

**STATE OF WASHINGTON  
OFFICE OF THE INSURANCE  
COMMISSIONER**



FINANCIAL EXAMINATION

OF

**National Merit Insurance Company  
Bellevue, Washington**

NAIC CODE 39004  
DECEMBER 31, 2006

Participating States:  
Washington  
Connecticut

Order No. 08-0021  
National Merit Insurance Company  
Exhibit A

**SALUTATION**

Seattle, Washington  
March 4, 2008

The Honorable Mike Kreidler, Commissioner  
Washington State Office of the Insurance Commissioner (OIC)  
Insurance Building-Capitol Campus  
302 Sid Snyder Avenue SW, Suite 200  
Olympia, WA 98504

The Honorable Alfred W. Gross, Commissioner  
State Corporation Commission  
Bureau of Insurance  
Commonwealth of Virginia  
Chair, NAIC Financial Condition (E) Committee  
PO Box 1157  
Richmond, VA 23219

The Honorable Thomas R. Sullivan, Commissioner  
Connecticut Department of Insurance  
Secretary, NAIC Northeastern Zone  
PO Box 816  
Hartford, CT 06142-0816

The Honorable Morris Chavez, Superintendent  
New Mexico Insurance Division  
Secretary, NAIC Western Zone  
PO Drawer 1269  
Santa Fe, NM 87501

Dear Commissioners and Superintendent:

In accordance with your instructions, and in compliance with the statutory requirements of RCW 48.03.010, an association examination was made of the corporate affairs and financial records of

National Merit Insurance Company

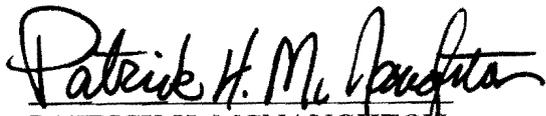
of

Bellevue, Washington

hereinafter referred to as "NMIC" or the "Company," at the location of its administrative office, 500 South Broad Street, Meriden, Connecticut 06450. This report is respectfully submitted showing the condition of the Company as of December 31, 2006.

**CHIEF EXAMINER'S AFFIDAVIT**

I hereby certify I have read the attached Report of the Financial Examination of National Merit Insurance Company of Bellevue, Washington. This report shows the financial condition and related corporate matters as of December 31, 2006.



PATRICK H. MCNAUGHTON  
Chief Examiner

03-04-2008

Date

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## SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2003 through December 31, 2006 and comprises a comprehensive review of the books and records of the Company. The examination followed the statutory requirements contained in the Washington Administrative Code (WAC), the Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (FCEH). The examination included identification and disposition of material transactions and events occurring subsequent to the date of examination that were noted during the examination.

Corporate records, external reference materials, and various aspects of the Company's operating procedures and financial records were reviewed and tested during the course of this examination and are commented upon in the following sections of this report. In addition, the Company's certified public accountant's (CPA's) work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

This examination was classified as a coordinated examination of all insurance companies that are parties to the Reinsurance Pooling Agreement (Pool Agreement), effective January 1, 2004, and subsidiaries of the Direct Response Corporation (DRC), hereinafter referred to as the Response Group. The Connecticut Insurance Department was designated as the lead state of the coordinated examination and examiners from the states of Washington and Connecticut participated and assessed the financial condition and corporate affairs of the affiliated companies in the Response Group.

## INSTRUCTIONS

The examiners reviewed the Company's filed 2006 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the NAIC Annual Statement in accordance with the NAIC Annual Statement Instructions and to determine if the Company's accounts and records were prepared and maintained in accordance with Title 48 RCW, Title 284 WAC, and the NAIC Statements of Statutory Accounting Principles (SSAP) as contained in the 2006 NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review.

### **1. Service Agreement**

NMIC does not have a service agreement with DRC the ultimate parent company, which provided essentially all underwriting and administrative services to the Company. Currently, DRC allocates to the Company all expenses that are direct in nature and allocates all non-direct expenses which include underwriting expenses to Response Insurance Company (RIC). RIC utilizes the Pool Agreement to allocate the expenses among the pooled companies which is not appropriate since RIC is not the services provider.

**The Company is instructed to file a new service agreement that accurately identifies the parties to the contract and services performed in conformance with RCW 48.31B.030(b)(iv).**

## **2. Intercompany Balances Settlement**

The pooled companies do not settle the intercompany balances in accordance with the Pool Agreement. Currently, the pooled companies settle the intercompany balances by combining the current month-end balances with intercompany transactions for the subsequent month and pay the outstanding balances plus or minus an estimated amount for the current period cash receipts and disbursement. This approach is not in accordance with the Pool Agreement. Paragraph 7 of the Pool Agreement requires RIC to provide an accounting to the other pooled companies within sixty days from the end of the month. This accounting is to be settled in cash within thirty days.

Also, the Company was not able to provide documentation to support the calculation of the monthly amounts transferred. For example, the Company could not provide reconciliation for the intercompany balances demonstrating that each pooled company had settled its 2006 year-end intercompany balance by March 31, 2007.

**The Company is instructed to settle the intercompany balances in accordance with the Pool Agreement and keep full and adequate accounts that support the settlement amounts in accordance with RCW 48.31B.030(1)(a).**

## **3. Reinsurance Schedules**

The examination team discovered several instances in which the Company's NAIC 2006 Annual Statement did not conform to the NAIC Accounting Practices and Procedures Manual and the NAIC Annual Statement Instructions. While the Company needs to correct these practices, none of the following items impacted surplus.

### **Schedule F - Part 1**

The calculation of Reinsurance on Paid Losses and Loss Adjustment Expenses balance, column 6, is not in compliance with the AP&P and the 2006 NAIC Annual Statement Instructions. The balance represents the net of intercompany accounts for the period rather than the actual amounts. Also, the Company did not include Assumed Premiums Receivable balance, column 10, as part of agents' balances on page 2 as outlined in the 2006 NAIC Annual Statement Instructions.

### **Schedule F - Part 3**

The calculations of Reinsurance Recoverable on Paid Losses and Paid Loss Adjustment Expenses balances, columns 7 & 8, are not in compliance with the AP&P and the 2006 NAIC Annual Statement Instructions. The balances represent the net of intercompany accounts for the period rather than the actual paid amounts. Ceded balances Payable, column 15, was incorrectly included and classified as part of Other Amounts Due to Reinsurers.

Also, the balances were netted against Premiums Receivable rather than including the amounts as part of Ceded Reinsurance Premiums Payable on page 3, line 12 of the 2006 NAIC Annual Statement.

**Schedule F - Part 4**

The Company did not complete Schedule F - Part 4 as required for reinsurance aging of ceded balances.

**The Company is instructed to comply with RCW 48.05.073, RCW48.05.250, and WAC 284-07-050(2) in filing its 2006 NAIC Annual Statement in accordance with the AP&P and the 2006 NAIC Annual Statement Instructions.**

**4. Inaccurate Common Stock Balance**

NMIC merged with the Response Indemnity Company of Delaware (RID) on December 1, 2006, with NMIC becoming the surviving entity. Before the merger, NMIC had 30,000 shares of \$100 par value of common stock authorized, issued, and outstanding for a total capital stock value of \$3 million.

However, the value of the common capital stock reported on page 3, line 28, of the 2006 NAIC Annual Statement was \$4 million, which resulted from the \$1 million pre-merger RID common stock being added to the merged companies' capital stock. This allocation was not in compliance with SSAP No. 68 of the AP&P nor with the Company's Articles of Incorporation. SSAP No. 68 requires reporting this amount as an increase to the gross paid in and contributed surplus.

**The Company is instructed to comply with RCW 48.05.073 and SSAP No. 68 by reclassifying \$1 million from Common Capital Stock to Paid in Capital.**

**COMMENTS AND RECOMMENDATIONS**

None

**COMPANY PROFILE**

**History and Capitalization**

NMIC was incorporated as the Rainier Insurance Company on June 18, 1980 under the laws of the state of Washington and began business on December 31, 1980. On March 16, 1984, the name of the Company was changed to National Merit Insurance Company. The Company is wholly owned by RIC which owns 30,000 shares of \$100 par value common stock with an authorized capital of \$3,000,000 and all authorized shares are outstanding.

### **Territory and Plan of Operation**

NMIC is a direct writer specializing in preferred automobile insurance, primarily in Washington. In addition to Washington, NMIC is also licensed in Idaho, New York, Pennsylvania, and Oregon.

### **Acquisitions, Mergers, Disposals, Dissolutions, and Purchases and Sales**

NMIC was originally organized as a wholly owned subsidiary of Federated American Insurance Company (FAIC). On December 9, 1997, after receiving regulatory approval, Unigard Insurance Company (UIC) purchased all of the outstanding stock of FAIC. Through this transaction, UIC gained control of NMIC, a wholly owned subsidiary of FAIC. On December 10, 1997, FAIC transferred 100% of its interest in NMIC to UIC through an approved dividend transaction. On January 1, 2004, RIC acquired all of the outstanding shares of NMIC from UIC. NMIC was the surviving entity of a statutory merger on December 1, 2006, with RID.

### **Growth of Company**

The Company's growth, as reported in its filed NAIC Annual Statements, is illustrated below:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital &amp; Surplus</u>	
2006	\$42,535,175	\$25,126,998	\$17,408,177	
2005	43,075,254	25,608,571	17,466,683	
2004	43,076,057	26,667,488	16,408,570	
2003	45,188,742	26,525,790	18,662,952	

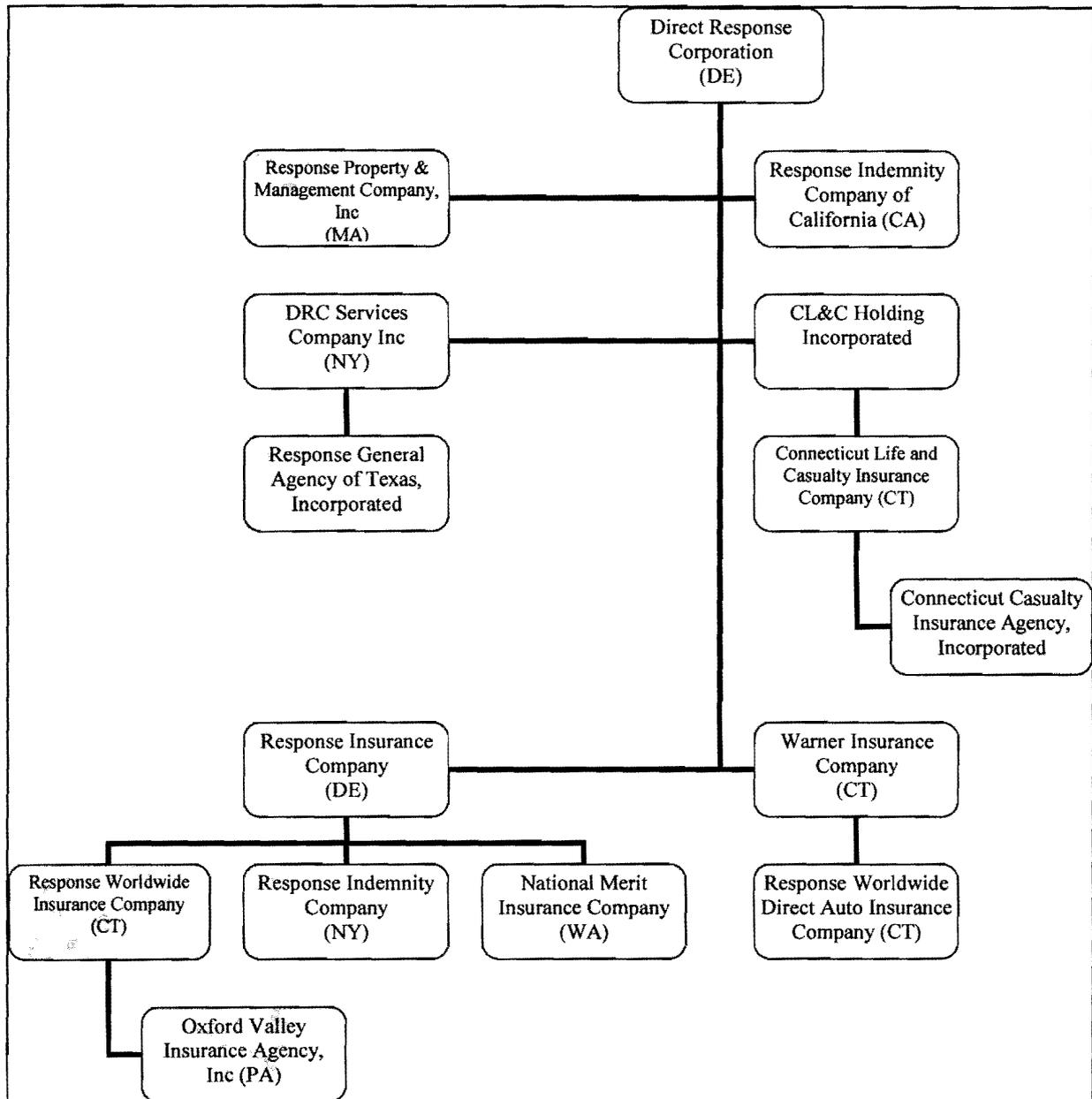
  

<u>Year</u>	<u>Premiums Earned</u>	<u>Net Underwriting Gain (Loss)</u>	<u>Net Investment Gains (Losses)</u>	<u>Net Income</u>
2006	\$18,027,749	(\$1,349,320)	\$1,163,634	(\$19,937)
2005	23,845,445	579,782	882,831	1,007,116
2004	24,358,825	38,024	751,823	678,381
2003	26,700,856	2,965,288	1,843,974	3,143,066

All above figures include NMIC & RID results.

## Affiliated Companies

The following organization chart shows the affiliated insurance companies:



## Intercompany Contracts

The following intercompany contracts were in-force as of December 31, 2006:

- **Reinsurance Pooling Agreement**

NMIC is a party to the Reinsurance Pooling Agreement effective January 1, 2004. Under the agreement, NMIC and the other pool members reinsure business with non-affiliated

reinsurers prior to ceding the remaining business to RIC. In turn, RIC retrocedes a stipulated portion of the pooled business back to each participating company.

- **Service Agreement**

NMIC entered into a service agreement with DRC, effective January 1, 2004, to have DRC allocate to NMIC direct and directly allocable expenses attributable to the Company. DRC allocated expenses to the Company based on the Company's participation percentages in the Pool Agreement.

On August 2, 2004, the Company's service agreement with DRC was terminated effective as of January 1, 2004. (See Instruction No. 1)

- **Agreement of Allocation of Payment of Federal Income Taxes**

The Company's federal income tax return is filed on a consolidated basis with its ultimate parent company, DRC. The tax liability is allocated to the participants of the tax return based upon the liability or refund that would be produced under separate return calculations, with credit being granted for any net losses incurred by any of the companies, to the extent the losses can be used in the consolidated return.

## MANAGEMENT AND CONTROL

### **Ownership**

The Company's stock is 100% owned by RIC.

### **Directors**

Directors of the Company as of December 31, 2006 were as follows:

Mory Katz, Chairman  
August Paul Alegi  
George Kowalsky  
Leonard Neil Samson  
Clifford Wess  
Danny Alan Collins  
Steven Brian Oakley  
Kathleen Anne Gleeson  
Francis Michael Quido

### **Officers**

Officers of the Company as of December 31, 2006 were as follows:

<u>Name</u>	<u>Title</u>
Mory Katz	President, CEO
August Paul Alegi	Secretary and Vice President
George Kowalsky	Treasurer and Vice President
Leonard Neil Samson	Executive Vice President

Clifford Wess	Chief Actuary and Vice President
Danny Alan Collins	Vice President
Steven Brian Oakley	Vice President
Kathleen Anne Gleeson	Vice President
Francis Michael Quido	Vice President

#### **Conflict of Interest**

The Company has a policy that requires all employees, directors, and officers to complete a conflict of interest statement annually. The purpose of the statement is to detect any activities or participation on the part of an employee, director, or officer that are, or could possibly be interpreted as having the appearance of a conflict of interest. Our review did not reveal any exceptions.

#### **Fidelity Bond and Other Insurance**

The Company is a named insured under a financial institution bond that provides for directors' and officers' (D&O) liability insurance. The policy was issued to DRC and covers NMIC and other subsidiaries and affiliates. The fidelity coverage carried by the Company exceeds the NAIC minimum recommended amount.

The Company was also a named insured on various insurance policies issued to DRC that provided property coverage for buildings and contents and comprehensive commercial general liability. These policies were in effect during the period covered by this examination and provided coverage for the Company.

#### **Officers', Employees', and Agents' Welfare and Pension Plans**

The Company does not have any employees, as it operates with the use of DRC's employees. As such, no obligations to employees for pension or retirement plans are necessary.

### **CORPORATE RECORDS**

The Company's Board of Directors (BOD) managed the property and business of the Company and was actively involved in the Company's affairs. Corporate records were reviewed for the period under examination. All BOD meetings were conducted with a quorum present. Appointments and elections of officers were also noted in the BOD's minutes.

### **UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

The reserves carried by the Company for unpaid losses and loss adjustment expense reserves were \$8,417,711 and \$2,155,988, respectively, as of December 31, 2006. These amounts represent the Company's 13% participation in the Pool Agreement.

The Connecticut Insurance Department's property and casualty actuarial staff reviewed the unpaid losses and loss adjustment expense reserves of the Response Group and concluded that the Response Group's reserves, on a net basis, are within a range of reasonable estimates. Therefore, the Company's loss and loss adjustment expense reserves were accepted as reasonable and no adjustments were proposed to the amounts reported in the Company's 2006 NAIC Annual Statement.

### **REINSURANCE**

Effective January 1, 2004, the Company entered into a Quota Share Reinsurance of Personal Umbrella Business Agreement with Gen Re.

Effective July 1, 2005, the Company entered into a Private Passenger Automobile Excess of Loss Reinsurance Agreement with Gen Re which indemnifies the Company for private passenger auto liability. Also, the Company entered into a Private Passenger Automobile Physical Damage Catastrophe Reinsurance Agreement with Gen Re.

#### **Intercompany Reinsurance**

NMIC is also a party to the Response Reinsurance Pooling Agreement effective January 1, 2004. Under the agreement, NMIC and the other pool members reinsure business with non-affiliated reinsurers prior to ceding business to RIC. In turn, RIC retrocedes a stipulated portion of the pooled business back to each participating company in the percentages as indicated below.

The member companies of the Response Group that participated in the Pool Agreement and their respective percentages of participation as of December 31, 2006 were as follows:

<b>Company Name</b>	<b>Pool Participation</b>
Response Insurance Company	15%
Connecticut Life and Casualty Insurance Company	12
National Merit Insurance Company	13
Response Worldwide Insurance Company	32
Response Worldwide Direct Auto Insurance Company	22
Warner Insurance Company	6
Combined Group Total	100%

The provision for reinsurance was calculated and recorded by each company independently. Write-offs of uncollectible reinsurance are shared in accordance with Pool Agreement participation percentage.

## **STATUTORY DEPOSITS**

The Company maintained the following statutory deposits as of December 31, 2006:

<b><u>Location</u></b>	<b><u>Description of Assets</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>
Delaware	Bonds	\$118,565	\$120,703
New York	Bonds	503,265	503,303
Washington	Bonds	1,096,220	1,096,304
Total		<u>\$1,718,050</u>	<u>\$1,720,310</u>

## **ACCOUNTING RECORDS AND INFORMATION SYSTEMS**

The Company maintains its accounting records on a Generally Accepted Accounting Principles (GAAP) accrual basis of accounting and adjusts to Statutory Accounting Principles (SAP) basis for NAIC Annual Statement reporting. The Company is audited annually by the certified public accounting firm of PricewaterhouseCoopers. The Company received an unqualified opinion for all years under review. The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning and testing phase of the examination and no exceptions were noted.

The management of the Company is sufficiently knowledgeable of the information systems (IS) process. Systems development, acquisition, and maintenance controls were evaluated to gain assurance that appropriate controls are in place. Operations and application controls were reviewed to determine the type of hardware installed; operating systems and proprietary software in use; back up and recovery facilities employed; and the controls exercised to maintain the confidentiality, integrity and availability of data. Sufficient internal controls are in place and monitored by the Company. The Company's IS Department has the ability to recover from an incident or disaster and has documented these procedures in a detailed, business continuity and disaster recovery plan.

## **SUBSEQUENT EVENTS**

There were no material events adversely impacting the Company between the examination date and the last day of our fieldwork.

## **FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS**

The Company remedied all prior examination instructions and implemented the recommendations.

## **FINANCIAL STATEMENTS**

Statement of Assets, Liabilities, Surplus and Other Funds  
Statement of Income and Capital and Surplus Account  
Reconciliation of Capital and Surplus since the last Examination

NATIONAL MERIT INSURANCE COMPANY  
ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2006

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENT	BALANCE PER EXAMINATION	NOTES
<b>Assets</b>				
Bonds	\$27,837,513	\$0	\$27,837,513	
Stocks:				
Common stocks	4,872,373		4,872,373	
Cash and short-term investments	5,904,939		5,904,939	
<b>Subtotal, cash and invested assets</b>	<b>38,614,825</b>	<b>0</b>	<b>38,614,825</b>	
Investment income due and accrued	374,200		374,200	
Premiums and considerations				
Uncollected premiums and agents' balances in course of collection	1,237,235		1,237,235	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,709,861		1,709,861	
Funds held by or deposited with reinsurance companies	332,592		332,592	
Net deferred tax asset	246,923		246,923	
Receivable from parent, subsidiaries and affiliates	4,516		4,516	
Aggregate write-ins for other than invested assets	15,023		15,023	
<b>Total Assets</b>	<b>\$42,535,175</b>	<b>\$0</b>	<b>\$42,535,175</b>	
<b>Liabilities, Surplus and other Funds</b>				
Losses	\$8,417,711	\$0	\$8,417,711	
Loss adjustment expenses	2,155,988		2,155,988	
Other expenses	103,545		103,545	
Taxes, licenses and fees (excluding federal and foreign income taxes)	5,061		5,061	
Current federal and foreign income taxes	293,765		293,765	
Unearned premiums	6,288,897		6,288,897	
Advance premiums	164,369		164,369	
Ceded reinsurance premiums payable	48,572		48,572	
Funds held by company under reinsurance treaties	150,000		150,000	
Payable to parent, subsidiaries and affiliates	7,414,730		7,414,730	
Aggregate write-ins for liabilities	86,359		86,359	
<b>Total Liabilities</b>	<b>25,128,997</b>	<b>0</b>	<b>25,128,997</b>	
Common capital stock	4,000,000	(1,000,000)	3,000,000	1
Gross paid in and contributed surplus	6,032,360	1,000,000	7,032,360	1
Unassigned funds (surplus)	7,375,817		7,375,817	
<b>Surplus as regards policyholders</b>	<b>17,408,177</b>	<b>0</b>	<b>17,408,177</b>	
<b>Total Liabilities, Surplus and other Funds</b>	<b>\$42,537,174</b>	<b>\$0</b>	<b>\$42,537,174</b>	

NATIONAL MERIT INSURANCE COMPANY  
STATEMENT OF INCOME AND CAPITAL AND SURPLUS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2006

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENT	BALANCE PER EXAMINATION
<b>STATEMENT OF INCOME</b>			
<b>Underwriting Income</b>			
Premiums earned	\$18,027,749	\$0	\$18,027,749
<b>Deductions</b>			
Losses incurred	10,724,133		10,724,133
Loss expenses incurred	2,027,284		2,027,284
Other underwriting expenses incurred	6,625,652		6,625,652
Total underwriting deductions	19,377,069		19,377,069
<b>Net underwriting gain or (loss)</b>	<b>(1,349,320)</b>	<b>0</b>	<b>(1,349,320)</b>
<b>Investment Income</b>			
Net investment income earned	1,146,049		1,146,049
Net realized capital gains or (losses)	17,585		17,585
Net investment gain or (loss)	1,163,634	0	1,163,634
<b>Other Income</b>			
Net gain from agents' or premiums balances charged off	13,891		13,891
Finance and service charges not included in premiums	169,022		169,022
Aggregate write-ins for miscellaneous income	3,265		3,265
Total other income	186,178	0	186,178
Net income before dividends to policyholders but before federal and foreign income taxes	492		492
Net income, after dividends to policyholders but before federal and foreign income taxes	492		492
Federal and foreign income taxes incurred	20,429		20,429
<b>Net income</b>	<b>(\$19,937)</b>	<b>\$0</b>	<b>(\$19,937)</b>
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
<b>Surplus as regards policyholders, December 31 prior year</b>	<b>\$17,466,683</b>	<b>\$0</b>	<b>\$17,466,683</b>
<b>Gains and (Losses) in Surplus</b>			
Net income	(19,937)		(19,937)
Change in net unrealized capital gain/losses	460,352		460,352
Change in net deferred income tax	(465,296)		(465,296)
Change in nonadmitted assets	(35,625)		(35,625)
Change in provision for reinsurance	2,000		2,000
Change in surplus as regards policyholders	(58,507)	0	(58,507)
<b>Surplus as regards policyholders, December 31 current year</b>	<b>\$17,408,176</b>	<b>\$0</b>	<b>\$17,408,176</b>

NATIONAL MERIT INSURANCE COMPANY  
RECONCILIATION OF SURPLUS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Capital and surplus, December 31, previous year</b>	<u>\$17,466,683</u>	<u>\$16,408,570</u>	<u>\$18,662,952</u>	<u>\$15,341,607</u>
Net income	(19,937)	1,007,116	678,381	3,143,066
Change in net unrealized capital gains or (losses)	460,352	134,498	(19,786)	
Change in net deferred income tax	(465,296)	118,763	130,256	210,153
Change in nonadmitted assets	(35,625)	249,736	(223,333)	(31,874)
Change in provision for reinsurance	2,000	(2,000)		
Dividends to stockholders		(450,000)	(2,819,900)	
Change in surplus as regards policyholders for the year	<u>(58,507)</u>	<u>1,058,113</u>	<u>(2,254,382)</u>	<u>3,321,345</u>
<b>Surplus as regards policyholders, December 31, current year</b>	<u><u>\$17,408,176</u></u>	<u><u>\$17,466,683</u></u>	<u><u>\$16,408,570</u></u>	<u><u>\$18,662,952</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

The Company has no special consents, permitted practices, or orders from the state of Washington. There was one examination report adjustment.

### **1. Common Stock**

NMIC had 30,000 shares of \$100 par value of common stock authorized, issued, and outstanding for a total common stock value of \$3 million.

NMIC incorrectly added the common stock balance of RID when they merged on December 1, 2006 rather than reporting the amount as an increase to the gross paid in and contributed surplus. (See Instruction No. 4)

## ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examination team by the officers of National Merit Insurance Company during the course of this examination.

In addition to the undersigned, the following individuals participated in the examination and the preparation of this report. Representing the Washington State Office of the Insurance Commissioner: Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; Timoteo L. Navaja, CFE, CIE, Property and Casualty Field Supervisor, Randy E. Fong, Insurance Examiner. Representing the state of Connecticut; Clyde Hayden, CFE, Field Supervisor; Michael P. Daniels, CFE, CPA, Examiner in Charge; Joseph Marcantonio, AFE, CISA, IT Examiner; Cecilia Arnold, AFE, Examiner; Donna Nowakowski, AFE, Examiner; Wayne Shepherd, CFE, Examiner, and Richard J. Marcks, FCAS, MAAA, Actuary.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. Subbagh', written over a horizontal line.

Tarik Subbagh, CPA, CFE  
Examiner in Charge  
State of Washington

