

**Report on Examination**  
**of**  
**Best Meridian Insurance Company**  
**Coral Gables, Florida**  
**as of**  
**December 31, 2003**

**By The**  
**State of Florida**  
**Office of Insurance Regulation**

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Tallahassee, Florida

September 8, 2004

Kevin M. McCarty, Commissioner  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes ("F.S."), 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:

**BEST MERIDIAN INSURANCE COMPANY  
1320 S. DIXIE HIGHWAY, 6<sup>TH</sup> FLOOR  
CORAL GABLES, FLORIDA 33146**

hereinafter generally 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 the Florida Office of Insurance Regulation (formerly, the Florida Department of Insurance) (the "Office") as of December 31, 1999. In lieu of conducting a statutory financial examination of the Company for the year 2000, the Office accepted the independent certified public accountant's ("CPA") audit report on the Company's statutory-basis financial statements for that year pursuant to Section 624.316(2)(a), F.S.

Planning for the current examination began on February 16, 2004. The fieldwork commenced on March 1, 2004, and concluded on June 28, 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 was a statutory financial examination conducted in accordance with the NAIC Financial Examiners Handbook, Accounting Practices and Procedures Manual, and annual statement instructions as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code ("F.A.C."), with due regard to the 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 Company's financial solvency.

The examination included a review of corporate and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC Insurance Regulatory Information System ("IRIS") ratio results, the A.M. Best Report, the Company's independent audit reports, and certain work papers prepared by the Company's independent 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 2003 annual statement. Transactions subsequent to December 31, 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 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, 1999, along with resulting action taken by the Company in connection therewith.

#### INVESTMENT IN COMMON STOCKS

The Company had not filed a valuation application on its investment in Best Meridian International Insurance Company SPC with the NAIC Securities Valuation Office. Resolution: On August 23, 2000, the Company provided to the Office the NAIC Securities Valuation Office's valuation of the investment.

#### INTERNAL CONTROLS OVER INFORMATION SYSTEMS

A review of the Company's internal controls over its information systems revealed numerous weaknesses. Resolution: The Company has taken sufficient action to strengthen the controls.

## HISTORY

### GENERAL

The Company was incorporated in Florida on June 23, 1986 as First American Life Insurance Company. Its name was changed to Best Meridian Insurance Company on July 2, 1987, and the Company commenced business on August 1, 1987. In 1997, the Company purchased Best Meridian International Insurance Company SPC, a Cayman Islands based company that issues principally variable life and annuity products, and individual and group term life insurance policies throughout Latin America and Asia.

As of December 31, 2003, the Company was authorized to transact the following insurance coverage in Florida, in accordance with Section 624.401(1), F.S.:

Life	Credit Life
Group Life & Annuities	Credit Disability
Variable Life	Accident & Health

Neither the Company's articles of incorporation nor its bylaws were 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 common capital shares	2,500,000
Number of shares issued and outstanding	750,000
Total common capital stock	\$750,000
Par value per share	\$1.00

Subsequent to the date of this examination, on February 27, 2004, the Company's parent, BMI Financial Group, Inc., contributed \$3.7 million to the Company as additional capital.

At December 31, 2003, the Company was wholly owned by BMI Financial Group, Inc., which in turn was 79% owned by Antonio M. Sierra, an individual. A simplified organizational chart appears on page 8.

## **PROFITABILITY**

The Company reported net premiums of \$29.4 million, \$10.8 million, and \$18.4 million in years 2003, 2002, and 2001, respectively. It reported net losses of \$3.4 million and \$241,975 in years 2003 and 2002, respectively; and net income of \$2.6 million in 2001.

## **DIVIDENDS**

The Company paid shareholder dividends in the amount of \$1 million in each of years 2001 and 2002; it did not pay any shareholder dividends during 2003.

## **MANAGEMENT**

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.0701 and 628.231, F.S. Directors serving as of December 31, 2003 were:

### **Directors**

<b>Name</b>	<b>Principal Occupation</b>
Brent Bush	President & CEO of the Company
Rosario P. Duncan	General Counsel & Secretary of the Company
Carlos Garcia Velez	Retired banker
Antonio M. Sierra	Chairman of the Company's board of directors
Anthony F. Sierra	President of Business Men's Insurance Corp.
Jose A. Villalobos	Attorney

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

**Senior Officers**

<b>Name</b>	<b>Title</b>
Brent Bush	President & CEO
Eloy de Armas	Vice President
Michael W. Morgan	Vice President
Rosario P. Duncan	Secretary
Manuel Pelati	Vice President, Treasurer, & CFO

The Company's board of directors formed committees in accordance with Section 607.0825, F.S. At December 31, 2003, members of its principal committees were:

**Audit & Investment  
Committees**

Brent Bush  
Rosario P. Duncan  
Carlos Garcia Velez  
Antonio M. Sierra  
Anthony F. Sierra  
Jose A. Villalobos

**CONFLICT OF INTEREST PROCEDURE**

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with Section 607.0832, F.S. No exceptions were noted during this examination.

**CORPORATE RECORDS**

The recorded minutes of the shareholder, Board of Directors, Audit Committee, and Investment Committee meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., including the authorization of investments as required by Section 625.304, F.S.

## **AFFILIATED COMPANIES**

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), F.A.C. Its latest holding company registration statement was filed with the State of Florida on February 11, 2004, as required by Section 628.801, F.S., and Rule 69O-143.046, F.A.C.

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

### **CLAIMS HANDLING & POLICY ADMINISTRATION AGREEMENTS**

Magna Administrative Services, Inc. ("Magna"), a Florida-based third party administrator ("TPA"), processes and pays the Company's accident and health claims pursuant to a claims handling agreement that became effective January 1, 1999. Fees for these services are 5% of gross premiums collected plus 25% of realized cost savings, as defined in the agreement. Magna also provides underwriting, policy issuance and maintenance, and medical policy reporting services to the Company pursuant to an individual medical underwriting and policy administration agreement that became effective January 1, 1999. Fees for these services are 5% of individual health premiums, 8.5% of group health premiums, and 8.5% of the Company's "Flexi Group" health premiums. Total fees related to these two agreements were \$2.1 million in years 2003 and 2002, and \$2.0 million in year 2001.

### **MANAGEMENT & SERVICE AGREEMENTS**

BMI Financial Group, Inc. provides management, marketing, insurance and legal services to the Company pursuant to a management and service agreement which became effective September 1, 1994. Fees for these services were \$250,000 in each of years 2003, 2002, and 2001.

BMI Services, Inc., a Florida-based TPA, provides the Company with data processing, management, administrative, underwriting, policy issuance, and reinsurance services, pursuant to a management and service agreement effective October 8, 1997. Fees for these services are \$2.25 per in-force policy per

month plus 5% of monthly renewal premiums collected, and amounted to \$1.9 million in 2003 and \$1.8 million in years 2002 and 2001.

#### **TAX ALLOCATION AGREEMENT**

The results of the Company's operations are included in the consolidated federal income tax return of BMI Financial Group, Inc. Pursuant to a tax allocation agreement, federal income taxes are allocated based upon separate return calculations, with current credit for net losses.

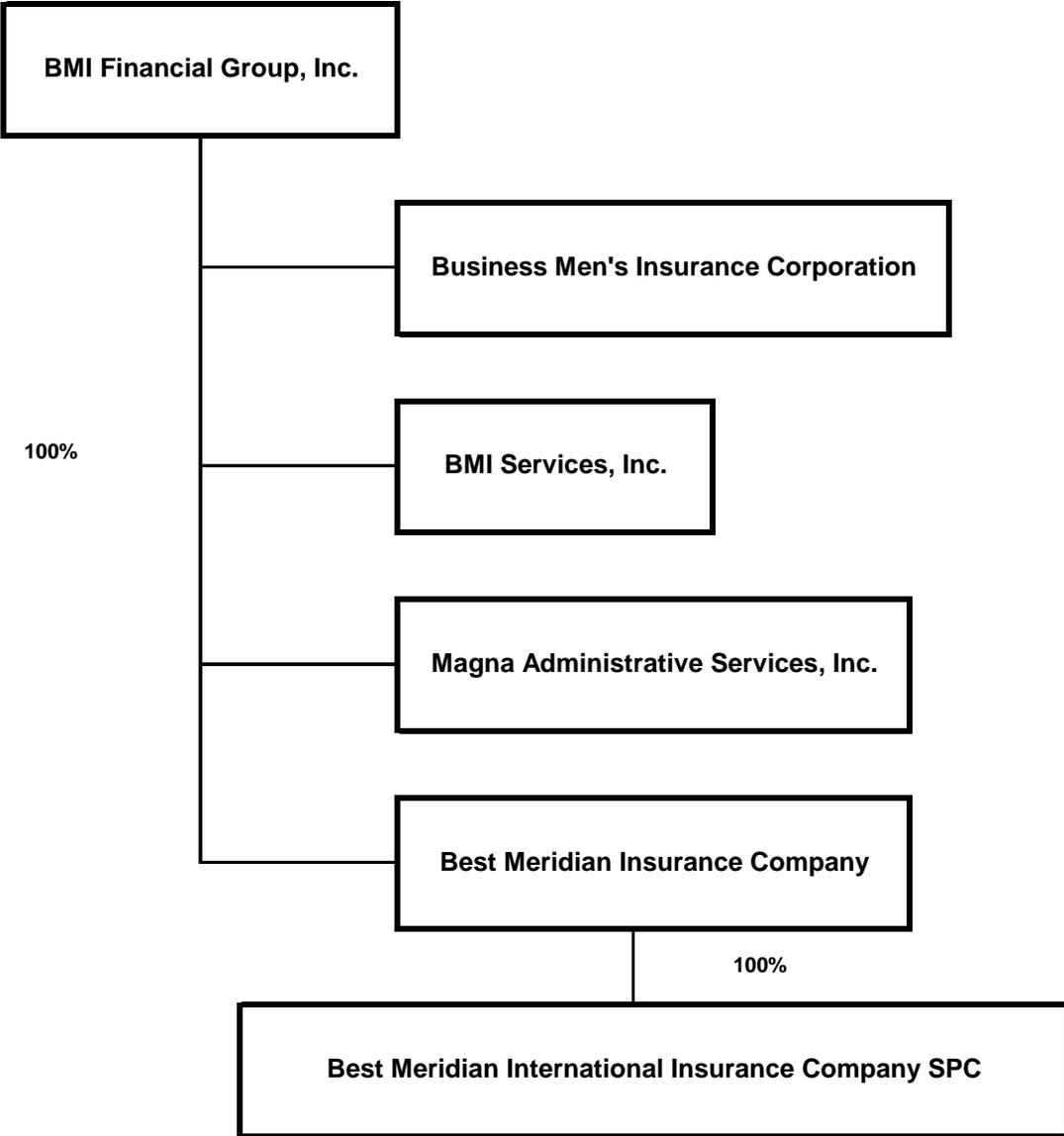
#### **GENERAL AGENT'S AGREEMENT**

Business Men's Insurance Corporation, an international sales organization, provides agent services to the Company pursuant to an agreement which became effective July 2, 1987. Under the agreement, compensation is in the form of commissions. All of the Company's accident and health policies and the majority of its life insurance policies are written through Business Men's Insurance Corporation.

Commissions related to this agreement were \$15.4 million, \$16.8 million, and \$17.0 million in years 2003, 2002, and 2001, respectively.

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 the names of all related companies in the holding company group.

**BEST MERIDIAN INSURANCE COMPANY  
ORGANIZATIONAL CHART  
DECEMBER 31, 2003**



## FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage of up to \$600,000, which was the suggested minimum amount of such coverage recommended by the NAIC.

## PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company provides to eligible employees medical, dental, life, and long-term disability insurance benefits. Its employees may also participate in the voluntary 401(k) plan of BMI Financial Group, Inc.

## STATUTORY DEPOSITS

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

<b>State</b>	<b>Description</b>	<b>Par Value</b>	<b>Market Value</b>
FL	U.S. Treasury Bond, 12%, 8/15/2013	\$150,000	\$207,234
FL	U.S. Treasury Bond, 8.75%, 8/15/2017	<u>100,000</u>	<u>140,156</u>
	Total special deposits	<u>\$250,000</u>	<u>\$347,390</u>

## **INSURANCE PRODUCTS AND RELATED PRACTICES**

### **TERRITORY AND PLAN OF OPERATION**

At December 31, 2003, the Company was authorized to transact insurance in Florida, in accordance with Section 624.401(2), F.S. It markets life and accident and health insurance products through licensed agents and brokers. In 2003, approximately 99% of the Company's life insurance business and all of its annuity and accident and health business was generated in Latin America.

### **TREATMENT OF POLICYHOLDERS**

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(j), F.S., and maintained a claims procedure manual that included detailed procedures for handling each type of claim.

## **REINSURANCE**

The reinsurance agreements reviewed were found to comply with NAIC standards with respect to the standard insolvency and arbitration clauses, transfer of risk, reporting and settlement information deadlines.

### **ASSUMED**

The Company assumed life insurance risk from Conseco Life Insurance Company under a modified coinsurance agreement. Additionally, it assumed accident and health risk from an affiliate, BMI del Ecuador Compania de Seguros de Vida S.A.

### **CEDED**

In December of 2002 and March of 2003, the Company entered into two separate proportionate share funds withheld coinsurance treaties with Hannover Life Reassurance Company of America. Under these treaties, the reinsurer assumed 50% of the net reserves of certain universal life policies. The two agreements provided for a commission allowance to the Company in the total amount of \$3 million. In conjunction with this agreement, a trust account was established on December 31, 2002. The balance of the trust account was \$10,180,670 and \$0 as of December 31, 2003 and 2002, respectively.

Portions of the Company's interest-sensitive products were reinsured with Revios Ruckversicherung A.G. (formerly, "Gerling Globale Ruckversicherung A.G.") ("Revios"), an unauthorized reinsurer. The Company is the beneficiary of a \$500,000 letter of credit pledged by Revios. The letter of credit exceeded the \$82,352 recoverable from Revios at December 31, 2003.

On January 10, 2003, the Company entered into a commutation agreement for all of its accident and health reinsurance contracts with European Specialty Reinsurance Limited, and incurred a net loss of \$3.8 million as a result.

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

## **ACCOUNTS AND RECORDS**

An independent CPA audited the Company's statutory basis financial statements annually for years 2001, 2002, and 2003, pursuant to Section 624.424(8), F.S. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, F.A.C.

The Company's accounting records were maintained on a computerized system. Its balance sheet accounts were verified with the line items of its annual statement submitted to the Office.

The Company's main administrative office is located in Coral Gables, Florida, where this examination was conducted.

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

### **CUSTODIAL AGREEMENT**

The Company entered into a custodial agreement with U.S. Bank (formerly, Star Bank NA) on December 29, 1997, for the safekeeping of its securities. Fees related to this agreement were approximately \$12,000 in each of years 2003, 2002, and 2001. The agreement complied with the requirements of Rule 69O-143.042, F.A.C.

### **INVESTMENT MANAGEMENT AGREEMENT**

On July 29, 2003, the Company entered into an investment management agreement with Asset Allocation & Management Company, LLC, which was appointed as an investment advisor for the Company's cash and securities. Fees related to this agreement were \$126,014 in 2003.

### **RISK-BASED CAPITAL**

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

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain statements of the Company's financial position at December 31, 2003, as determined by this examination, and the results of its operations for the year then ended as reported by the Company. Adjustments resulting from this examination are summarized on page 21.

**BEST MERIDIAN INSURANCE COMPANY**  
**ASSETS**  
**DECEMBER 31, 2003**

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	\$74,198,720	\$0	\$74,198,720
Common stocks	938,776	0	938,776
Cash & short-term investments	8,324,708	0	8,324,708
Contract loans	5,784,585	0	5,784,585
Aggregate write-ins for invested assets	<u>610,423</u>	<u>0</u>	<u>610,423</u>
	89,857,212	0	89,857,212
Investment income due & accrued	1,178,829	0	1,178,829
Uncollected premiums & agents' balances	5,454,685	(596,676)	4,858,009
Deferred premiums & agents' balances	185,342	0	185,342
Reinsurance ceded:			
Amounts recoverable from reinsurers	657,888	0	657,888
Other amounts receivable under contracts	3,977,348	63,600	4,040,948
Current federal & foreign income tax recoverable	1,230,172	0	1,230,172
Net deferred tax asset	1,598,559	0	1,598,559
Electronic data processing equipment & software	8,141	(8,141)	0
Receivables from parent, subsidiaries and affiliates	0	393,990	393,990
Other assets nonadmitted	<u>393,990</u>	<u>(393,990)</u>	<u>0</u>
Totals	<u><u>\$104,542,166</u></u>	<u><u>(\$541,217)</u></u>	<u><u>\$104,000,949</u></u>

**BEST MERIDIAN INSURANCE COMPANY**  
**LIABILITIES, SURPLUS & OTHER FUNDS**  
**DECEMBER 31, 2003**

Liabilities	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for life contracts	\$58,307,860	\$0	\$58,307,860
Aggregate reserve for A&H contracts	10,116,590	0	10,116,590
Liability for deposit-type contracts	730,921	0	730,921
Contract claims - life	1,082,754	0	1,082,754
Contract claims - accident & health	3,641,086	0	3,641,086
Policyholders' dividends	4,952	0	4,952
Policyholders' dividends apportioned for payment	225,858	0	225,858
Surrender values on canceled contracts	40,606	0	40,606
Other amounts payable on reinsurance assumed	(63,600)	63,600	0
Interest maintenance reserve	112,174	0	112,174
Commissions to agents	2,484,452	0	2,484,452
Commissions & allowances payable on reinsurance assumed	9,902	0	9,902
General expenses due or accrued	203,404	0	203,404
Taxes, licenses & fees due or accrued	129,622	0	129,622
Amounts withheld by company as agent or trustee	0	710,801	710,801
Remittances & items not allocated	810,496	(710,801)	99,695
Asset valuation reserve	70,220	0	70,220
Funds held under coinsurance	14,310,784	0	14,310,784
Aggregate write-ins for liabilities	2,433,642	0	2,433,642
Total liabilities	<u>94,651,723</u>	<u>63,600</u>	<u>94,715,323</u>
<b>Capital &amp; Surplus</b>			
Gross paid in & contributed surplus	1,950,000	0	1,950,000
Unassigned funds (surplus)	<u>7,190,443</u>	<u>(604,817)</u>	<u>6,585,626</u>
Surplus	9,140,443	(604,817)	8,535,626
Common capital stock	<u>750,000</u>	<u>0</u>	<u>750,000</u>
Total capital & surplus	<u>9,890,443</u>	<u>(604,817)</u>	<u>9,285,626</u>
Total liabilities, capital & surplus	<u>\$104,542,166</u>	<u>(\$541,217)</u>	<u>\$104,000,949</u>

**BEST MERIDIAN INSURANCE COMPANY**  
**SUMMARY OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

Premiums & annuity considerations		\$29,407,379
Net investment income		4,641,441
Amortization of interest maintenance reserve		17,811
Commissions & expense allowances on reinsurance ceded		<u>5,569,226</u>
		39,635,857
Death benefits	\$1,722,965	
Disability benefits & benefits under A&H contracts	10,711,612	
Surrender benefits & fund withdrawals for life contracts	3,165,801	
Interest & adjustments on contract funds	33,349	
Increase in aggregate reserves for life & A&H contracts	<u>7,281,122</u>	
	22,914,849	
Commissions on premiums & annuity considerations	15,301,923	
Commissions & expenses on reinsurance assumed	68,905	
General insurance expenses	3,919,628	
Insurance taxes, licenses & fees	130,822	
Increase in loading on deferred & uncollected premiums	39,538	
Aggregate write-ins for deductions	<u>393,557</u>	
		<u>42,769,222</u>
Net gain (loss) from operations before dividends & federal income taxes		(3,133,365)
Dividends to policyholders		<u>341,471</u>
Net gain (loss) before federal income taxes		(3,474,836)
Federal & foreign income taxes incurred		<u>(53,601)</u>
Net income (loss)		<u><u>(\$3,421,235)</u></u>

**BEST MERIDIAN INSURANCE COMPANY  
SUMMARY OF OPERATIONS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Capital & Surplus Account**

Capital & surplus - December 31, 2002	\$12,308,657
Net income (loss)	(3,421,235)
Change in net unrealized capital gains or losses	(255,146)
Change in net deferred income tax	372,485
Change in nonadmitted assets & related items	116,854
Change in asset valuation reserve	108,188
Change in surplus as a result of reinsurance	660,640
	<u>9,890,443</u>
Examination adjustments	(604,817)
	<u><u>\$9,285,626</u></u>
Capital & surplus - December 31, 2003	

## COMMENTS ON FINANCIAL STATEMENTS

### ASSETS

#### **Uncollected Premiums & Agents' Balances** **\$4,858,009**

The \$5,454,685 reported by the Company has been decreased by \$596,676, representing premiums due from BMI Services, Inc., an affiliate. The premiums had been collected by BMI Services, Inc. on behalf of the Company, but were not then held in a trust account or secured with a letter of credit or financial guarantee bond as required by Section 625.012(5), F.S.

#### **Other Amounts Receivable Under Reinsurance Contracts** **\$4,040,948**

The \$3,977,348 reported by the Company has been increased by \$63,600. The amount was reclassified from "other amounts payable on reinsurance assumed," where it had been reported as a contra liability.

#### **Electronic Data Processing Equipment & Software** **\$0**

The \$8,141 reported by the Company has been decreased by \$8,141. The asset was nonadmitted in accordance with Section 625.012(11), F.S., because it did not consist of qualifying electronic data processing equipment having a cost of at least \$25,000.

#### **Receivables From Parent, Subsidiaries and Affiliates** **\$393,990**

This asset has been increased by \$393,990. The amount was reclassified from "other assets nonadmitted," and consists of a receivable from Magna, an affiliate.

#### **Other Assets Nonadmitted** **\$0**

This asset has been decreased by \$393,990. The amount was reclassified to "receivables from parent, subsidiaries and affiliates," as stated above.

## LIABILITIES

**Other Amounts Payable On Reinsurance Assumed** **\$0**

The (\$63,600) reported by the Company has been increased by \$63,600. The amount was reclassified from "other amounts payable on reinsurance assumed," where it had been reported as a contra liability, to "other amounts receivable under reinsurance contracts."

**Amounts Withheld By Company As Agent Or Trustee** **\$710,801**

This liability has been increased by \$710,801. The amount was reclassified from "remittances and items not allocated," and consists of amounts withheld from employees and deposits held in trust.

**Remittances and Items Not Allocated** **\$99,695**

The \$810,496 reported by the Company has been decreased by \$710,801. The amount was reclassified to "amounts withheld by company as agent or trustee," as stated above.

**Aggregate Reserves and Contract Claims** **\$ 73,879,211**

An outside actuarial firm appointed by the Board of Directors rendered an opinion that the amounts carried in the Company's balance sheet as of December 31, 2003 reasonably provided for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements. Based on the results of the Office actuary's review and analysis of work papers and data provided by the Company, we concluded that the aggregate liability was not materially misstated.

**BEST MERIDIAN INSURANCE COMPANY**  
**COMPARATIVE ANALYSIS OF CHANGES IN CAPITAL & SURPLUS**  
**DECEMBER 31, 2003**

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital & surplus, December 31, 2003 - per annual statement \$9,890,443

	<b>Per Company</b>	<b>Per Exam</b>	<b>Increase (Decrease) In Surplus</b>
<b>Assets:</b>			
Uncollected premiums & agents' balances	\$5,454,685	\$4,858,009	(\$596,676)
Other amounts receivable under contracts	3,977,348	4,040,948	63,600
EDP equipment & software	8,141	0	(8,141)
Rec. from parent, subsidiaries and affiliates	0	393,990	393,990
Other assets nonadmitted	393,990	0	(393,990)
<b>Liabilities:</b>			
Other amounts payable on reinsurance	(63,600)	0	(63,600)
Amounts withheld by co. as agent or trustee	0	710,801	(710,801)
Remittances & items not allocated	810,496	99,695	<u>710,801</u>
Net change in capital & surplus			<u>(604,817)</u>
Capital & surplus, December 31, 2003 - per examination			<u><u>\$9,285,626</u></u>

## SUMMARY OF FINDINGS

### COMPLIANCE WITH PREVIOUS DIRECTIVES

The Company has taken the necessary actions to comply with the comments contained 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 as a result of current examination findings.

#### UNCOLLECTED PREMIUMS AND AGENTS' BALANCES

As more fully discussed on page 19, the Company reported premiums due from an affiliate that were not held by the affiliate in a trust account or secured by it with a letter of credit or financial guarantee bond as required by Section 625.012(5), F.S. **The Company is directed to non-admit such balances on future statements filed with the Office in accordance with Section 625.012(5), F.S.**

#### ELECTRONIC DATA PROCESSING EQUIPMENT & SOFTWARE

As more fully discussed on page 19, the Company incorrectly reported as an admitted asset electronic data processing equipment that did not have a cost of at least \$25,000, as required by Section 625.012(11), F.S. **The Company is directed to non-admit electronic data processing equipment that does not have a cost of at least \$25,000, as required by Section 625.012(11), F.S., on future statements filed with the Office.**

### MISCLASSIFIED ASSETS & LIABILITIES

As more fully discussed beginning on page 19, the Company incorrectly classified certain assets and liabilities in its 2003 annual statement. **The Company is directed to properly report all assets and liabilities in its statements in accordance with the annual statement instructions.**

## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Best Meridian Insurance Company** as of December 31, 2003, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's total capital and surplus was \$9,285,626, which was in compliance with Section 624.408, F.S.

In addition to the undersigned, Kenneth V. Carroll, Financial Examiner/Analyst II, Kerry A. Krantz, Actuary, and Steven A. Steele, Financial Specialist, participated in this examination.

Respectfully submitted,

---

Ruth L. Lieberman, CPA, CFE  
Financial Specialist  
Florida Office of Insurance Regulation