

REPORT ON EXAMINATION
OF
UNION AMERICAN INSURANCE
COMPANY
TALLAHASSEE, FLORIDA

AS OF
DECEMBER 31, 2008

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

January 29, 2010

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, 2006, of the financial condition and corporate affairs of:

**UNION AMERICAN INSURANCE COMPANY
2020 CAPITAL CIRCLE SE
TALLAHASSEE, FLORIDA 32302**

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, 2006, through December 31, 2008. This Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2003 before it was ordered into State rehabilitation. This examination commenced, with planning at the Office, on January 4, 2010. The fieldwork commenced on January 11, 2010, and was concluded as of January 29, 2010.

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.

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.

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 all 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 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 all the line item accounts in the Company's 2008 annual statement.

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 December 31, 2003, along with resulting action taken by the Company therewith.

1. The Company had not written any mortgage guaranty, and was not in compliance with Section 624.430, Florida Statutes, which requires the insurer to remove such kinds or lines of business from its Certificate of Authority.

Resolution: The Company has been placed in Rehabilitation under the control of the State of Florida Receivers Office as of February 9, 2005, and all authorized lines of business have been suspended.

2. The Company had fewer than five directors, as required by Section 628.231, Florida Statutes.

Resolution: The Company added an additional director. Because the Company has been placed in Rehabilitation, all directors have been removed.

3. The Company had no fidelity bond coverage, as recommended by the NAIC.

Resolution: The Company has been placed in Rehabilitation and there was no requirement for fidelity bond coverage.

HISTORY

General

Union American Insurance Company (Company) was incorporated on April 17, 1984, under the laws of the State of Florida, as a stock property and casualty insurer and commenced business on July 11, 1984. In accordance with Section 624.401(1), Florida Statutes, the Company was licensed to write the following insurance coverage:

Fire	Surety
Allied Lines	Inland Marine
Homeowners Multi Peril	Other Liability
Commercial Multi Peril	Fidelity
Private Passenger Auto Liability	Workers Comp
PPA Physical Damage	Mortgage Guaranty
Commercial Auto Liability	Commercial Auto Physical Damage
Mobile Home Multi Peril	Mobile Home Physical Damage

On March 13, 2003, Florida entered a Consent Order suspending the Company's Certificate of Authority. The Company voluntarily ceased writing new business as of March 5, 2003. On February 9, 2005, the Company entered a Consent Order to be placed into receivership for rehabilitation. The Florida Department of Financial Services was appointed as the Receiver for purposes of rehabilitation and all lines of business were suspended.

Capital Stock

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

Number of authorized common capital shares	50,000
Number of shares issued and outstanding	50,000
Total common capital stock	\$5,000,000
Par value per share	\$100.00

Although the Company's parent, AIB Insurance Group, Inc. a Florida Corporation, owned 100% of the stock issued by the Company, the Company continued to be supervised by the Division of Rehabilitation and Liquidation of The Florida Department of Financial Services.

Profitability of Company

The Company was in rehabilitation. The following table shows the profitability trend (in dollars) of the Company for the date of examination, as reported in the filed annual statements.

	2008	2007	2006
Premiums Earned	0	0	0
Net Underwriting Gain/(Loss)	42,842	(924,119)	594,834
Net Income	1,110,837	(267,480)	1,152,812
Total Assets	2,128,905	2,776,952	4,017,063
Total Liabilities	1,691,067	3,494,138	4,416,819
Surplus As Regards Policyholders	437,838	(717,185)	(399,755)

Dividends to Stockholders

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

Management

The Company was in Rehabilitation and under the control of the State of Florida Department of Financial Services Division of Rehabilitation and Liquidation. Therefore, the requirement to have appointed senior officers and internal committees in accordance with Section 607.0825, Florida

Statutes has been suspended. Likewise, the annual shareholder meetings for the election of directors as required by Sections 607.1601 and 628.231, Florida Statutes, has been suspended.

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

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

Surplus Debentures

The Company had no surplus debentures at December 31, 2008.

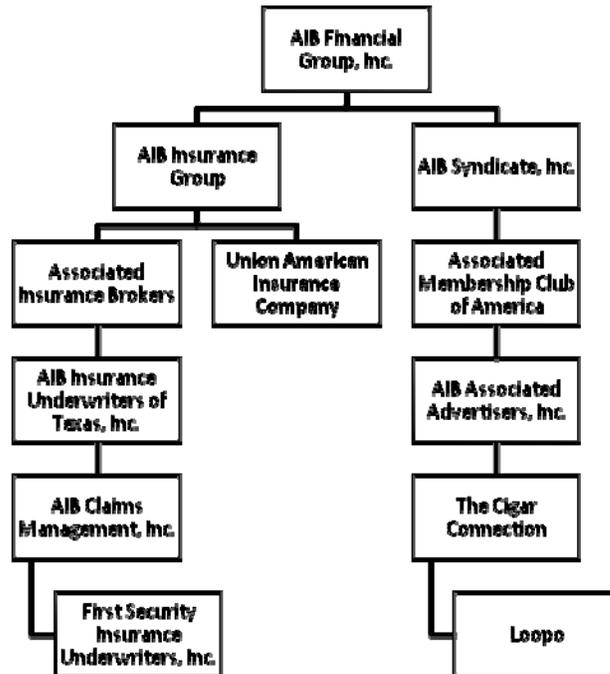
AFFILIATED COMPANIES

The Company was in rehabilitation, but continued to be a member of a holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code; its ultimate parent was AIB Financial Group, Inc.

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

**UNION AMERICAN INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2008



The Company had no affiliate agreement(s) in place.

FIDELITY BOND AND OTHER INSURANCE

The Company was in Rehabilitation and under the control of the State of Florida Receivers Office.

There was no fidelity bond coverage required or maintained.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees.

STATUTORY DEPOSITS

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

STATE	Description	Par Value	Market Value
FL	CASH DEPOSIT	<u>\$ 600,000</u>	<u>\$ 600,000</u>
	TOTAL FLORIDA DEPOSITS	<u>\$ 600,000</u>	<u>\$ 600,000</u>
	TOTAL SPECIAL DEPOSITS	<u>\$ 600,000</u>	<u>\$ 600,000</u>

INSURANCE PRODUCTS

Territory

The Company was in Rehabilitation and under the control of the State of Florida Receivers Office.

REINSURANCE

The Company was under the control of State of Florida Liquidation and Rehabilitation Office since February, 2005. No premiums were written by the Company in 2008; therefore, there was no reinsurance risk as of the examination date. The reported recoverable and payable amount

in the annual statement was the amount being carried forward by the Receivers Office on behalf of the Company since it was ordered into rehabilitation in 2005.

Assumed

The Company did not assume any risk.

Ceded

The Company did not cede any risk.

ACCOUNTS AND RECORDS

The Company's remaining operations were through the Receivers Office in Tallahassee, Florida, and Miami, Florida.

An independent CPA audited the Company's statutory basis financial statements for the year 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 balance sheet accounts were verified with the line items of the annual statement submitted to the Office. The Company maintained as a non-admitted asset an \$11.6 Million receivable from a Parent, Subsidiary or Affiliate. It was noted in 2003 that the receivable was a non-interest bearing advance to affiliates. The Company reports that there will be no collection effort made.

The Company and non-affiliates had the following agreement:

Claims Servicing Provider Agreement

The Company was in run-off and under the control of the State of Florida Rehabilitation and Liquidation Office. The Receiver entered into a claims servicing provider agreement with United Self Insured Services (USIS). The contract stated that USIS would service all open claims.

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."

UNION AMERICAN INSURANCE COMPANY
Assets

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Cash	2,052,519		2,052,519
Investment income due and accrued	3,427		3,427
Agents' Balances:			
Amount recoverable from reinsurers	71,859		71,859
Aggregate write ins for other than invested assets	1,100		1,100
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Totals	\$2,128,905	\$0	\$2,128,905
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UNION AMERICAN INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	970,856		970,856
Loss adjustment expenses	135,236		135,236
Commissions Payable	218		218
Other Expenses	44,992		44,992
Taxes, Licenses, and Fees	244,595		244,595
Current federal and foreign income taxes	23,003		23,003
Funds held by Company under reinsurance treaties	57,945		57,945
Provision for reinsurance	103,198		103,198
Drafts outstanding	54,568		54,568
Aggregate write-ins for liabilities	56,456		56,456
Total Liabilities	\$1,691,067	\$0	\$1,691,067
Common capital stock	5,000,000		5,000,000
Surplus notes	4,500,000		4,500,000
Gross paid-in and contributed surplus	8,135,000		8,135,000
Unassigned funds (surplus)	(17,197,162)		(17,197,162)
Surplus as regards policyholders	437,838		437,838
Total liabilities, surplus, and other funds	2,128,905	\$0	2,128,905

UNION AMERICAN INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income

Premiums earned		\$0
	Deductions:	
Losses incurred		(697,234)
Loss expenses incurred		253,180
Other underwriting expenses incurred		401,212
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		(\$42,842)
Net underwriting gain or (loss)		\$42,842

Investment Income

Net investment income earned		\$41,207
Net realized capital gains or (losses)		0
Net investment gain or (loss)		\$41,207

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		1,036,918
Total other income		\$1,036,918
Net income before dividends to policyholders and before federal & foreign income taxes		\$1,120,967
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$1,120,967
Federal & foreign income taxes		10,130
Net Income		\$1,110,837

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		(\$717,185)
Net Income		\$1,110,837
Change in net unrealized capital gains or losses		0
Change in net deferred income tax		(75,057)
Change in non-admitted assets		101,413
Change in provision for reinsurance		17,833
Change in excess statutory over statement reserves		0
Surplus Adjustment: Paid in		0
Dividends to stockholders		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		\$1,155,026
Surplus as regards policyholders, December 31 current year		\$437,841

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and LAE

\$1,106,092

An outside actuarial firm appointed by the Florida Division of Rehabilitation and Liquidation on behalf of the Company, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2008, make a reasonable provision for all unpaid loss obligations the Company had under the terms of its policies and agreements.

There was no actuarial review performed by the Office as the Company was in rehabilitation and did not write or assume any premiums during the period of examination.

Capital and Surplus

The Company was in run off and under the control of the State of Florida Receivers Office. The amount reported by the Company of \$437,838 was not required to exceed the minimum of \$4,000,000 as required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**UNION AMERICAN 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	\$437,838
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	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS
ASSETS:			
No adjustment			\$0
LIABILITIES:			
No adjustment			\$0
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2008, Per Examination			\$437,838

SUMMARY OF FINDINGS

Compliance with previous directives

The Company took some actions to address the prior findings; however, on February 9, 2005, the Company was placed in Rehabilitation under the control of the Florida Department of Financial Services, Division of Rehabilitation and Liquidation. As a result, the issues raised on the previous exam were addressed by the Division of Rehabilitation and Liquidation.

Current examination comments and corrective action

The Company maintained as a non-admitted asset a \$11,686,746 receivable from a Parent, Subsidiary or Affiliate. It was noted in 2003 that the receivable was a non-interest bearing advance to affiliates. The Company reports that there will be no collection effort made. **We recommend that the Receiver remove the receivable from the Company's balance sheet to comply with NAIC Statement of Statutory Accounting Principles Nos. 20, and 5 unless collection efforts are planned for the future.**

CONCLUSION

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

Per examination findings, the Company was in run off and under the control of the State of Florida, Department of Financial Services, Division of Rehabilitation and Liquidation. The Company's Surplus as regards policyholders of \$437,838, was not required to be in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, James Pafford, Financial Examiner/Analyst Supervisor, participated in the examination.

Respectfully submitted,

Mike Young, AFE
Financial Examiner/Analyst II
Florida Office of Insurance Regulation