

REPORT ON EXAMINATION
OF
SECURITY NATIONAL INSURANCE
COMPANY
DAVIE, FLORIDA

AS OF
DECEMBER 31, 2003

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida
August 4, 2004

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 (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:

**SECURITY NATIONAL INSURANCE COMPANY
5701 STIRLING ROAD
DAVIE, FLORIDA 33314**

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, between April 12, 2004 and April 16, 2004. The fieldwork commenced on April 19, 2004, and ended on July 23, 2004, restarted on September 29, 2004 and concluded on October 8, 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, 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.

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

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:

Corporate Records

There was no documentation that the Company's directors reviewed the previous examination report.

Resolution: The December 31, 2000 report was discussed in depth at the Company's annual meeting on May 21, 2002. Each director individually reviewed the report and signed a declaration to that effect.

Capital Stock

The company overstated the number of shares of capital stock authorized. The Company was directed to report the number of authorized shares as stated in the Articles of Incorporation.

Resolution: The Company mistakenly listed the number of authorized shares as 1,250,000 in its 2001 Annual Statement. The 2002 and 2003 Annual Statements listed the correct number of shares.

Management

The Company reported only four directors on the 1998 and 1999 annual statements. The Company was directed to comply with Section 628.231(1) Florida Statutes, and maintain at least five directors to manage the affairs of the Company.

Resolution: The Company listed eight directors in both the 2000 and 2001 annual Statements, in conformity with Section 638.231, Florida Statutes.

Audit Committee

The Company failed to appoint at least three directors to serve on the audit committee. The Company was directed to comply with Section 624.424(8) (c), Florida Statutes, and appoint at least three directors to serve on the audit committee.

Resolution: Audit Committee meetings were documented in 2002 and 2003.

Directors

The Company failed to notify the Office of the change in directors and officers within 45 days. The Company was directed to comply with Section 628.261, Florida Statutes.

Resolution: The Company has not fully complied with this, as it failed to notify the Office of the resignation of Rick Hayne in 2002 and the appointment of James Sclafani within 45 days of his appointment in 2003.

Reinsurance

The clean, irrevocable, letters of credit on behalf of AXA and OPL did not contain the minimum 60-day notice prior to expiration or nonrenewal, nor were they governed by the State of Florida. The Company was directed to comply with Rule 69O-144.005 (6), Florida Administrative Code.

Resolution: The OPL and AXA Letters of Credit were amended to contain a 60-day notice period and now state that they are to be construed with Florida law. They were forwarded to the Office on May 30, 2002.

The Company failed to file reinsurance summaries with the Office no later than six months after the effective date of the reinsurance treaty. The Company was directed to comply with Section 624.610(11), Florida Statutes.

Resolution: The Company did not file reinsurance summaries with the Office for the year 2003.

Accounts and Records

The premium and loss information provided in electronic format was incomplete and did not reconcile directly to the Annual Statement. Specifically, SR22 fees were omitted from the data disks and policy fees were not included as premiums on the Annual Statement. Additionally, only the ALAE portion of loss adjustment expenses was provided and that total did not reconcile to Schedule P. It was directed that complete and accurate records of transactions be maintained and properly classified by the Company.

Resolution: Considerable difficulty still existed reconciling Company supplied data with the Annual Statement for both premiums and losses; however, the unreconciled differences were not material.

Accounts and Records

The Company failed to include the \$25 per policy fee charged to policyholders by the MGA as written premium. The Company was directed to comply with Section 627.403, Florida Statutes.

Resolution: The Company has now complied with this directive for the years 2001, 2002 and 2003.

Accounts and Records

The Company failed to disclose or accrue for contingent liabilities regarding litigation that were determined to be probable and were reasonably estimated. The Company was directed to comply with GAAP and NAIC pronouncements regarding disclosure of loss contingencies.

Resolution: The Company has complied with this directive.

Custodial Agreements

The Company neglected to obtain custodial agreements with Chase Manhattan Bank or Equiserve. The Company was directed to obtain written agreements that comply with Rule 4-143.042, Florida Administrative Code, with all entities that maintain custody of their assets. The Company was also directed to place securities with an entity that meets the definition of a custodian as defined in Rule 4-143.041, Florida Administrative Code.

Resolution: The Company has new custodians and now has proper agreements in place.

Receivable for Securities

The Company misclassified accrued investment income. The Company was directed to comply with NAIC Annual Statement Instructions.

Resolution: The Company has complied with this directive.

Agents' Balances

The Company did not maintain an aging summary of premiums receivable by effective date, on a policy-by-policy basis. The Company was directed to comply with Rule 4-138.024, Florida Administrative Code.

Resolution: This summary was provided as of December 31, 2003, but no reconciliation to the related balance in the Annual Statement was furnished.

Comments of Financial Statements

The Company misclassified several items in the Annual Statement. The Company was directed to classify all items in accordance with the provisions of the NAIC Annual Statement Instructions.

Resolution: The Company has complied with this directive.

HISTORY

General

The Company was incorporated on March 1, 1989, under the laws of Florida, as a stock property and casualty insurer and commenced business on April 6, 1989, with the name of Security

National Insurance Company. In Accordance with Section 624.401(1), Florida Statutes, the Company is authorized to transact the following insurance coverage, in the State of Florida, as at December 31, 2003:

Private Passenger Auto Liability
Commercial Automobile Liability
PDA Physical Damage
Commercial Auto Physical Damage

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 class A voting common stock	375,000
Number of authorized class B voting common stock	375,000
Number of authorized non-voting common stock	250,000
Number of class A voting shares issued and outstanding	375,000
Number of class B voting shares issued and outstanding	375,000
Number of non-voting shares issued and outstanding	250,000
Total common capital stock	\$1,000,000
Par value per common share	\$1.00

The Company's parent, BRW ACQUISITION INC., renamed Bristol West Holdings, Inc. in 2004, which owns 100 percent of the voting stock issued by the Company, maintained control of the Company. On February 12, 2004 the ultimate parent company, Bristol West Holdings, Inc., issued shares to the public for the first time. The shares were listed on the New York Stock Exchange. Approximately 56.5% of Bristol West Holdings, Inc. was held by the public; 39.7% was held by Bristol West Associates LLC, which was controlled by the KKR Group and the remaining 3.8% was held by various senior officers.

During the year 2003, an additional \$500,000 of surplus was contributed to the Company.

Profitability of Company

The Company reported net-underwriting profits (losses) for the last three years of (\$2,198,418), (\$4,243,095) and \$1,612,797 in 2001, 2002 and 2003, respectively. Premiums earned increased from \$15,847,006 in 2001 to \$22,718,052 in 2002, then reduced to \$9,548,682 in 2003. Surplus as regards policyholders decreased from \$7,448,111 in 2001 to \$7,146,077 in 2002, and then increased to \$10,973,559 in 2003. Total assets decreased 43% and total liabilities decreased 72% from the last examination. Direct written premiums decreased from \$35,212,065 in 2001 to \$28,045,766 in 2003.

Management

The annual shareholder meeting for the election of directors for the year 2002 was not held in accordance with Sections 607.1601 and 628.231, Florida Statutes. The directors serving as of December 31, 2003, were:

Directors

Name and Location	Principal Occupation
Simon J. Noonan Davie, Florida	Chief Actuary and President Security National Insurance Company
Randy D. Sutton Davie, Florida	Treasurer Security National Insurance Company
Gregory J. Hammond Davie, Florida	Secretary and Counsel Security National Insurance Company

George R. DeHeer
Davie, Florida

Vice President Finance
Bristol West Insurance Group

James J. Sclafani, Jr.
Davie, Florida

Senior Vice President - Claims
Bristol West Insurance Group

Douglas R. Burtch
Davie, Florida

Director and Vice President of Marketing
Bristol West Insurance Group

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

Senior Officers

Name	Title
Simon J. Noonan	President and Chief Actuary
Randy D. Sutton	Treasurer
Gregory Hammond	Secretary

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

Audit Committee	Investment Committee
Simon Nonnan	Simon Noonan
Gregory Hammond	Gregory Hammond
Randy D. Sutton	Randy D. Sutton
George DeHeer	George DeHeer
James Sclafani	James Sclafani

Conflict of Interest Procedure

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

Corporate Records

The Company's Schedule Y, Organization Chart was not completed in accordance with the Annual Statement Instructions, in that it did not include federal ID numbers, NAIC company codes and domicile state abbreviations.

The recorded minutes of the shareholder, board of directors, audit and investment committee meetings were reviewed for the period under examination. The recorded minutes of the board did not adequately document its meetings and did not record approval of Company transactions in accordance with Section 607.1601, Florida Statute, including the authorization of investments as required by Section 625.304, Florida Statute. There were no Shareholders' minutes for the year 2002, nor any Audit Committee or Investment Committee minutes for the year 2001.

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

There were no acquisitions, mergers, disposals, dissolutions, and purchase or sales through reinsurance during the period under examination.

Surplus Debentures

At December 31, 2003, there were no outstanding surplus debentures of the Company.

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 15, 2004 as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

The following agreements were in force between the Company and its affiliates as at December 31, 2003:

Computer Services Agreement

The Company maintained an agreement with Insurance Data Systems, GP, (IDS), made on June 1, 1990, whereby IDS provided the Company with generated reports and documents, for a fee.

MGA Agreement

The Company entered into a MGA Agreement with its affiliate, Bristol West insurance Services Inc. of Florida (BWIS) on July 10, 1998. The agreement indicated that BWIS shall represent the

Company for the production and servicing of insurance, including underwriting, policy issuance, and collection of premiums. The MGA charged a 25% commission and a \$25 policy fee.

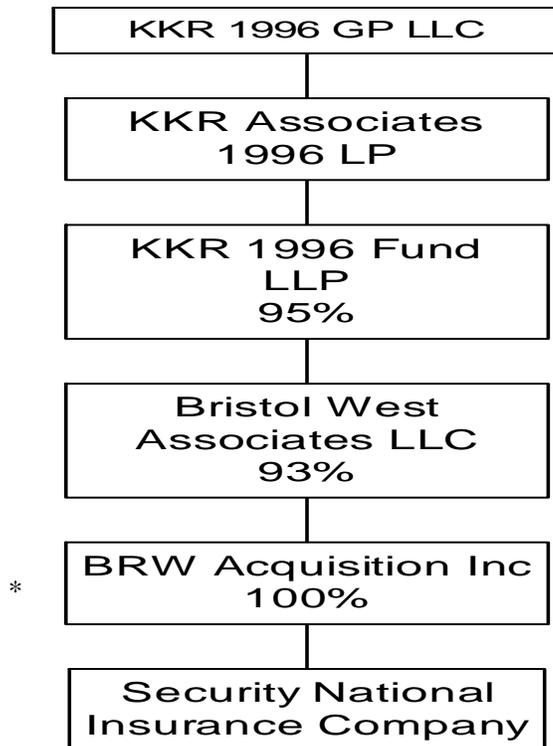
Claims Services Agreement

The Company maintained a memorandum of agreement effective April 6, 1989, with Apex Adjustment Bureau, Inc., to adjust and settle claims. The cost and expenses incurred to settle the claims were charged directly to the Company.

Tax Allocation Agreement

The Company, along with its parent, filed a consolidated federal income tax return. The agreement provided that each subsidiary shall pay to the parent an amount equal to the total of the subsidiary's separate federal income tax liability as if the subsidiary had never been a member of the BRW Group.

**Security National Insurance Company
ORGANIZATIONAL CHART
DECEMBER 31, 2003**



* Changed name in 2004 to Bristol West Holdings, Inc.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$2,000,000 with a deductible of \$25,000 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's employees were eligible to participate in the Bristol West Retirement Plan, a defined contribution plan. Eligibility requirements consisted of a minimum of one year of service, defined as 1,000 hours, and attainment of the age of 21. The Company may make a discretionary contribution each year ranging from 0% to 15% of eligible compensation paid to participants during the plan year.

In addition to pension benefits, the Company participated in certain health care and life insurance benefits plans for employees.

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
FL.	MA St.Cons LN 5.5% 11/01/21	\$ 50,000	\$ 57,625
FL	CIT Group 7.125% 10/6/99	500,000	521,535
FL	Cash Held by State	<u>250,000</u>	<u>250,000</u>
	Total Florida Deposits	<u>\$ 800,000</u>	<u>\$ 829,160</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company was authorized to transact insurance in the State of Florida, as provided in Section 624.401(2), Florida Statutes. The Company was also authorized to transact business in Texas, but has not yet written any business in Texas.

Treatment of Policyholders

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

REINSURANCE

The reinsurance agreements reviewed as at December 31, 2003 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 risks.

Ceded

The Company maintained quota share and excess of loss reinsurance, and ceded premiums to authorized and unauthorized reinsurers. The primary reinsurers were National Union Fire Insurance Company of Pittsburgh, PA (part of the AIG group), which reinsured 50% of the total, Alea London Ltd, which reinsured 40% of the total, and Federal Insurance Company, which reinsured 10% of the total ceded.

The Company maintained an Aggregate Excess of Loss (Stop Loss) agreement with Inter-Ocean Reinsurance (Ireland) Limited. This contract was commuted as of December 31, 2003 and the funds were received on February 17, 2004.

The Company maintained a trust agreement with its affiliate Coast National to secure payments of amounts owed in connection with reinsurance.

The Company did not provide a copy of reinsurance summaries for all of the contracts, as required to be filed with the Office no later than six months after the effective date of the reinsurance treaty, as required by Section 624.610 (11), Florida Statutes.

An evaluation of the quota share reinsurance agreements with National Union Fire Insurance Company of Pittsburgh, PA, Alea London Ltd. and Federal Insurance Company revealed that there was several limiting factors within the agreement that affected the transfer of risk. There was; however, adequate transfer of risk as determined by the reinsurance specialist on this examination.

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 was audited annually by Deloitte & Touche, Certified Public Accountants, of Hartford, Conn. for the years 2001, 2002 and 2003, in accordance with Section 624.424 (8), Florida Statutes. Audited Statutory Financial Statements and supporting work papers were prepared by the CPA firm 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 Company maintained its principal operational offices in Davie, Florida, where this examination was conducted.

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

Custodial Agreement

The Company had custody agreements with the Bank of New York, New York, NY and Salem Trust, Hialeah, FL.

Risk-Based Capital

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

Managing General Agents Agreement

The Corporate Minute Books for the years 2001, 2002 and 2003 contain no record of the Board of Directors approving Bristol West Insurance Services of Florida as Managing General Agent for the Company as required by the Company's Bylaws.

Bank of New York Custody Agreement

The Corporate Minute Books for the years 2001, 2002 and 2003 contained no record of the Board of Directors approving the Bank of New York Custody Agreement as required by the Company's Bylaws and Rule 690-143.042(2) FAC.

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.

**Security National Insurance Company
ASSETS**

DECEMBER 31, 2003

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	\$13,379,785		\$13,379,785
Cash:			
On deposit	298,752		298,752
Agents' Balances:			
Uncollected premium	2,561,750	1,960,679	4,522,429
Net deferred tax asset	425,333	54,898	480,231
Receivable from reinsurers	1,802,194		1,802,194
Receivables from PSA	521,827		521,827
Interest and dividend income due & accrued	168,649		168,649
Totals	\$19,158,290	2,015,577	21,173,867

Security National Insurance Company
LIABILITIES, SURPLUS AND OTHER FUNDS

DECEMBER 31, 2003

Liabilities	Per Company	Examination Adjustments	Per Examination
Losses & LAE	3,792,785		3,792,785
Other expenses	413,954		413,954
Taxes, licenses and fees	15,958	44,442	60,400
Drafts outstanding	635,780		635,780
Unearned premium	959,727	784,268	1,743,995
Ceded reinsurance premiums payable	2,366,527	1,299,280	3,665,807
	<hr/>		
Total Liabilities	\$8,184,731	2,127,990	10,312,721
Common capital stock	1,000,000		1,000,000
Gross paid in and contributed surplus	17,961,832		17,961,832
Unassigned funds (surplus)	(7,988,273)	(112,413)	(8,100,686)
	<hr/>		
Surplus as regards policyholders	10,973,559	(112,413)	10,861,146
	<hr/>		
Total liabilities, capital and surplus	\$19,158,290	2,015,577	21,173,867
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**Security National Insurance Company
STATEMENT OF INCOME**

DECEMBER 31, 2003

Premiums earned	\$9,548,682
DEDUCTIONS:	
Losses incurred	\$5,370,587
Loss expenses incurred	694,245
Other underwriting expenses incurred	1,871,053
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	<u>\$7,935,885</u>
Net underwriting gain or (loss)	\$1,612,797

Investment Income

Net investment income earned	\$790,260
Net realized capital gains or (losses)	220,997
Net investment gain or (loss)	<u>\$1,011,257</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$0
Finance and service charges not included in premiums	840,878
Aggregate write-ins for miscellaneous income	12,392
Total other income	<u>\$853,270</u>

Net income before dividends to policyholders and before federal & foreign income taxes	\$3,477,324
Dividends to policyholders	<u>0</u>
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$3,477,324
Federal & foreign income taxes	<u>0</u>
Net Income	\$3,477,324

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$7,146,078
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Gains and (Losses) in Surplus

Net Income	\$3,477,324
Net unrealized capital gains or losses	0
Change in net deferred income tax	(707,413)
Change in non-admitted assets	540,570
Change in provision for reinsurance	17,000
Examination adjustments	(112,413)
Paid In surplus in year	500,000
Change in surplus as regards policyholders for the year	<u>3,715,068</u>
Surplus as regards policyholders, December 31 current year	<u><u>10,861,146</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$3,792,785

The Company's Chief Actuary, 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.

Expected cancellations

The Company adjusted their financial statements to remove the effects of premium written related to 35% of their current business which they expected to cancel. This adjustment is inappropriate as all in force premium and the related balances sheet accounts, should not be adjusted until the policies are canceled. Adjustments to remove the effect of this practice is as follows:

Agents' balances: Uncollected premium	1,960,679
Net deferred tax asset	54,898
Ceded reinsurance premiums payable	(1,299,280)
Taxes, licenses and fees	(44,442)
Unearned premium	<u>(784,268)</u>
Net effect of adjustments	<u><u>(112,413)</u></u>

Security National Insurance Company
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 \$10,973,559

	<u>PER</u> <u>COMPANY</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>
ASSETS:			
Agents' bal: Uncollected prem.	2,561,750	4,522,429	1,960,679
Net deferred tax asset	425,333	480,231	54,898
LIABILITIES:			
Taxes, lic. & fees	15,958	60,400	(44,442)
Unearned premium	959,727	1,743,995	(784,268)
Ceded reins. prem. Pay.	2,366,527	3,665,807	(1,299,280)
Net Change in Surplus:			<u>(112,413)</u>
Surplus as Regards Policyholders December 31, 2003, per examination			<u><u>10,861,146</u></u>

SUMMARY OF FINDINGS

Compliance with previous directives

The Company has taken the necessary actions to comply with most of the comments made in the 2000 examination report issued by the Office. Those that were not complied with are re-stated below.

Current examination comments and corrective action required.

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's Schedule Y, Organization Chart was not completed in accordance with the Annual Statement Instructions.

The Company is directed to complete its' Schedule Y, Organization Chart in accordance with the Annual Statement Instructions in all future filings with the Office.

Reinsurance

The Company did not supply the Office with Reinsurance Summary Sheets for the years 2002 and 2003 in accordance with the Required Filings of the State of Florida.

The Company is directed to submit the Reinsurance Summary Sheets in accordance with the Required Filings in the State of Florida within 90 days after this report is issued.

Expected cancellations

The adjustment to account for expected cancellations is not appropriate statutory accounting treatment. **Accordingly, the Company is directed to cease making this adjustment in all future annual and quarterly statement filings.**

Corporate Records

There were no available Stockholders meeting minutes for the year 2002 as required by the Company's Bylaws. There were also no available minutes for the Audit Committee and the Investment Committee for 2001.

The Company is directed to have the minutes of all of the future Company's Shareholders Meetings recorded. Investment Committee and Audit Committee future meetings minutes are to be acknowledged and properly recorded in the Board of Directors meeting minutes.

Custodian Agreement

There were no Board minutes approving the Bank of New York custody agreement as required by Rule 690-143.042(2), FAC.

The Company is directed to approve this agreement at the next Board of Directors meeting and record such approval in the meeting's minutes.

SUBSEQUENT EVENTS

Bristol West Holdings, Inc., formerly Bristol West Acquisition, Inc. the ultimate parent of the Company, went public in February of 2004. Craig E. Eisenacher replaced Randy Sutton as Treasurer of the Company in May of 2004.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Security National Insurance Company**, 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 \$10,861,146 which was in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Mary James, CFE, CPM, Financial Examiner/Analyst Supervisor, March Fisher, Senior Actuarial Analyst and David Schleit, Financial Examiner/Analyst II, participated in the examination.

Respectfully submitted,

Roger Kelley
Financial Examiner/Analyst II
Florida Office of Insurance Regulation