

REPORT ON EXAMINATION
OF
SOUTHERN EAGLE
INSURANCE COMPANY
BRADENTON, FLORIDA

AS OF
DECEMBER 31, 2008

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

December 18, 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:

**SOUTHERN EAGLE INSURANCE COMPANY
410 43RD STREET WEST, SUITE N
BRADENTON, FLORIDA 34209**

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, 2008, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2007. This examination commenced with planning at the Office on October 12, 2009 to October 16, 2009. The fieldwork commenced on October 19, 2009, and concluded as of December 18, 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 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

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2007, along with resulting action taken by the Company in connection therewith.

Management

The Company did not annually appoint its consulting actuaries, Milliman, Inc., in its Board of Directors minutes, as required by the NAIC *Annual Statement Instructions* and Rule 69O-138.042, Florida Administrative Code. **Resolution:** The Company's Board of Directors documented the appointment of the consulting actuary within the Board minutes.

The Company paid a dividend without prior written approval from the Office of Insurance Regulation. **Resolution:** The Company did not declare, nor pay any dividends during this examination period.

As of December 31, 2007, the Company had a producer's agreement with Southern Underwriting Management Company (d/b/a Risk Concepts Corp), an affiliate, but did not disclose the agreement in the Holding Company Registration Statement filed with the OIR as of February 26, 2008.

Resolution: The Company has not implemented this directive. **We recommend that the Company accurately disclose all related party agreements in the Holding Company**

Registration Statement in accordance with Rule 690-143.046, Florida Administrative Code.

The Board approved an Audit Committee Charter and established an Audit Committee. The Audit Committee was not in compliance with its charter, or with Section 624.424 (8), Florida Statutes.

Resolution: The Company documented minutes of the Audit Committee meetings and complied with the Company's Audit Committee Charter and Section 624.424 (8), Florida Statutes.

Accounting

The Company did not accrue \$104,924 of the Florida premium taxes and workers' compensation assessments that were payable as at December 31, 2007, as required by SSAP No. 67, Paragraph 2. **Resolution:** During 2008, the Company accurately accrued for taxes and assessments in accordance with SSAP No. 67 in their 2008 Financial Statement.

Financial Reporting

The Company did not complete Schedule F – Part 1 of its Annual Statement indicating reinsurance assumed. **Resolution:** The Company has complied with the Annual Statement filing instructions.

Operational

Policies written by the Company in 2007 had not been subjected to timely premium audit. Section 627.191, Florida Statutes, requires that no insurer shall issue a contract or policy except in accordance with the filings which are in effect for such insurer. The Florida Miscellaneous Rules of the National Council on Compensation Insurance (NCCI) manual requires that the audit be completed within 90 days of the policy's expiration. **Resolution:** The Company has

contracted with F. A. Richard and Associates, Inc. (FARA) to perform all premium audits within the required 90 days.

HISTORY

General

The Company was incorporated in Florida on May 4, 2005, and commenced business on June 1, 2005.

- The Company was party to a Consent Order 81294-05-CO, filed April 28, 2005, and Consent Order 81629-05-CO filed May 19, 2005, with the Florida Office of Insurance Regulation (Office) regarding the application for issuance of a Certificate of Authority. The Company was in compliance with this consent order.

The Company was authorized to transact workers compensation insurance coverage in Florida on December 31, 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
Number of shares issued and outstanding	10,000
Total common capital stock	\$500,000
Par value per share	\$50.00

The Company was wholly-owned by its parent, Peel-Bushong Holding Company, which was wholly-owned by Sarah Peel during the period under examination.

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
Premiums Earned	9,972,828	14,719,752	16,635,046
Net Underwriting Gain/(Loss)	434,635	2,853,630	3,272,723
Net Income	255,021	2,031,584	2,458,722
Total Assets	23,348,249	24,133,632	21,035,715
Total Liabilities	12,176,565	12,370,194	11,059,972
Surplus As Regards Policyholders	11,171,684	11,763,438	9,975,743

Dividends to Stockholders

The Company did not declare nor pay dividends to its stockholder in 2008.

Management

An annual shareholder meeting for the election of directors was not held in 2007 for the 2008 year.

Subsequent Event: In 2008, an annual shareholder meeting for the 2009 year was held, in accordance with Sections 607.1601 and 628.231, Florida Statutes.

Directors serving as of December 31, 2008, were:

Directors

Name and Location	Principal Occupation
Dan M. Robertson Longwood, Florida	President and Chief Operating Officer Southern Eagle Insurance Company
Marshall T. Bower Fort Myers, Florida	Attorney
Kelly S. Hudson Bradenton, Florida	Director of Underwriting and Loss Control Southern Eagle Insurance Company
Robert F. Kennedy San Francisco, California	Reinsurance Broker
Sarah M. Peel Bradenton, Florida	Chief Executive Officer Southern Eagle Insurance Company
James R. Zuhlke North Barrington, Illinois	Consultant
Henry J. Abbott, Jr. (a) Bradenton, Florida	Executive Vice President Southern Eagle Insurance Company
Craig E. Johnson Bokeelia, Florida	Consultant
Christine Broomell Brunswick, Georgia	Consultant

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

Senior Officers

Name	Title
Sarah M. Peel	Chief Executive Officer
Dan M. Robertson	President and Chief Operating Officer
Henry J. Abbott, Jr. (a)	Secretary and Treasurer

(a) Resigned in first quarter of 2009, and was replaced by Brenda Smyth Ross (CFO) both as Officer and Director.

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:

Audit Committee

James R. Zuhlke¹
Dan M. Robertson
Craig E. Johnson

Reinsurance Committee

Robert F. Kennedy¹
Dan M. Robertson

Investment Committee

Dan M. Robertson¹
Marshall T. Bower
Kelly S. Hudson
Robert F. Kennedy
Sarah M. Peel
James R. Zuhlke
Henry J. Abbott, Jr.
Craig E. Johnson
Christine Broomell

¹ Chairman

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest.

Corporate Records

The recorded minutes of the shareholder, Board of Directors, and certain internal committees were reviewed for the period under examination. With the exception of the appointment of the consulting actuary, the recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Sections 607.1601 and 625.304, Florida Statutes. **Subsequent Event:** During 2009, the Board of Directors appointed and approved the consulting actuary.

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

The Company had no acquisitions, mergers, disposals, dissolutions, or purchases or sales through reinsurance during the examination period.

Surplus Debentures

The Company was not a party to any surplus debentures.

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 2, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code. This registration statement failed to disclose all affiliation and/or reinsurance agreements to the Office and failed to comply with Section 628.801, Florida Statutes. The Company failed to disclose affiliate agreements for:

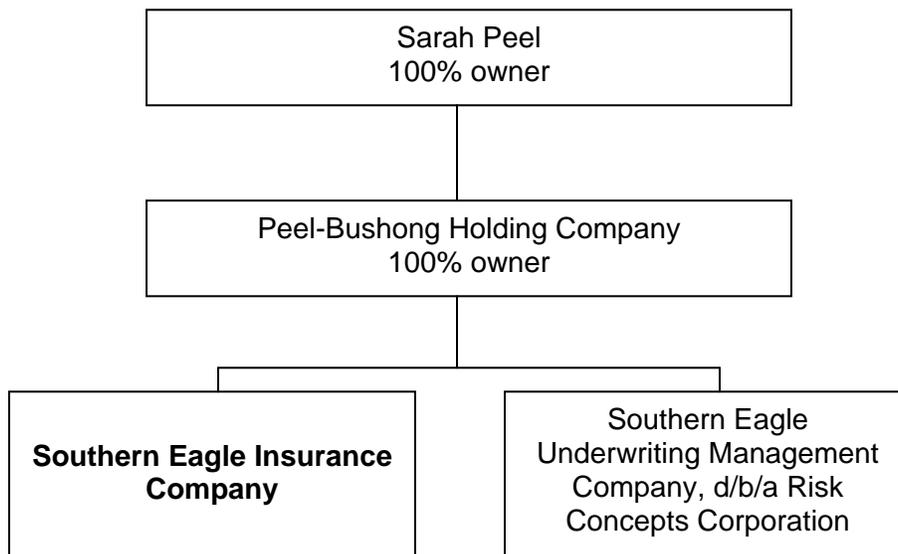
- Underwriting administration with Southern Eagle Management Underwriters Company, d/b/a Risk Concepts Corporation.
- Information Technology with Administrative Concepts Corporation, an affiliated Company.
- Reinsurance with Star Insurance Company for their assumed premiums resulting from the fronting program.

We recommend the Company amend the current Holding Company Registration Statement (HCRS) and annually file an updated HCRS which discloses all affiliations and reinsurance agreements to the Office.

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.

**SOUTHERN EAGLE INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2008



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

Producer's Agreement

Effective March 1, 2005, the Company entered into a producer agreement with its sister company, Southern Eagle Underwriting Management Co. (d/b/a Risk Concepts Corp). The Company paid commissions at a rate of 6.5% of gross premiums written for the business generated by the sister company. Southern Eagle Underwriting Management Co did not have authority to bind risk on behalf of the Company.

Information Technology Agreement

Effective April 1, 2008, the Company entered into an agreement with Administrative Concepts Corp., (ACC), whereas ACC will provide IT and data support services to the Company at no cost. The IT support included computer repair, computer/software ordering, diagnostics, maintenance of equipment at the secure facility and hardware installation. The data support consisted of access to ACC's data for underwriting and premium audit purposes and access to the Client Space software for loss control services.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$250,000 with a deductible of \$25,000, which adequately met the suggested minimum as recommended by the NAIC. The Company maintained D & O and Employers' Practices Liability insurance with a limit of \$3 million and a deductible of \$25,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any pension or stock ownership plans during the examination period.

STATUTORY DEPOSITS

The Company had a cash deposit in the amount of \$250,000 with the State of Florida as required by Section 624.411, Florida Statutes.

INSURANCE PRODUCTS

The Company wrote workers compensation policies in the State of Florida. The Company also wrote workers compensation policies in additional states through a fronting agreement with Star Insurance Company.

Territory

The Company was authorized to transact insurance business in Florida.

Treatment of Policyholders

The Company's claim administrator, Florida Preferred Administrators (FPA), had established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

FPA maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(i) (3a), Florida Statutes.

Plan of Operations

The majority of the Company's written premiums were derived from writing workers compensation insurance to its affiliated party, Administrative Concepts Corporation, a professional employers organization (PEO). Business written to other parties was written based on referrals.

Policies were issued by the Company's third-party administrator (TPA), Meadowbrook Inc. Certificates of insurance were issued by the PEO.

Proof of coverage was forwarded by the PEO to the State of Florida, Division of Workers Compensation on the Company's behalf.

Claims were handled by Florida Preferred Administrators, Inc., a TPA. Loss results were monitored by the Company on a monthly or more frequent basis. Claim performance reviews were performed by the Company with the TPA on a monthly or more frequent basis. The NCCI classification reviews were conducted during loss control visits.

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 business through a fronting agreement with Star Insurance in the amount of \$3,246,220 in written premiums.

Ceded

The Company ceded risk on an excess of loss basis to several Lloyds Syndicates and to London and Bermuda market insurers. The Company obtained a letter of credit for reinsurers not authorized. The Company retained the first \$250,000 per occurrence and reinsured the balance in four layers from excess of \$250,000 to a limit of \$20 million.

ReSource Intermediaries, Inc. acted as the Company's licensed reinsurance intermediary. A representative of the reinsurance intermediary, Mr. Robert Kennedy, was also a Board member of the Company.

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 Bradenton, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2005 through 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 Company and non-affiliates had the following agreements:

Custodial Agreement

The Company entered into an agreement, dated June 30, 2005, with Wachovia Bank, National Association for the provision of custodial services. This agreement did not contain certain provisions that were required under Rule 69O-143.042(2), sections (g), (h), (i), (j) and (l), Florida Administrative Code. **Subsequent Event:** The agreement with Wachovia was amended on August 4, 2008. The amended agreement met all of the requirements of Rule 69O-143.042, Florida Administrative Code. Effective October 16, 2008, the Company terminated its agreement with Wachovia and entered into a custodial agreement with Wells Fargo Bank, National Association. The custodial agreement met all of the provisions of Rule 69O-143.042, Florida Administrative Code.

Premiums Processing and Other Services Agreements

The Company entered into an agreement, dated May 1, 2005, with Meadowbrook, Inc. (a company under common ownership with Florida Preferred Administrators, Inc.) for the provision of premium processing, general ledger, quarterly and annual statement preparation and other related services. The agreement was subsequently renewed on July 1, 2007. The agreement specified that the fees were based on 6.5% of premiums written, with a minimum monthly payment of \$80,000. **Subsequent Event:** As of March 1, 2009 the Company terminated their agreement with Meadowbrook and brought all previously outsourced processes in-house.

Claims Processing Agreement

The Company entered into an agreement, dated June 1, 2005, with Florida Preferred Administrators, Inc. (a company under common ownership with Meadowbrook, Inc.) for the provision of claims processing and claims accounting and reporting services. The agreement was subsequently renewed on January 1, 2007. The fees were based on a per claim basis, depending

on the type of claim processed. **Subsequent Event:** As of March 1, 2009 the Company terminated their agreement with Florida Preferred Administrators and brought all previously outsourced processes in-house.

Investment Advisory Agreement

Effective June, 2005, the Company entered into an investment advisory agreement with Asset Allocation & Management Company, LLC for the management of securities and cash.

Quota Share Agreement

Effective August 1, 2007, and with the approval of the Florida Office of Insurance Regulation, the Company entered into a quota share agreement with Star Insurance Company (Star), in which the Company would assume 100% of written premiums from Star.

Office Lease

The Company entered into a lease for office premises on May 1, 2005, with C & S Properties, at a monthly rental of \$5,665. The initial lease term expired August 31, 2007. The lease included an option to renew for an additional 5 years which was executed upon expiration. Renewal option was for the period September 1, 2007, to August 31, 2012.

Independent Actuary Agreement

The Company utilized the actuarial services of Milliman Inc. for issuing the Statement of Actuarial Opinion (SAO) and supporting actuarial report with the Actuarial Opinion Summary (AOS) for 2008.

Independent Auditor Agreement

The Company utilized the services of Thomas Howell Ferguson, PA, Certified Public Accountants, for the provision of tax and annual statutory audit services for 2008. **Subsequent Event:** The Company has dismissed Thomas Howell Ferguson as their audit firm effective August 11, 2009, and has appointed Johnson Lambert and Co. LLP as the independent auditor for the year ending 2009.

Information Technology Report

ParenteBeard LLC performed a computer systems evaluation on the Company. Results of the evaluation were noted in IT 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. Failure of the statements to foot is due to rounding.

SOUTHERN EAGLE INSURANCE COMPANY
Assets

December 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$5,488,070		5,488,070
Stocks:			
Common	114,819		114,819
Cash	1,715,469		1,715,469
Receivables for securities	2,861		2,861
Investment income due and accrued	86,526		86,526
Agents' Balances			
Deferred premium	1,040,018		1,040,018
Accrued retrospective premiums	13,150,929		13,150,929
Reinsurance			
Amounts recoverable	49,219		49,219
Other amounts receivable	808,669		808,669
Net deferred tax asset	846,129		846,129
EDP Equipment	45,540		45,540
Furniture and equipment			
Aggregate write-in for other than invested assets			
Totals	\$23,348,249	\$0	\$23,348,249

SOUTHERN EAGLE INSURANCE COMPANY
Liabilities, Surplus and Other Funds

December 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	\$7,961,070		\$7,961,070
Loss adjustment expenses	2,602,944		2,602,944
Commissions payable	9,875		9,875
Other expenses	52,728		52,728
Taxes, licenses and fees	218,143		218,143
Current federal and foreign income taxes	305,042		305,042
Unearned premium	543,807		543,807
Provision for reinsurance	349,785		349,785
Aggregate write-ins for liabilities	133,171		133,171
Total Liabilities	\$12,176,565		\$12,176,565
Common capital stock	\$500,000		\$500,000
Gross paid in and contributed surplus	6,500,000		6,500,000
Unassigned funds (surplus)	<u>\$4,171,684</u>		<u>\$4,763,438</u>
Surplus as regards policyholders	<u>\$11,171,684</u>		<u>\$11,171,684</u>
Total liabilities, surplus and other funds	<u><u>\$23,348,249</u></u>		<u><u>\$23,348,249</u></u>

SOUTHERN EAGLE INSURANCE COMPANY
Statement of Income

December 31, 2008

Underwriting Income

Premiums earned		\$9,972,828
	Deductions:	
Losses incurred		2,608,398
Loss expenses incurred		1,789,326
Other underwriting expenses incurred		5,140,469
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$9,538,193
Net underwriting gain or (loss)		\$434,635

Investment Income

Net investment income earned		\$341,264
Net realized capital gains or (losses)		(254,731)
Net investment gain or (loss)		\$86,533

Other Income

Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		\$0

Net income before dividends to policyholders and before federal & foreign income taxes		\$521,168
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$521,168
Federal & foreign income taxes		266,147
Net Income		\$255,021

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$11,763,438
Net Income		\$255,021
Net unrealized capital gains or losses		(27,988)
Change in non-admitted assets		(856,544)
Change in net deferred income tax		387,542
Change in provision for reinsurance		(349,785)
Surplus adjustments: Paid in		0
Dividends to stockholders		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		(\$591,754)
Surplus as regards policyholders, December 31 current year		\$11,171,684

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$10,564,014

An outside actuarial firm rendered an opinion that the amounts carried on 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. ParenteBeard LLC consulting actuary reviewed the work papers provided by the Company and performed an independent analysis and was in concurrence with this opinion.

Surplus as Regards Policyholders

The amount reported by the Company of \$11,171,684 exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**SOUTHERN EAGLE 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	\$ 11,171,684
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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			\$ 11,171,684

SUMMARY OF FINDINGS

Compliance with previous directives

With the exception of not disclosing the producer's agreement with Southern Underwriting Management Company within the annual Holding Company Registration Statement filing, the Company took the necessary actions to comply with the recommendations made in the 2007 examination report issued by the Office.

We recommend that the Company accurately disclose all related party agreements in the Holding Company Registration Statement in accordance with Rule 69O-143.046, Florida Administrative Code.

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.

Management

The Company filed their Holding Company Registration Statement, as of March 2, 2009 but did not disclose the affiliate agreements for:

- Underwriting administration with Southern Eagle Management Underwriters Company (dba Risk Concepts Corporation).
- Information Technology with Administrative Concepts Corporation, an affiliated company.
- Reinsurance with Star Insurance Company for their assumed premiums resulting from the fronting program.

We recommend the Company amend the current Holding Company Registration Statement (HCRS) and annually file an update HCRS which discloses all affiliations and reinsurance agreements to the Office in accordance with Rule 69O-143.046, Florida Administrative Code.

SUBSEQUENT EVENTS

On December 30, 2008, the Board of Directors approved the acquisition of Peel-Bushong Holding Company by Four Corners of Excellence, Inc. Also approved was a transaction which provided the establishment of Four Corners of Excellence, Inc., Employee Stock Ownership Plan (ESOP) which in turn acquired an interest in Southern Eagle Insurance Company. During early 2009, via Consent Order 102277-09-CO, filed February 6, 2009, the Office approved the aforementioned transactions.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Southern Eagle 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 \$11,171,684, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, we also recognize ParenteBeard LLC's participation in the examination; Michael Brennan, CPA, EIC, Philip Schmoyer, PE/IT Specialist, and Gail Flannery, FCAS, MAAA, Actuarial Support participated on the examination.

Respectfully submitted,

James M. Pafford, Jr.
Financial Exam Analyst Supervisor
Florida Office of Insurance Regulation