

REPORT ON LIMITED SCOPE EXAMINATION

OF

**LIBERTY AMERICAN SELECT
INSURANCE COMPANY**

PINELLAS PARK, FLORIDA

AS OF

DECEMBER 31, 2008

BY THE

OFFICE OF INSURANCE REGULATION

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION	1
HISTORY	2
GENERAL	2
CAPITAL STOCK	3
PROFITABILITY OF COMPANY	4
DIVIDENDS TO STOCKHOLDERS	4
MANAGEMENT	4
CONFLICT OF INTEREST PROCEDURE	5
CORPORATE RECORDS	6
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS, AND PURCHASE OR SALES THROUGH REINSURANCE	6
SURPLUS DEBENTURES	6
AFFILIATED COMPANIES	6
ORGANIZATIONAL CHART	7
TAX ALLOCATION AGREEMENT	8
MANAGING GENERAL AGENT AGREEMENT	8
POOLING AGREEMENT	9
FIDELITY BOND	9
STATUTORY DEPOSITS	9
INSURANCE PRODUCTS	10
TERRITORY	10
ACCOUNTS AND RECORDS	10
CUSTODIAL AGREEMENT	11
INVESTMENT MANAGEMENT AGREEMENT	11
INDEPENDENT AUDITOR AGREEMENT	12
FINANCIAL STATEMENTS PER EXAMINATION	12
ASSETS	13
LIABILITIES, SURPLUS AND OTHER FUNDS	14
STATEMENT OF INCOME	15
SUMMARY OF FINDINGS	16
CONCLUSION	17

Tallahassee, Florida

May 7, 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 a limited scope examination as of December 31, 2008, of the financial condition and corporate affairs of:

**LIBERTY AMERICAN SELECT INSURANCE COMPANY
7785 66TH STREET NORTH
PINELLAS PARK, FLORIDA 33781**

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, 2004, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2003. This examination commenced with planning at the Office on November 30, 2009 to December 4, 2009. The fieldwork commenced on January 4, 2010 and concluded as of May 7, 2010.

The scope of the examination was limited to confirming cash, investments and reinsurance. Additional procedures were performed to verify subsequent receipt of premiums receivable and payment of premium taxes as well as the disposition of unearned premiums. As such, it is not intended to communicate all matters of importance for an understanding of 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 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.

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, 2003, along with resulting action taken by the Company.

Ownership Holdings

Persons held greater than 5 percent of the Company's stock without approval from the Office. The Company was not in compliance with Section 628.461 (1), Florida Statutes. **Resolution:** A properly executed Form A was approved by the Office on August 5, 2005.

Lines of Business

The Company did not write in the Accident and Health line for a period of more than one year which was in violation of Section 624.430(1), Florida Statutes. **Resolution:** The Office approved the removal of the Accident and Health line of business in September 2005.

Custodial Agreement

The Company's custodial agreement with CTC Illinois Trust was not in compliance with Rule 69O-143.042(2) (o), Florida Administrative Code. **Resolution:** The Company filed an amended custodial agreement that was in compliance with Florida requirements.

HISTORY

General

The Company was incorporated in Florida on February 22, 1989, and commenced business on March 1, 1989, as Mobile USA Insurance Company, Inc. The name was subsequently changed to Liberty American Select Insurance Company on December 19, 2005.

The Company was authorized to transact the following insurance coverage in Florida as of December 31, 2008:

Allied Lines	Home Owners Multi-Peril
Mobile Home Multi Peril	Inland Marine
Fire	Mobile Home Physical Damage
Other Liability	(Reinsurance only)

On February 29, 2008, the Company received approval from the Office to non-renew all of its policies, other than policies issued pursuant to the National Flood Insurance Program.

The Articles of Incorporation and the Bylaws were amended on August 1, 2005 to change the name of the Company from Mobile USA Insurance Company to Liberty American Select Insurance Company.

Capital Stock

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

Number of authorized common capital shares	3,000,000
Number of shares issued and outstanding	1,500,000
Total common capital stock	\$1,500,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, Liberty American Insurance Group, Inc., a Delaware Insurance holding company, who owned 100% of the stock issued by the Company, and who in turn was 100% owned by Philadelphia Consolidated Holding Corp., a Delaware corporation.

Profitability of Company

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

	2008	2007	2006	2005	2004
Premiums Earned	5,149,534	7,739,682	14,519,895	22,886,497	62,861,743
Net Underwriting Gain/(Loss)	(986,398)	(1,374,296)	48,143	(2,751,321)	(1,805,458)
Net Income	102,155	1,487,109	1,547,745	(816,400)	4,480,940
Total Assets	30,250,235	30,041,780	42,475,033	58,272,157	84,033,103
Total Liabilities	5,965,010	5,629,738	16,813,450	34,122,577	61,568,812
Surplus As Regards Policyholders	24,285,225	24,412,042	25,661,583	24,149,580	22,464,291

Dividends to Stockholders

There were no dividends paid to stockholders during the period of examination.

Management

The annual shareholder meeting for the election of directors 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

James Joseph Maguire Jr.
Bala-Cynwyd, Pennsylvania

Craig Phillip Keller
Bala-Cynwyd, Pennsylvania

Sean Stephen Sweeney
Bala-Cynwyd, Pennsylvania

Thomas Bruce Meyer
Pinellas Park, Florida

Principal Occupation

President and CEO
Philadelphia Consolidated Holding Corp.

Executive Vice President & CFO
Philadelphia Consolidated Holding Corp.

Executive Vice President & Chief Marketing
Officer
Philadelphia Consolidated Holding Corp.

President & CEO
Liberty American Insurance Group, Inc.

Kenneth Alan Meyer
Altamonte Springs, Florida

Regional Vice President
Philadelphia Consolidated Holding Corp.

Subsequent Event: In 2010, Mr. Maguire was named Chairman of the Board and Mr. Sweeney was named Co-president & Chief Marketing Officer for Philadelphia Consolidated Holding Corp.

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

Senior Officers

Name	Title
Thomas Bruce Meyer	President and CEO
Craig Phillip Keller	Executive V P, Secretary & Treasurer
Kenneth Alan Meyer	Senior VP and COO

The Company's Board appointed the members of the audit committee in accordance with Section 607.0825, Florida Statutes. The following were the members as of December 31, 2008:

Audit Committee

James Joseph Maguire Jr¹

Craig Phillip Keller

Sean Stephen Sweeney

¹ Chairman

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook.

Corporate Records

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

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

On October 31, 2008, the Office approved the indirect acquisition of the Company by Tokio Marine Holdings, Inc. a holding company based in Japan. The acquisition was completed on December 1, 2008.

Surplus Debentures

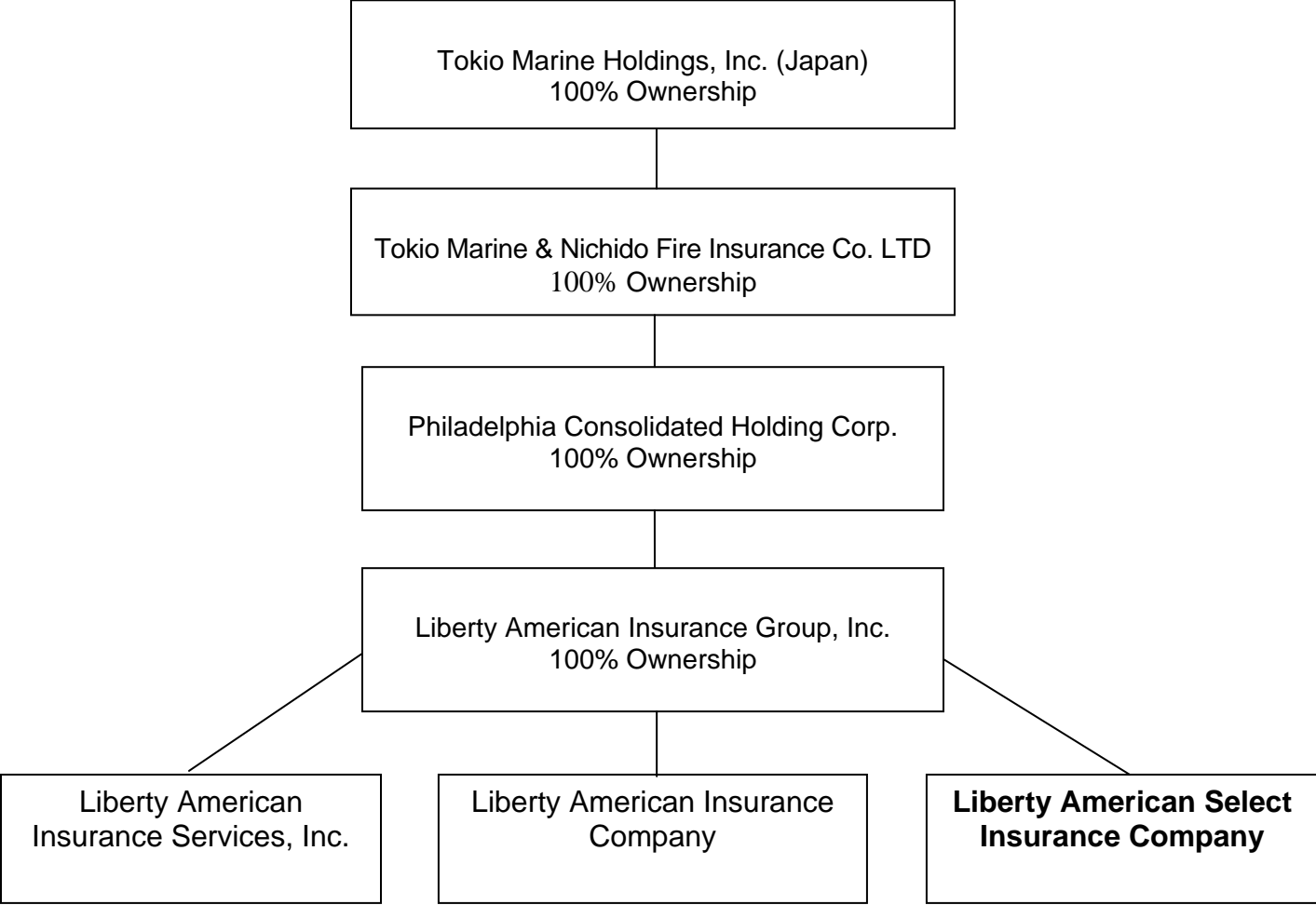
The Company had no surplus debentures at December 31, 2008.

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 June 16, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified 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.

**LIBERTY AMERICAN SELECT INSURANCE COMPANY
ORGANIZATIONAL CHART
DECEMBER 31, 2008**



Pending Class Action Suit

On February 26, 2008, the Company, Liberty American Insurance Group, Philadelphia Consolidated Holding Corp., and Liberty American Insurance Company were sued by a group of seven individual Florida mobile home owners alleging the Company, among other things, failed to pay them the true replacement cost of their mobile homes which were damaged by Florida hurricanes. In the Complaint, the Plaintiffs requested class action status, and alleged damages in excess of five million dollars. In December of 2008, the Plaintiffs added Liberty American Insurance Services, the Company's affiliated MGA, as an additional defendant. Currently this litigation has been stayed by the trial court pending the determination of an appeal to the Federal Circuit Court filed by the Defendants.

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

Tax Allocation Agreement

The Company, along with its parent and subsidiaries, entered an agreement, effective July 16, 1999, to file consolidated federal income tax returns. The method of allocation between the Company and its parent was based upon a separate return calculation with current credit for net losses. Inter-company tax balances were settled within thirty days of filing estimated or final consolidated federal income tax return.

Managing General Agent Agreement

The Company had a MGA Agreement with Mobile Homeowners Insurance Agencies Inc. (MHIA), an affiliate. The agreement, approved on October 24, 2003, has been continuous since January 1, 2004. On August 8, 2005, MHIA changed its name to Liberty American Insurance Services, Inc.

The Company, in consideration for the services rendered, agreed to pay a \$25.00 per policy managing general agent fee plus a percentage of premium based on the line of business written.

Pooling Agreement

The Company entered in an agreement with Liberty American Insurance Company (LAIC) effective October 1, 2004, whereby the Company ceded to LAIC 100% of its net outstanding business and LAIC ceded to the Company 50% of its net outstanding business.

FIDELITY BOND

The Company was part of a group fidelity bond with coverage up to \$2,000,000 with a deductible of \$25,000.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes. Additionally, there were securities on deposit with the States of Nevada, New Mexico and South Carolina:

State	Description	Par Value	Market Value
FL	U.S. Treasury Note 4.0%. 4/15/2010	\$ 125,000	\$ 128,888
FL	U.S. Treasury Note 4.6250%. 12/31/2011	550,000	598,290
FL	U.S. Treasury Note 2.75%. 2/28/2013	500,000	519,050
FL	U.S. Treasury Note 4.75%.5/31/2012	100,000	109,980
TOTAL FLORIDA DEPOSITS		<u>\$1,175,000</u>	<u>\$1,108,577</u>
NV	Certificate of Deposit	\$ 200,000	\$200,000
NM	U.S. Treasury Note 1.625%. 3/32/2005	125,000	125,430
NM	U.S. Treasury Note 2.625%. 5/15/2008	100,000	98,500
SC	Certificate of Deposit	<u>125,000</u>	<u>125,000</u>
TOTAL OTHER DEPOSITS		<u>\$ 550,000</u>	<u>\$ 548,930</u>
TOTAL SPECIAL DEPOSITS		<u>\$1,720,000</u>	<u>\$1,657,507</u>

INSURANCE PRODUCTS

Territory

At December 31, 2008, the Company was authorized to transact insurance in the following states, in accordance with Section 624.401(2), Florida Statutes.

Alaska	Arizona	Florida	Idaho
Mississippi	Nevada	New Mexico	South Carolina
Tennessee	Texas		Kentucky

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Pinellas Park, Florida. The examination was conducted at the Department of Financial Services Office located in Orlando, Florida.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2004, 2005, 2006, 2007 and 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 and non-affiliates had the following agreements:

Custodial Agreement

Effective August 21, 2008, the Company entered in a custodial agreement with Bank of New York. The review of the Custody Agreement revealed that the insurer was not in compliance with Rule 69O-143.042 (2) (o), Florida Administrative Code, which states that the custodian shall provide written notification to the Office if the custodial agreement with the insurer has been terminated or if 100% of the account assets in any one custody account have been withdrawn. This notification shall be remitted to the Office within three (3) business days of the receipt by the custodian of the insurer's written notice of termination or within three (3) business days of the withdrawal of 100% of the account assets. **Subsequent Event:** On May 21, 2010, the Company submitted an amended custodial agreement that was in compliance with Rule 69O-143.042 (2) (o), Florida Administrative Code.

Investment Management Agreement

Effective July 1, 1999, the Company entered into an Investment Management agreement with General RE-New England Asset Management, Inc. to supervise and direct the composition of the Company's investment portfolio.

Independent Auditor Agreement

On February 26, 2008, the Board of Directors of the Company's parent, hired PricewaterhouseCoopers, LLP to audit the financial statements of the group for the period of examination.

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.

LIBERTY AMERICAN SELECT INSURANCE COMPANY
Assets
DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$20,052,072		\$20,052,072
Cash:	9,269,673		\$9,269,673
Receivable for Securities	38		38
Investment Income Due and Accrued	213,470		213,470
Uncollected premiums and Agents' Balances:			
Uncollected premium	(711,267)		(711,267)
Deferred premium	39,364		39,364
Reinsurance recoverable	971,518		971,518
Current Federal and Foreign Income Tax	235,307		235,307
Net deferred tax asset	173,992		173,992
Receivable from parents, subsidiaries	6,068		6,068
Totals	<u>\$30,250,235</u>	<u>\$0</u>	<u>\$30,250,235</u>

LIBERTY AMERICAN SELECT INSURANCE COMPANY
Liabilities, Surplus and Other Funds
DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	\$3,511,575		\$3,511,575
Reinsurance Payable on paid losses	1,147,148		1,147,148
Loss adjustment expenses	922,563		922,563
Other expenses	28,543		28,543
Taxes, licenses and fees	36,329		36,329
Unearned premium	1,566,856		1,566,856
Advance premiums	5,637		5,637
Ceded reinsurance premiums payable	(1,560,214)		(1,560,214)
Provision for reinsurance	7,000		7,000
Payable to parent, subsidiaries and affiliates	79,342		79,342
Aggregate write-ins for liabilities	220,231		220,231
Total Liabilities	\$5,965,010		\$5,965,010
Common capital stock	\$1,500,000		\$1,500,000
Gross paid in and contributed surplus	7,050,000		1,200,000
Unassigned funds (surplus)	15,735,225		15,735,225
Surplus as regards policyholders	\$24,285,225		24,285,225
Total liabilities, surplus and other funds	\$30,250,235		\$30,250,235

LIBERTY AMERICAN SELECT INSURANCE COMPANY
Statement of Income
DECEMBER 31, 2008

Underwriting Income		
Premiums earned		\$5,149,534
	Deductions:	
Losses incurred		3,866,912
Loss expenses incurred		675,286
Other underwriting expenses incurred		1,593,734
Total underwriting deductions		<u>\$6,135,932</u>
Net underwriting gain or (loss)		(\$986,398)
Investment Income		
Net investment gain or (loss)		\$923,717
Other Income		
Total other income		\$36,081
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(\$26,600)
Federal & foreign income taxes		<u>(128,755)</u>
Net Income		\$102,155
Capital and Surplus Account		
Surplus as regards policyholders, December 31 prior year		\$24,412,043
Net Income		\$102,155
Change in net deferred income tax		(217,604)
Change in non-admitted assets		(4,370)
Change in provision for reinsurance		(7,000)
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>(\$126,819)</u>
Rounding		<u>1</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$24,285,225</u></u>

SUMMARY OF FINDINGS

Compliance with previous directives

The Company took the necessary actions to comply with the comments made in the 2003 examination report issued by the Office.

Current examination comments and corrective action

There were no findings in the 2008 examination.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Liberty American Select 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 \$24,285,225 in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Kethessa Carpenter, CPA, Financial Examiner/Analyst Supervisor, participated in the examination.

Respectfully submitted,

Fidel S. Gonzalez
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation