# REPORT ON EXAMINATION

# OF

# OMEGA INSURANCE COMPANY

## JACKSONVILLE, FLORIDA

## AS OF

## DECEMBER 31, 2003

**BY THE**

**OFFICE OF INSURANCE REGULATION**

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Tallahassee, Florida
September 3, 2004

Honorable Alfred W. Gross
Secretary, Southeastern Zone, NAIC
Commissioner
Bureau of Insurance
Commonwealth of Virginia
P.O. Box 1157
Richmond, Virginia 23218

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, FS, and in accordance with the practices and procedures promulgated by the NAIC, we have conducted an examination of December 31, 2003, of the financial condition and corporate affairs of:

**OMEGA INSURANCE COMPANY**
**601 II RIVERSIDE AVENUE, SUITE 619**
**JACKSONVILLE, FLORIDA 32204**

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, 2000 through December 31, 2003. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 1999. This examination commenced with planning at the Office on June 28, 2004, to July 2, 2004. The fieldwork commenced on July 6, 2004, and was concluded as of September 3, 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 an association zone statutory financial examination conducted in accordance with the Financial Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the National Association of Insurance Commissioners (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, rules and regulations of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement assets and the determination or estimation 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.

Based on the review of the Company's control environment and the materiality level set for this examination, reliance was placed on certain work performed by the Company's CPAs.

## 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, 1999, along with resulting action taken by the Company in connection therewith.

### General

The Company had not written insurance coverage in certain lines of business for a period of two years.

**Resolution:** The Company discontinued writing business in those lines and complied with Section 624.430, FS, which requires written notice to the Office when lines of insurance business in this state are discontinued.

**General**

The Company was authorized to write burglary and theft lines of business in North Carolina and Louisiana but not authorized to write this line of business in the State of Florida under Section 624.401(2), FS.

**Resolution**

The Company requested that those specific lines be removed from North Carolina and Louisiana's lines of authority.

**Fidelity Bond and Other Insurance**

As of year-end 1999, the Company maintained fidelity bond coverage of up to $225,000. This insurance did not adequately cover the suggested minimum coverage amount of $350,000, as recommended by the NAIC.

**Resolution**

The Company increased its fidelity bond coverage to meet the minimum amount of coverage recommended by the NAIC.

**Custodial Agreement**

The Company had a custody services agreement with BT Alex Brown, Inc. to act as an agent to care for cash, securities, other property and interest in property. BT Alex Brown Inc. was not a national bank, state bank or trust company as set forth in the definition of an "Agent" or "Custodian" and does not comply with Rule 69O-143.041(1)&(2), FAC.

**Resolution**

The Company complied with Rule 69O-143.041(1)&(2), FAC by transferring all the securities from BT Alex Brown to Deutsche Bank Trust Company in 2002. On October 1, 2003, the Company transferred all securities from Deutsche Bank to Wachovia Bank.

## HISTORY

### General

The Company was incorporated on May 8, 1979, under the laws of the State of Florida, as a stock property and casualty insurer and commenced business on July 1, 1979 under the name Omni Life Insurance Company. The Company changed its name to Omega Insurance Company on August 13, 1980.

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 | Other Liability |
| PPA Physical Damage | Mobile Home Multi-Peril |
| Mobile Home Physical Damage | Homeowners Multi-Peril |

The Company was not in compliance with its bylaws since the Company did not conduct any meetings of the annual stockholders on the fourth Tuesday of April. The annual stockholders meetings were conducted each year, but not when the bylaws stipulated.

The minutes of the special board meetings did not list the attendees, and had only two signatures instead of three as required in the Company's bylaws.

### Capital Stock

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

| | |
|---|---|
| Number of authorized common capital shares | 1,000,000 |
| Number of shares issued and outstanding | 893,000 |
| Total common capital stock | $1,803,760 |
| Par value per share | $2.02 |

Control of the Company was maintained by its parent, LPMC, Inc., who owned one hundred percent (100%) of the stock issued by the Company, who in turn was one hundred percent (100%) owned by the holding company, JHW Limited Partnership. The ultimate ownership party was James H. Winston, who owned one hundred percent (100%) of the holding company.

**Profitability of Company**

In 2003, the Company reported net income of $1.8 million, an increase from the prior year, which was $1.7 million. Net income in 2000 and 2001 was $2.3 million and $1.4 million, respectively

**Dividends to Stockholders**

The Company declared dividends to its stockholder in 2003, 2002, 2001 and 2000 of $600,000, $400,000, $652,000 and $300,000, respectively.

**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 as follows:

**Directors**

| Name and Location | Principal Occupation |
|---|---|
| James H. Winston<br>Jacksonville, Florida | Director; President of Company |
| Mary B. Winston<br>Jacksonville, Florida | Director |
| Walter A. McRae, Jr.<br>Jacksonville, Florida | Chairman of the Board; Partner of Scott, McRae & Associates |
| William L. Kyle, Jr.<br>Jacksonville, Florida | Director; Consultant |
| Robert L. Stein | Director; Partner, Chartwell Capital |

Jacksonville, Florida Management

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

**Senior Officers**

| **Name** | **Title** |
|---|---|
| James H. Winston | President & Treasure |
| Mary A. Ross | Vice President |
| Renee B. Bateh | Executive VP & Asst. Secretary |
| William L. Kyle | Secretary |

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

**Audit Committee**

Robert L. Stein[1]
William L. Kyle
Walter A. McRae, Jr.

[1] Chairman

**Conflict of Interest Procedure**

On December 31, 2003, the Company 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 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. However, the Company did not maintain minutes for the Audit Committee meetings, in violation of 607.1601 (1), FS.

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

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance for the period covered under this examination.

## Surplus Debentures

The Company had no surplus debentures for the period covered under 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, as required by Section 628.801, FS, and Rule 69O-143.046, FAC.

On December 31, 2003, the following agreements were in effect between the Company and its affiliates:

**Tax Allocation Agreement**

The Company, along with its parent, LPMC, Inc., entered into a written income tax allocation agreement and filed a consolidated federal income tax return. On December 31, 2003, the method of allocation between the Company and its parent was to apportion the consolidated tax liability among members of the group in accordance with the ratio each member's taxable income bears to the consolidated taxable income of the group.

**Management Agreement**

The Company entered into a management agreement on October 8, 2001 with its affiliate, Citadel Life and Health Insurance Company (Citadel). In this agreement, the Company prepared all accounting and financial data including managing Citadel. The annual management fee received for this management service was $12,000.

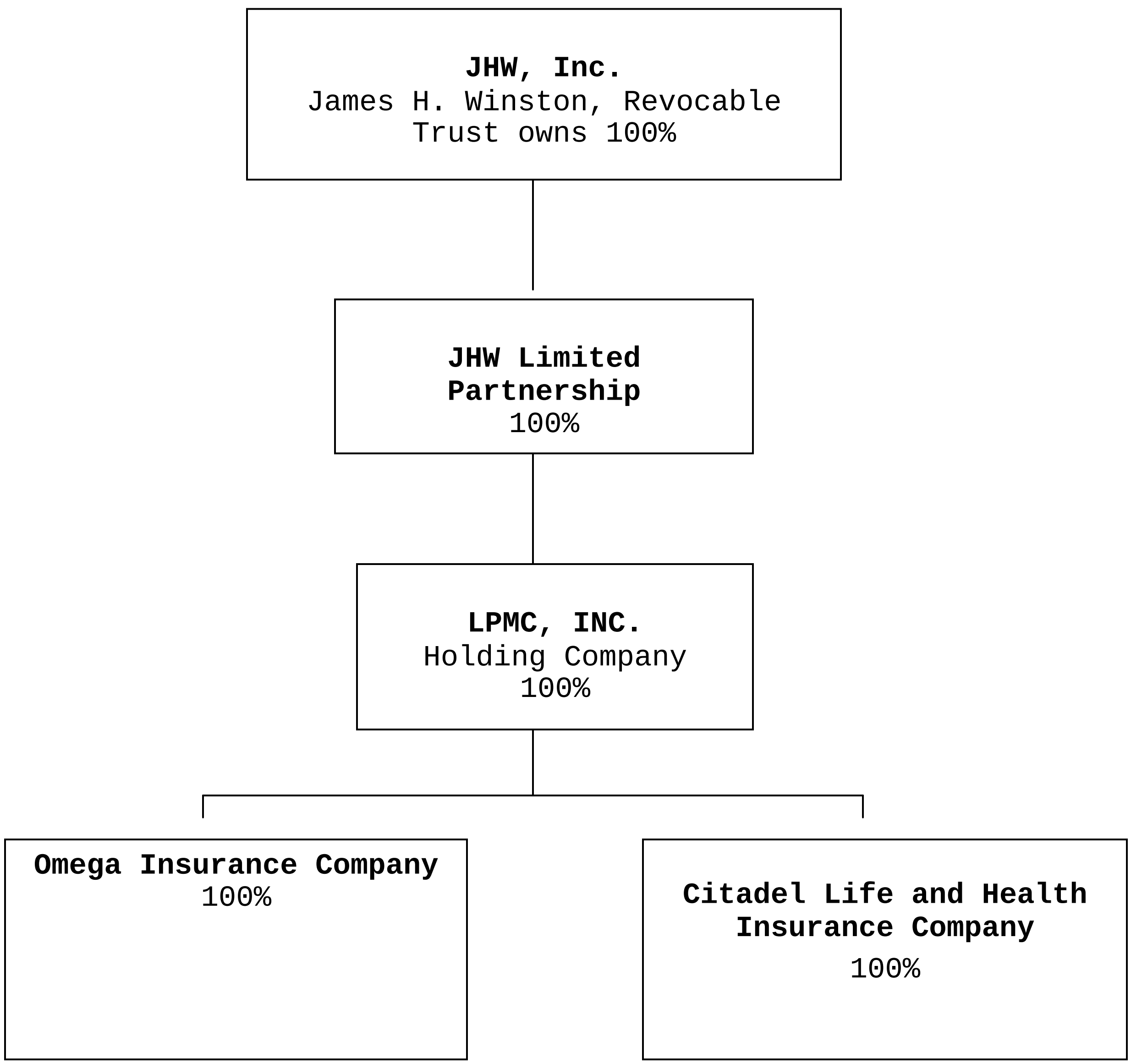
The Company was also a party to a management agreement with its affiliate, LPMC of Jax, Inc., that was acquired by Citadel in 1996.

**Revocable Trust Agreement**

The Company’s President, James H. Winston, entered into a revocable trust agreement as of April 1, 1983 between James H. Winston (Grantor) and James H. Winston (Trustee). The agreement stipulates the disposition of income and principal during the grantors life-time; the disposition of income and principal after the grantors death; the conditions, limitations and additional provisions relating to disposition of income and principal; the powers, duties and immunities of the trustee; the rights reserved by the grantor; the tenure, succession and compensation of trustee and the provisions regarding insurance policies.

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.

**OMEGA INSURANCE COMPANY, INC.**
**ORGANIZATIONAL CHART**
**DECEMBER 31, 2003**



## FIDELITY BOND AND OTHER INSURANCE

As of year-end 2003, the Company maintained fidelity bond coverage of $350,000, which did not adequately cover the suggested minimum amount of coverage for the Company as recommended by the NAIC. The minimum amount of coverage recommended by the NAIC as of the examination date was $400,000.

**Subsequent Event**

The Company provided a binder to increase the limit of fidelity bond coverage effective July 9, 2004 to the required minimum amount of coverage as recommended by the NAIC, with an expiration date of February 11, 2005.

## PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company offered a 401(k) plan which included a matching contribution by the Company equal to fifty percent (50%) of the amount elected by the employee. Employees were eligible for participation after six months of service and after attaining the age of twenty and one-half, and could contribute up to six percent (6%) of their salary.

## STATUTORY DEPOSITS

On December 31, 2003, the following securities were deposited with the State of Florida as required by Section 624.411, FS, and with various state officials as required or permitted by law:

| State | Description | Par Value | Market Value |
|---|---|---|---|
| SC | Connector, 01/01/26 | $ 200,000 | $ 50,347 |
| SC | Piedmont, 01/01/24 | 100,000 | 98,000 |
| TOTAL SOUTH CAROLINA DEPOSITS | | $ 300,000 | $ 148,347 |
| FL | FL EDCAP BOND, 6.0%, 06/01/31 | 100,000 | 102,512 |
| FL | FL EDCAP BOND, 5.8%, 06/01/24 | 100,000 | 102,919 |
| FL | FL SPEASSE BD, 6.2%, 11/01/25 | 50,000 | 55,309 |
| FL | FL EDCAP BOND, 4.5%, 06/01/18 | 50,000 | 57,137 |
| FL | CASH ACCOUNT, | 15,000 | 15 ,000 |
| TOTAL FLORIDA DEPOSITS | | $ 315,000 | $ 326,877 |
| GA | US TMMF, VAR%, NO DATE | $ 25,000 | $ 25,000 |
| LA | CD, 05/18/04 | 20,000 | 20,000 |
| TOTAL OTHER DEPOSITS | | $ 45,000 | $ 45,000 |
| Total Special Deposits | | $ 660,000 | $ 516,281 |

## INSURANCE PRODUCTS AND RELATED PRACTICES

The Company's business was produced by a non-affiliated, managing general agent (MGA), Tower Hill Insurance Group, Inc. (THIG), who was properly appointed and licensed pursuant to Section 626.091, FS. In addition to producing the business of the Company, the MGA handled claims processing, premium billing and collections, not inclusive of flood contracts, which were handled by National Con-Serv, Inc. (NCSI), a Maryland based corporation.

### Territory and Plan of Operation

As of December 31, 2003, the Company was authorized to transact insurance in the following states, in accordance with Section 624.401(2), FS:

| | | |
|---|---|---|
| Florida | Louisiana | Mississippi |
| Georgia | South Carolina | |

### Treatment of Policyholders

As of December 31, 2003, the Company had established procedures for handling written complaints in accordance with Section 626.9541(1)(j), FS.

The Company's MGA maintained a claims procedure manual that included detailed procedures for each type of claim, how the adjuster should proceed and finish, and also copies of applicable Florida Statutes relating to claims adjusters and procedures for claims handling. The MGA immediately assigned claims requiring an adjuster to an independent adjuster for service.

## REINSURANCE

The reinsurance agreements reviewed as of December 31, 2003, 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

The Company assumed no risk.

### Ceded

The Company ceded risk on a quota share and excess of loss basis to a number of authorized and unauthorized reinsurers pursuant to two reinsurance agreements.

### Quota Share Agreement

The quota share agreement effective June 1, 2003, shared 60% of premiums and losses with the remaining 40% being retained by the Company. The business reinsured was classified as Sections

I and II of Homeowners, Mobile Homeowners, Low Value Dwelling, Renters Insurance and Mobile Home, when written as Automobile Physical Damage business produced by the Company's MGA.

The Company purchased excess facultative reinsurance to limit its loss under Section I, all coverages combined, at $2,000,000 each risk and each occurrence. Under Section II there was a limit of $1,000,000 each occurrence.

The Company received a thirty percent (30%) commission on the net written premiums in the State of Florida as Coverage A. Under Coverage B, all states other than Florida received a thirty five percent (35%) commission on the net written premiums. A contingent commission was paid to the Company by the reinsurer equal to fifty percent (50%) of the net profit for Coverage A and Coverage B. The Company submitted reports and remittances within sixty (60) days after each month to the reinsurer.

**Excess of Loss**

The Company had a Mandatory Excess of Loss Catastrophe Reinsurance Agreement and an Optional Fourth Excess of Loss Catastrophe Reinsurance Agreement effective June 1, 2003, with insurance members of THIG. The Company ceded risk to various United States and non-United States reinsurers through Benfield, Inc., their broker. The Company had mandatory excess of loss catastrophe reinsurance under the first, second, third, and fourth excess catastrophe reinsurance levels. The Company also had Optional Excess Catastrophe reinsurance under the fourth and fifth Excess Catastrophe reinsurance and underlying Excess Catastrophe reinsurance. Most of the Excess of Loss reinsurance agreements were with non-United States reinsurers through Benfield, Inc.

The reinsurance contracts were reviewed by the Company's appointed actuary (Butler, Dunlap, and Lindquist, LLC) and were utilized in determining the ultimate loss opinion.

## ACCOUNTS AND RECORDS

An independent CPA, PriceWaterhouseCoopers, audited the Company's statutory basis financial statements annually for the years 2000, 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 Jacksonville, Florida, where this examination was conducted.

The Company and non-affiliates had the following agreements:

### Servicing Agreement

The Company entered into an agreement with Claims Solution Services, Inc., (CSS) of Gainesville, Florida, to provide services for the investigation and payment of flood insurance claims on July 1, 2000. That agreement was nullified because CSS went out of business. A new agreement was entered into as of April 4, 2002 with NCSI, which provided policy administration, claims administration and statistical and monthly reporting to the Company for a fee of 7% of net written premiums and 3% of net claims after applicable deductibles.

**Custodial Agreement**

The Company had a custody services agreement with Wachovia Bank, to act as an agent to care for cash, securities, other property and interest in property. The agreement was entered into on September 10, 2003. The agreement complied with Rule 69O-143.041(1)&(2), FAC.

**MGA Agreement**

The Company entered into a managing general agency (MGA) agreement with THIG on May 1, 1994, that was subsequently amended on May 1, 1997. The Company renewed the MGA agreement with THIG on July 1, 2000. The agreement stipulated that THIG produce, administer and manage the policies on behalf of the Company. The contract could be terminated by either party on April 30, 1998, or any April 30th thereafter, without cause, with not less than 85 days written notice. The agreement allowed a fee of 21% of net written premium for all premiums written in the State of Florida and 26% for all other states. THIG retained all policy fees collected by the Company less applicable premium taxes relative to such policy fees. THIG was to maintain an errors and omissions insurance policy issued by an insurance carrier admitted in Florida, with policy limits of no less than $1,000,000 and a deductible of no greater than $100,000. THIG remitted all funds due the Company, whether collected or not from any agent, either on or before 45 days after the end of each month for business reported to the Company.

**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."

## OMEGA INSURANCE COMPANY
## Assets

## DECEMBER 31, 2003

| Classification | Per Company | Examination Adjustments | Per Examination |
|---|---|---|---|
| Bonds | $12,644,001 | | $12,644,001 |
| Stocks: | | | |
| Preferred | 357,388 | | 357,388 |
| Common | 1,495,608 | | 1,495,608 |
| Cash: | | | |
| On hand | 12,887,195 | | 12,887,195 |
| Investment Income Due & Accrued | 201,163 | | 201,163 |
| Agents' Balances: | | | |
| Uncollected premium | 4,100,132 | | 4,100,132 |
| Deferred premium | 0 | | 0 |
| Reinsurance Recoverable | 840,060 | | 840,060 |
| Net Deferred Tax Asset | 505,749 | | 505,749 |
| EDP Equipment | 10,236 | | 10,236 |
| Aggregate write-in for other than invested assets | 20,176 | | 20,176 |
| Totals | $33,061,708 | $0 | $33,061,708 |

# OMEGA INSURANCE COMPANY
# Liabilities, Surplus and Other Funds

## DECEMBER 31, 2003

| Liabilities | Per Company | Examination Adjustments | Per Examination |
|---|---|---|---|
| Losses | $1,260,775 | | $1,260,775 |
| Reinsurance payable on paid loss and LAE | 36,367 | | 36,367 |
| Loss adjustment expenses | 188,331 | | 188,331 |
| Other expenses | 37,488 | | 37,488 |
| Taxes, licenses and fees | 190,250 | | 190,250 |
| Current federal and foreign income tax | 40,592 | | 40,592 |
| Unearned premium | 7,090,841 | | 7,090,841 |
| Ceded Reinsurance premiums payable | 2,298,154 | | 2,298,154 |
| Funds held under reinsurance treaties | 4,284,681 | | 4,284,681 |
| Amounts withheld | 20,528 | | 20,528 |
| Drafts outstanding | 252,805 | | 252,805 |
| Payable to parent, subsidiaries and affiliates | 0 | | 0 |
| Aggregate write-ins for liabilities | 20,407 | | 20,407 |
| Total Liabilities | $15,721,219 | | $15,721,219 |
| Common capital stock | 1,803,860 | | 1,803,860 |
| Gross paid in and contributed surplus | 2,442,547 | | 2,442,547 |
| Unassigned funds (surplus) | 13,094,082 | | 13,094,082 |
| Surplus as regards policyholders | $17,340,489 | | $17,340,489 |
| Total liabilities, capital and surplus | $33,061,708 | $0 | $33,061,708 |

# OMEGA INSURANCE COMPANY
## Statement of Income

## DECEMBER 31, 2003

| | |
|---|---|
| **Underwriting Income** | |
| Premiums earned | $10,236,741 |
| DEDUCTIONS: | |
| Losses incurred | 3,167,416 |
| Loss expenses incurred | 620,847 |
| Other underwriting expenses incurred | 4,424,329 |
| Aggregate write-ins for underwriting deductions | 0 |
| Total underwriting deductions | $8,212,592 |
| Net underwriting gain or (loss) | $2,024,149 |
| **Investment Income** | |
| Net investment income earned | $796,423 |
| Net realized capital gains or (losses) | (84,391) |
| Net investment gain or (loss) | $712,032 |
| **Other Income** | |
| Net gain or (loss) from agents' or premium balances charged off | $0 |
| Aggregate write-ins for miscellaneous income | (11,581) |
| Total other income | ($11,581) |
| Net income before dividends to policyholders and before federal & foreign income taxes | $2,724,599 |
| Dividends to policyholders | 0 |
| Net Income, after dividends to policyholders, but before federal & foreign income taxes | $2,724,599 |
| Federal & foreign income taxes | 908,011 |
| Net Income | $1,816,588 |
| **Capital and Surplus Account** | |
| Surplus as regards policyholders, December 31 prior year | $15,314,034 |
| **Gains and (Losses) in Surplus** | |
| Net Income | $1,816,588 |
| Net unrealized capital gains or losses | 399,734 |
| Change in Net Deferred Income Tax | 188,160 |
| Change in non-admitted assets | 220,773 |
| Change in provision for reinsurance | 1,200 |
| Dividends to Stockholders | (600,000) |
| Change in surplus as regards policyholders for the year | $2,026,455 |
| Surplus as regards policyholders, December 31 current year | $17,340,489 |

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

**Losses and Loss Adjustment Expenses** $1,449,106

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, made 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.

**OMEGA INSURANCE COMPANY, INC.**
**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 | | | | $17,340,489 |
| | PER COMPANY | PER EXAM | INCREASE (DECREASE) IN SURPLUS | |
| ASSETS: | | | | |
| No adjustments needed. | | | $0 | |
| LIABILITIES: | | | | |
| No adjustments needed. | | | $0 | |
| Net Change in Surplus: | | | | 0 |
| Surplus as Regards Policyholders December 31, 2003, Per Examination | | | | $17,340,489 |

# SUMMARY OF FINDINGS

**Compliance with previous directives**

The Company has taken the necessary actions to comply with the comments made in the 1999 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.

**Management**

The Company did not maintain the annual stockholders meeting as required. **It is recommended that the Company comply with the corporation bylaws regarding stockholders meetings, and to provide evidence of compliance to the Office within 90 days of the issuance of this report.**

**Audit Committee Minutes**

The Company did not record minutes of the audit committee meetings. **It is recommended that the Company comply with Section 607.1601 (1), FS, and maintain minutes of audit committee meetings, and to provide evidence of compliance to the Office within 90 days of the issuance of this report.**

**Management**

The minutes of the Special Board Meetings did not list individuals present at the meeting. The minutes only had the signatures of the President/Director and the Secretary of the Company at the majority of the meetings held during this examination period. The Company was not in compliance with the bylaws that required a majority of three directors present at the meetings. **It is recommended that the Company comply with its bylaws, and provide evidence of compliance to the Office within 90 days of the issuance of this report.**

**Subsequent event:**

During 2004, four major hurricanes have impacted the insurance industry in the State of Florida. These hurricanes occurred subsequent to the period of this examination and may have affected the Company's financial position. This examination does not include any assessment of the potential impact on the Company of the hurricanes; however, based upon preliminary information, anticipated losses are not expected to result in regulatory violations.

# CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Omega Insurance Company, Inc.** 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 $17,340,489, which was in compliance with Section 624.408, FS.

In addition to the undersigned, Kimberly Ferrell, Financial Examiner/Analyst II and Joe Boor FCAS, Actuary, participated in the examination.

Respectfully submitted,

______________________________
Stephen J. Szypula, CFE, CPM, CGFM
Financial Administrator
Florida Office of Insurance Regulation

______________________________
Owen A. Anderson
Financial Examiner/Analyst II
Florida Office of Insurance Regulation

______________________________
John C. Berry
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation