through reinsurance.

## **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 April 13, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2008, reflecting the holding company system, is shown below. Schedule Y of the Company's 2008 annual statement provided a list of all related companies of the holding company group.

# North Pointe Casualty Insurance Company ORGANIZATIONAL CHART



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

### **Administration and Services Agreement**

The Company and North Pointe Financial Services, Inc. (NPFS) are parties to an Administration and Services Agreement dated February 27, 2004 and revised January 1, 2006. Under this Agreement, NPFS provides to the Company the following services: accounting; tax and auditing; consulting; IT; premium billings and collections; and staffing. For these services, NPFS is compensated with fees equal to an aggregate of 6% of the Company's gross premium written. In addition, the Company pays to NPFS 2.5% of gross written premium on personal lines business and 5% of gross written premium on commercial lines business, to cover marketing and production services

### **Intercompany Allocation Agreement**

The company was a participant in a revised Intercompany Allocation Agreement which reflects how loss and loss adjustment expenses recoverable from reinsurers, as well as premium expenses payable to reinsurers, will be allocated amongst the QBE companies when there are multiple cedants named on certain reinsurance contracts.

### **Investment Management Agreement**

Effective June 23, 2008, the Company and Minster Court Asset Management Pty Ltd, an affiliated Investment Manager, entered into an Investment Management Agreement.

### **Lease Agreements**

The Company and NPFS are parties to a Personal Property Lease dated February 27, 2004 and a Sublease agreement also dated February 27, 2004.

## **Service Agreement**

Effective January 1, 2008, the Company entered into a Service Agreement. The purpose of this agreement is to allow the QBE companies and their affiliates to share the management services of the company operations.

## **Tax Allocation Agreement**

On December 18, 2008, a Tax Allocation Agreement was approved by the Florida Office of Insurance Regulation between QBE Investments (North American) Inc. and members of its affiliated group. Prior tax sharing agreements are replaced by this agreement. This agreement was entered into to include all affiliated entities including those recently purchased. The effective date of this agreement was January 1, 2008.

## **FIDELITY BOND INSURANCE**

The Company maintained fidelity bond coverage up to \$15,000,000 with a deductible of \$250,000, which adequately reached the suggested minimum as recommended by the NAIC.

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

As of January 1, 2009, the Company employees were eligible to participate in the defined benefit plan and defined contribution and profit sharing plan of QBE Holdings, Inc. Prior to that date, the Company participated in a contributory 401(k) profit-sharing plan sponsored by parent North Pointe Financial Services, Inc.

## STATUTORY DEPOSITS

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

STATE	Description	Book Value	Market Value
FL	US T-Note, 4.4%, 12/15/2010	2,554,836	2,770,879
TOTAL FLORIDA DEPOSITS		<u>\$2,554,836</u>	<u>\$2,770,879</u>
AR	US T-Note, 4.5%, 11/15/2010	109,566	118,104
LA	US T-Note, 4.3%, 10/15/2010	69,448	74,750
NV	US T-Note, 3.1%, 4/15/2009	199,822	201,664
NM	US T-Note, 4.3%, 8/15/2013	106,268	125,065
OK	US T-Note, 3.1%, 4/15/2009	109,909	110,915
TOTAL OTHER DEPOSITS		<u>\$595,013</u>	<u>\$630,498</u>
TOTAL SPECIAL DEPOSITS		<u>\$3,149,849</u>	<u>\$3,401,377</u>

## INSURANCE PRODUCTS AND RELATED PRACTICES

The Company principally writes other liability, commercial multi-peril insurance, allied lines and inland marine coverage primarily for small businesses in the state of Florida. It is also licensed to write business in the states of Louisiana and Nevada. The Company notified the Office on October 24, 2008 of its intentions to discontinue/non-renew all in-force policies in Florida. Replacement policies were to be offered with affiliate North Pointe Insurance Company. The Office responded with no objection to the request on December 17, 2008.

## **Territory**

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

Florida

Louisiana

Nevada

## **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.

## **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 assumed a loss portfolio transfer (LPT) from former affiliate Home Pointe Insurance Company (HPIC) as a term of the acquisition of HPIC by third party insurer American Strategic Insurance Corporation which was closed December 31, 2007. Per SSAP 62, paragraph 30, "Portfolio reinsurance is the transfer of an insurer's entire liability for in force policies or outstanding losses, or both, of a segment of the insurer's business. Loss portfolio transactions are to be accounted for as retroactive reinsurance." Under SSAP 62, paragraph 29, "The assuming entity shall exclude the retroactive reinsurance from loss and loss expense reserves

and from all schedules and exhibits." Since the Company was the assuming entity in this transaction these losses should not be included as reinsurance reserves and were appropriately included in Other Liabilities.

## **Ceded**

The Company ceded risk on an excess of loss basis to multiple reinsurers through intermediary Guy Carpenter and through General Reinsurance Corporation (Gen Re) during 2008 as follows:

The Company's commercial and personal property business that included retention under Guy Carpenter was \$1 million for each risk. The limit of liability of the reinsurer was the next \$1 million for each risk on the first layer. The second layer included Company retention of \$2 million where the limit of liability was the next \$3 million for each risk. The Reinsurers under the commercial and personal property business was liable up to \$9 million for all net loss on all commercial and personal property risks involved in all occurrences taking place during each agreement year.

The Company's other property business (commercial fire and allied, inland marine, commercial multi-peril, garage keepers comprehensive and other specified perils) retention under contract with Gen Re was \$5 million for each risk. The limit of liability of the reinsurer was the next \$5 million for each risk. Gen Re was liable up to \$10 million for all net loss on all risks involved in all occurrences taking place during each agreement year.

The Company's automobile and other liability business retention under contract with Gen Re was \$1 million for each risk. The limit of liability of the reinsurer was the next \$1 million for each occurrence under the first layer and \$4 million under the second layer. Gen Re liability would not

exceed \$3 million under the First Excess Cover or \$8 million under the Second Excess Cover with respect to all Net Loss arising out of all occurrences taking place during each agreement year.

The Company's lawyers professional liability business (Claims made policies) retention under contract with Guy Carpenter was \$500,000 million for each claim, each policy subject to the limit of liability of the reinsurer of the next \$500,000 each claim, each policy. The second layer of coverage included retention of \$1 million each claim, each policy, subject to a limit of liability to the Reinsurer of the lesser of: (a) the difference between the limit of each Policy involved, each Claim and \$1 million; or (b) \$4 million, each Claim, each Policy.

The Company also had commercial property catastrophe excess of loss reinsurance contracts placed with Swiss Re and Guy Carpenter with retention of \$5 million per risk and where the reinsurers were liable up to \$20 million.

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

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Jacksonville, Florida. The Company's books and records were maintained in Southfield, Michigan. This examination was conducted in the Southfield, Michigan location.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2004-2008, 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. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The assets of the Company were not held within the State of Florida, per Section 628.271, Florida Statutes. The Office provided a letter, dated May 1, 2009, which disallowed the Company from holding the assets outside of the State of Florida.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company entered into a custodial agreement, which was effective April 18, 2008. The agreement was between North Pointe Holdings Corporation and Brown Brothers Harriman & Co. The agreement was in compliance with the provisions of Rule 690-143.042, Florida Administrative Code.

### **Independent Auditor Agreement**

The Company entered into an independent auditor agreement with PriceWaterhouse Coopers for annual statutory audit services for the year ending December 31, 2008.

## **Information Technology Report**

ParenteBeard, 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.

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, 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."

**NORTH POINTE CASUALTY INSURANCE COMPANY**  
**Assets**

**DECEMBER 31, 2008**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$7,994,462		\$7,994,462
Cash:	29,608,145		29,608,145
Agents' Balances:			
Uncollected premium	249,533		249,533
Deferred premium	3,115,474		3,115,474
Reinsurance recoverable	1,496,432		1,496,432
Interest and dividend income due & accrued	192,683		192,683
Receivable from parents, subsidiaries and affiliates	246,159		246,159
Net deferred tax asset	1,009,091		1,009,091
Aggregate write-in for other than invested assets	<u>1,032,331</u>		<u>1,032,331</u>
Totals	<u>\$44,944,310</u>		<u>\$44,944,310</u>

**NORTH POINTE CASUALTY INSURANCE COMPANY**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2008**

	Per Company	Examination Adjustments	Per Examination
Losses	\$11,554,305		\$11,554,305
Loss adjustment expenses	5,957,544		5,957,544
Commissions payable, contingent commissions and other similar charges	260,000		260,000
Other expenses	131,979		131,979
Taxes, licenses and fees	107,899		107,899
Current federal and foreign income taxes	116,195		116,195
Unearned premium	6,972,393		6,972,393
Ceded reinsurance premiums payable (net of ceding commissions)	(361,576)		(361,576)
Funds held under reinsurance treaties	30,000		30,000
Amounts withheld	30,886		30,886
Provision for Reinsurance	176,000		176,000
Payable to parent, subsidiaries and affiliates	20,192		20,192
Aggregate write-ins for liabilities	<u>402,279</u>		<u>402,279</u>
Total Liabilities	\$25,398,096		\$25,398,096
Common capital stock	\$3,510,000		\$3,510,000
Gross paid in and contributed surplus	22,417,701		22,417,701
Unassigned funds (surplus)	<u>(6,381,487)</u>		<u>(6,381,487)</u>
Surplus as regards policyholders	<u>19,546,214</u>		<u>19,546,214</u>
Total liabilities, surplus and other funds	<u>\$44,944,310</u>		<u>\$44,944,310</u>

**NORTH POINTE CASUALTY INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2008**

<b>Underwriting Income</b>		
Premiums earned		\$21,417,027
	<b>Deductions:</b>	
Losses incurred		9,304,700
Loss expenses incurred		3,699,474
Other underwriting expenses incurred		7,917,848
Total underwriting deductions		<u>\$20,922,022</u>
Net underwriting gain or (loss)		\$495,005
<b>Investment Income</b>		
Net investment income earned		\$1,108,655
Net realized capital gains or (losses)		<u>(228,013)</u>
Net investment gain or (loss)		\$880,642
<b>Other Income</b>		
Aggregate write-ins for miscellaneous income		<u>(\$301,226)</u>
Total other income		(\$301,226)
Net income before dividends to policyholders and before federal & foreign income taxes		<u>\$1,074,421</u>
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$1,074,421
Federal & foreign income taxes		<u>768,125</u>
Net Income		\$306,296
<b>Capital and Surplus Account</b>		
Surplus as regards policyholders, December 31 2007		\$19,084,937
Net Income		\$306,296
Change in net deferred income tax		527,131
Change in non-admitted assets		(319,150)
Change in provision for reinsurance		<u>(53,000)</u>
Change in surplus as regards policyholders for the year		\$461,277
Surplus as regards policyholders, December 31 2008		<u><u>\$19,546,214</u></u>

**NORTH POINTE CASUALTY INSURANCE COMPANY  
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

**DECEMBER 31, 2008**

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, 2008, per Annual Statement	\$19,546,214
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	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:	No Adjustment			
LIABILITIES:	No Adjustment			
Net Change in Surplus:				-
Surplus as Regards Policyholders December 31, 2008, Per Examination				\$19,546,214

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

#### Losses and Loss Adjustment Expenses

\$17,511,849

An Actuary employed by the parent company, QBE of the Americas, and appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2008, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

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

#### Capital and Surplus

The amount reported by the Company of \$19,546,214, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

## SUMMARY OF FINDINGS

### **Compliance with previous directives**

There were no exceptions or findings in the examination as of December 31, 2003.

### **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, 2008:

#### **Assets Not in Florida**

The assets of the Company were not held within the State of Florida, per Section 628.271, Florida Statutes. The Office provided a letter, dated May 1, 2009, which disallowed the Company from holding the assets outside of the State of Florida. **Recommendation: We recommend that the Company maintain its assets within the State of Florida in accordance with Section 628.271, Florida Statutes and by the direction of the letter provided by the Office on May 1, 2009.**

#### **Lack of Maintenance of Corporate Records**

The Company did not maintain minutes of all meetings of its shareholders and Board of Directors in accordance with Section 607.1601, Florida Statutes. The minutes of the 2008 Annual Shareholders meeting reportedly conducted on April 10, 2008 could not be located. **Recommendation: We recommend the Company maintain corporate records in accordance with Section 607.1601, Florida Statutes.**

## **SUBSEQUENT EVENTS**

Many changes have been made to the Board of Directors since December 31, 2008. Effective July 2, 2009, the following were elected to the Board of the Company to hold office until the next annual meeting of shareholder or until his or her early resignation or removal: Francis O'Halloran, Vincent McLenaghan, John Rumpler, James Fiore, Stephen Fitzpatrick, Peter Christen, Robert Mezzasalma, Christopher Fish, Alan Levin, Anthony Przybyszewski, Rod Farrell, Harvey Bazaar, James Petcoff, Richard Fiato.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **North Pointe Casualty Insurance Company** as of December 31, 2008, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$19,546,214, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, John Romano, CPA, Examiner In Charge, Jennifer Cox, Participating Examiner, Eranda Sheperi, CPA, Participating Examiner, Phil Schmoyer, IT Consultant and Gail Flannery, FCAS, MAAA, Consulting Actuary representing ParenteBeard,LLC participated in the examination. Mike Young, AFE, Financial Examiner/Analyst II of the Florida Office of Insurance Regulation also participated in the examination.

Respectfully submitted,

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Jerry Golden  
Financial Examiner/Analyst II  
Florida Office of Insurance Regulation