QBE

Proposed Redomestication

Unigard Indemnity Insurance Company
and
Unigard Insurance Company

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QBE

RECEIVED

JUN 04 2010

INSURANCE COMMISSIONER
COMPANY SUPERVISION

May 26, 2010

Commissioner Mike Kreidler
State of Washington
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98501

RE: Unigard Insurance Company and Unigard Indemnity Company
Plan of Redomestication to Wisconsin

Dear Commissioner Kreidler:

We desire to redomesticate Unigard Insurance Company (UIC) and Unigard Indemnity Company (UID) from Washington to Wisconsin. We reviewed our proposed plan of redomestication briefly with Ron Pastuch in March of this year. We have also discussed the matter with Tim Vande Hey of the Wisconsin Office of the Commissioner of Insurance. We are filing a similar letter with Wisconsin to summarize our plan of redomestication and to request approval of the proposed redomestications. Please allow this letter to serve as a request for a Washington Office of the Insurance Commission hearing to approve the UIC and UID redomestications.

1. Rationale for Redomestication

The redomestication of UIC and UID to Wisconsin is part of a larger restructuring plan designed to achieve operating economies and management efficiencies. A number of companies within the holding company group, including MassWest Insurance Company, Inc. and Unigard Pacific Insurance Company have already been eliminated through mergers. We are currently seeking to sell General Casualty Company of Wisconsin (GCW) subsidiaries, United Security Insurance Company, and Blue Ridge Insurance Company. We are also pursuing the merger of Blue Ridge Indemnity Company into GCW later this year. In addition to eliminating or selling existing companies, we also desire to consolidate as many companies as possible under one regulator. This will enable us to streamline our compliance efforts. GCW subsidiary, General Casualty Insurance Company, was redomiciled from Illinois to Wisconsin in late 2007. We hope to also redomicile National Farmers Union Property and Casualty Company (a Colorado domiciled company) to Wisconsin during 2010.

2. Tentative Effective Date of the Redomestication

We desire to make the redomestications of UIC and UID effective October 1, 2010.

3. Current Business Plan

UIC is authorized to write insurance in 22 states and UID is authorized to write insurance in 15 states. UIC and UIC market both personal and commercial line products primarily in the six western states of Arizona, California, Idaho, Oregon, Utah, and Washington. UIC and UID market through independent agencies. Agent compensation is commission based with bonuses tied to the quantity and quality of production. The

redomestication of UIC and UID to Wisconsin will not result in any changes to their current business plan or plan of operation.

UIC and UID maintain branch offices in Sacramento, CA; Irvine, CA; Fresno, CA; Bellevue, WA; Spokane, WA; Portland, OR; and Salt Lake City, UT, from which they conduct underwriting and claim operations, and manage distribution. Certain administrative functions are performed by QBE's consolidated support services unit in Sun Prairie, WI.

4. Short / Long Term Employment Plans in Washington

At this time, we do not anticipate that the redomestication of UIC and UID to Wisconsin will affect our employment plans in Washington. Certain administrative functions and certain claim functions are already handled by consolidated support units in Sun Prairie, Wisconsin. Underwriting, claim handling and agency management will continue to be performed by employees in UIC's and UID's branch offices.

5. Intercompany Agreements

UIC and UID are currently parties to an intercompany reinsurance pooling agreement under which all GCW subsidiaries, including UIC and UID, cede 100% of their net insurance business to GCW. GCW in turn retrocedes the business back to each participating company on a pro-rata basis. UIC and UID are also parties to several intercompany service, management and cost allocation agreements including a tax sharing agreement, an investment management agreement, and an intercompany cost allocation and management services agreement. The redomestication of UIC and UID will not result in any changes to the reinsurance pooling agreement or to any of the intercompany service, management or cost allocation agreements.

Please reference Tab 1 for a description of all current intercompany agreements. Intercompany agreements not currently on file with Wisconsin OCI are included in Tab 1.

6. Biographical Affidavits

The following individuals are directors and/or senior officers UIC:

Frank O'Halloran
Harvey Bazaar
John Rumpler*
Peter Christen*
Rod Farrell
Christopher Fish
Stephen Fitzpatrick
Vincent McLenaghan
Anthony Przbyzszewski
John Schanen*
Jennifer Vernon*
James Fiore*
Steven Sheinheit*
Mike Bondura*
L. Arnold Chatterton*
Andrew Doll*
Thomas Greenfield*
Peter Logothetis*
Charles Valinotti

*Denotes directors and/or senior officers of UID

All of the individuals identified above are also directors and/or senior officers of UIC/UID's parent, General Casualty Company of Wisconsin, a Wisconsin domiciled insurer. Accordingly, biographical statements for all individuals identified above are currently on file with the Washington OIC and the Wisconsin OCI.

7. Current and Proposed Articles and Bylaws

Included in Tab 2, Exhibit A are UIC's and UID's current articles and bylaws, and as complete a historical set as we can locate. A proposed set of Articles and Bylaws are included in Tab 2, Exhibit B.

8. Financial Examinations

Financial examination reports for UIC and UID are contained in Tab 3.

If there is anything else you require, or if you have any questions as you review the attached documents, please do not hesitate to contact me directly.

Best regards,

Michael M. Smith
Assistant General Counsel
Ph: 608-825-5082

UIC/UID Redomestication to Wisconsin - Intercompany Agreements

All agreements listed below, except as indicated (*), are on file with the Wisconsin Office of the Commissioner of Insurance. Those agreements that are not on file are attached as indicated.

All agreements listed below are on file with the Washington Office of the Insurance Commissioner.

Sales, Purchases, Etc.

*Intercompany Purchase Agreement between UID and UIC. The purpose of the Agreement is to allow UID to simplify its investment portfolio by selling its equity holdings to UIC at fair market value. Effective June 1, 2010, UID agrees to sell, assign and transfer to UIC, and UIC agrees to accept and acquire, all of UID's respective rights, title and interest in UID's transferred assets. The agreement is pending regulatory approval and is attached as Item 1.

*Effective January 1, 2010, UIC entered into a Capital Stock Subscription with QBE Americas, Inc. The purpose of the Capital Stock Subscription was to allow UIC to transfer fixed assets to QBE Americas, Inc. in exchange for stock in a capital contribution under IRS § 351. The agreement is attached as Item 2.

*Effective January 1, 2010, UIC entered into a Stock Purchase Agreement with QBE Holdings, Inc. The purpose of the Stock Purchase Agreement was to allow UIC to sell and transfer all of its stock in QBE Americas, Inc. to QBE Holdings, Inc. As part of this transaction a promissory note was issued, and then subsequently satisfied. The agreement is attached as Item 3.

*Effective January 1, 2010, UIC entered into an Assignment and Assumption Agreement with QBE Americas, Inc. The purpose of the agreement was to allow UIC to transfer certain assets and l liabilities, predominantly related to workforce, to QBE Americas, Inc. The agreement is attached as Item 4.

*Effective January 1, 2010, UID entered into an Assignment and Assumption Agreement with QBE Americas, Inc. The purpose of the agreement was to allow UID to transfer certain assets and liabilities, predominantly related to workforce, to QBE Americas, Inc. The agreement is attached as Item 5.

Service Agreements

The Investment Management Agreement between Minster Court Asset Management Pty Ltd and QBE Regional Companies (N.A.), Inc. and each of its subsidiaries ("Companies") effective June 1, 2007. The purpose of the Internal Investment Management Agreement is to allow Minster Court Asset Management Pty Ltd to manage and invest funds in segregated accounts established by each Company with its custodian according to the terms of the Agreement.

*The Investment Management Agreement between Unigard Insurance Company and its subsidiaries listed on Exhibit A of the Agreement and Minster Court Asset Management Pty Ltd. The proposed effective date of the agreement is April 15, 2010 pending regulatory approval. The agreement is attached as Item 6.

*Pursuant to the Service Agreement between Unigard Insurance Company and Unigard Indemnity Company, effective December 1, 1993, UIC provides all operating services, including collecting money and paying expenses, for its wholly-owned subsidiary, Unigard Indemnity, with reimbursement based upon generally accepted insurance accounting principles. The agreement is attached as Item 7.

The Service Agreement between GCW, Unigard Insurance Company, QBE Management, Inc., QBE Reinsurance Corporation, QBE Insurance Corporation and National Farmers Union Property and Casualty Company. The effective date of the Agreement is January 1, 2008. The purpose of the transaction is to allow each company and their affiliates to share management services of company operations. The First Amendment adds North Pointe Financial Services, Inc., North Pointe Casualty Insurance Company, and Capital City Holding Company, Inc. to the agreement effective May 1, 2008. National Farmers Union Property and Casualty Company's participation in the agreement was terminated effective January 1, 2009.

The Intercompany Cost Allocation and Management Services Agreement between QBE Americas, Inc. ("QBEAI"), QBE Holdings, Inc., QBE Atlantic, Inc., QBE Investments (North America), Inc., Unigard Insurance Company ("Unigard") and QBEAI's affiliates listed on Exhibit A. The effective date of the Agreement is January 1, 2010. Under this Agreement, QBEAI and Unigard will provide certain administrative and special services to the companies and each other and provide the use of certain property, equipment, and facilities in exchange for fees payable by QBEAI and each company (including Unigard) under the terms of the Agreement. The Agreement is pending regulatory approval.

The Intercompany Cost Allocation Agreement among General Casualty Company of Wisconsin, Unigard Insurance Company, Southern Guaranty Insurance Company and Winterthur North America, Inc. The purpose of the agreement is to allow the allocation of the assets, liabilities, net costs of and contributions to the Winterthur North America Pension Plan, Winterthur North America Deferred Compensation Plan, and Winterthur North America Group Health Benefit Plan (collectively referred to as the Plans) across the three groups of companies, GCW, UIC and SGIC, in order to reflect each company's ongoing responsibilities related to the Plans.

The Intercompany Allocation Contract between QBE Insurance Corporation, QBE Specialty Insurance Company, QBE Reinsurance Corporation, Redland Insurance Company, Praetorian Insurance Company, Praetorian Specialty Insurance Company, General Casualty Insurance Company, General Casualty Company of Wisconsin, Southern Guaranty Insurance Company, Regent Insurance Company, Blue Ridge Insurance Company, Blue Ridge Indemnity Company, Southern Pilot Insurance Company, Southern Fire & Casualty Company, Hoosier Insurance Company, Unigard Insurance Company, Unigard Indemnity Company, National Farmers Union Property and Casualty Company, and United Security Insurance Company. The effective date of the Agreement is January 1, 2008. This Contract applies to specific reinsurance agreements where the companies are named as multiple cedants and reflects how loss and loss adjustment expenses recoverable from reinsurers, as well as premium expenses payable to reinsurers, will be allocated amongst the Companies. This Contract was entered into in order for the Companies to be in compliance with SSAP No. 62.

The modified Intercompany Allocation Contract by and among QBE Insurance Corporation, QBE Specialty Insurance Company, QBE Reinsurance Corporation, Redland Insurance Company, Praetorian Insurance Company, Praetorian Specialty Insurance Company, North Pointe Insurance Company, North Pointe Casualty Insurance Company, Capital City Insurance Company, General Casualty Insurance Company, General Casualty Company of Wisconsin, Southern Guaranty Insurance Company, Regent Insurance Company, Blue Ridge Insurance Company, Blue Ridge Indemnity Company, Southern Pilot Insurance Company, Southern Fire & Casualty Company, Hoosier Insurance Company, Unigard Insurance Company, Unigard Indemnity Company, National Farmers Union Property and Casualty Company, and United Security Insurance Company effective January 1, 2009. This Contract applies to all reinsurance agreements where the Companies are named as multiple cedants and reflects how loss and loss adjustment expenses recoverable from reinsurers, as well as premium expenses payable to reinsurers, will be allocated amongst the Companies, in compliance with SSAP No. 62. This Contract supersedes and replaces the Intercompany Allocation Contract that was effective January 1, 2008. This new Contract has been revised to ensure that it covers all reinsurance contracts effective January 1, 2009 and thereafter

where the Companies are named as multiple cedants and not just those reinsurance agreements that were specifically identified in the 2008 contract. The Contract also adds North Pointe Insurance Company, North Pointe Casualty Insurance Company and Capital City Insurance Company as parties effective January 1, 2009 and removes Praetorian Specialty Insurance Company as a party effective February 17, 2009. The Contract is pending approval by the California Department of Insurance.

*The Limited Assignment Distribution Agreements between Praetorian Insurance Company (PIC) and Unigard Insurance Company. The specific agreements are listed below. The effective date of each agreement is January 1, 2009. The purpose of the agreements is to allow UIC to be excused from its obligations to accept certain new assignments under Plan rules. Under the Agreements, PIC agrees to accept assignments from each Plan (as stated in each agreement) which would otherwise be made to UIC.

Limited Assignment Distribution Agreement between PIC and UIC – Arizona
Limited Assignment Distribution Agreement between PIC and UIC – Idaho
Limited Assignment Distribution Agreement between PIC and UIC – Nevada
Limited Assignment Distribution Agreement between PIC and UIC – Oregon
Limited Assignment Distribution Agreement between PIC and UIC – Utah
Limited Assignment Distribution Agreement between PIC and UIC – Washington
California Low Cost Automobile Insurance Program Limited Assignment Distribution Program Agreement between PIC and UIC
California Automobile Assigned Risk Plan Limited Assignment Distribution Program Agreement between PIC and UIC

The agreements are attached as Item 8.

The Tax Sharing Agreement by and among QBE Investments (North America), Inc. and its affiliated companies effective January 1, 2008. QBE Investments (North America), Inc. and the other Affiliated Companies (as shown on Schedule A of the agreement) constitute an affiliated group of corporations under IRC Section 1504(a), filing consolidated federal income tax returns under IRC Section 1501. Consolidated, combined or unitary income tax returns may be filed under some state income tax laws as well. This agreement sets forth the methods for allocating consolidated, combined or unitary income taxes among the members of such groups, and provisions concerning the administration of such returns. The agreement also supersedes all other similar tax sharing agreements entered into by and among the Affiliated Companies (and no outside parties), which shall not apply to any taxable periods or returns subject to this Agreement. However, any such other agreements continue in effect with respect to any payments or refunds due for periods beginning before January 1, 2008. The First Amendment to the Tax Sharing Agreement is effective January 1, 2009 and adds indemnification language required by the New Jersey Department of Insurance. The Second Amendment to the Tax Sharing Agreement is effective January 1, 2009 and adds recently acquired QBE entities as parties to the agreement. The Third Amendment, effective January 1, 2010, adds certain QBE entities that have been acquired or incorporated into the QBE group to Schedule A of the Tax Sharing Agreement and removes certain QBE entities that have been merged or dissolved from Schedule A of the Tax Sharing Agreement.

Reinsurance

The Ninth Restatement Reinsurance Agreement is effective January 1, 2010 and revises the agreement to establish pooling percentages that are consistent with the allocation of unstacked surplus among the Companies. In addition, both the Reinsurance Coverage section (section IV.) and the Retrocessional Coverage section (section V.) have been revised to include any development of loss reserves relating to the stated liabilities and expenses. The Commencement and Termination

section (section XI.) has also been revised to change the termination notice timeframe from 90 days' prior written notice to one year prior written notice. The Agreement also includes a recalculation of the pooling percentages.

*The Quota Share Reinsurance Agreement between Unigard Insurance Company, Unigard Indemnity Company and Equator Reinsurances Limited effective January 1, 2008. This Agreement applies to all direct business of UIC and UID that is written or renewed on or after the effective date. UIC and UID are obligated to cede to Equator Re and Equator Re obligates itself to accept a 25% quota share reinsurance of UIC and UID's net liability under direct policies. Effective January 1, 2010, Addendum No. 1 amends Article V, Premium, Commissions and Fees and Article VII, Definitions. The agreement is attached as Item 9.

*The Reinsurance Trust Agreement among Unigard Insurance Company, Unigard Indemnity Company, Equator Reinsurances Limited and Brown Brothers Harriman Trust Company, N.A. effective January 1, 2008. In this agreement, Equator Re secures its obligations to the UIC and UID under the Quota Share Reinsurance Agreement between the UIC, UID and Equator Re. The Resignation, Appointment and Acceptance, and Amendment Agreement replaces Brown Brothers Harriman Trust Company, N.A. with Citibank, N.A. effective November 12, 2009. The agreement is attached as Item 10.

INTERCOMPANY PURCHASE AGREEMENT

This INTERCOMPANY PURCHASE AGREEMENT (this "Agreement"), dated as of June 1, 2010 (the "Effective Date"), is entered into by and between UNIGARD INDEMNITY COMPANY, a Washington domiciled insurance company, (the "Seller") and UNIGARD INSURANCE COMPANY, a Washington domiciled insurance company (the "Purchaser").

RECITALS:

WHEREAS, the Seller and Purchaser are affiliated entities and indirect subsidiaries of QBE Holdings, Inc.; and

WHEREAS, the Seller desires to simplify its investment portfolio by eliminating its equity holdings; and

WHEREAS, the Purchaser desires to purchase Seller's equity holdings at fair market value; and

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants set forth herein, and in reliance upon the representations, warranties, conditions and covenants contained herein, and intending to be legally bound hereby and thereby, the parties hereto do hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1. Definitions.

The following terms, when used in this Agreement, have the meanings set forth in this Section 1.1.

(i) "Bill of Sale" means the Bill of Sale between the Purchaser and the Seller attached hereto as **Exhibit A**.

(ii) "Closing" and "Closing Date" have the respective meanings set forth in Section 2.1.

(iii) "Lien" shall mean any mortgage, pledge, assignment, lien (statutory or otherwise), preference, priority, charge or other encumbrance, charge, adverse claim (whether pending or, to the knowledge of the person against whom the adverse claim is being asserted, threatened) or restriction of any kind affecting title or resulting in an encumbrance against property, real or personal, tangible or intangible, or a security interest of any kind, including, without limitation, any conditional sale or other title retention agreement, and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statute) of any jurisdiction (other than a financing statement which is filed or given solely to protect the interest of a lessor).

(iv) "Transferred Assets" means all of the equity holdings of the Seller as of the Closing Date. The equity holdings of the Seller as of February 28, 2010, are identified on **Exhibit B** and are subject to change prior to the Closing Date. The parties acknowledge and agree that the Transferred Assets will change after February 28, 2010, to reflect recent account activity.

ARTICLE II
TRANSFER OF ASSETS

2.1. The Closing.

The closing of the transactions contemplated by this Agreement (the "Closing") will take place on June 1, 2010. The transactions contemplated by this Agreement shall be deemed to be effective as of 12:01 a.m. on the date thereof.

2.2. The Closing Transactions.

Upon the terms, conditions, and limitations of this Agreement, and for the consideration stated herein, on the Closing Date (i) the Seller will sell, assign and transfer to the Purchaser, and the Purchaser will accept and acquire, all of the Seller' respective rights, title and interest in the Transferred Assets. All sales, assignments and transfers of the Transferred Assets to the Purchaser hereunder will be evidenced by the Bill of Sale which will be executed and delivered on the Closing Date by the Seller. The Transferred Assets shall not include, or otherwise be deemed to include, any other assets or properties of the Seller, other than the equity holdings of the Seller as of the Closing Date.

2.3. Assumption of Liabilities.

Purchaser will not assume any liabilities of the Seller.

2.4. Closing Deliveries.

(a) On or before the Closing, the Purchaser will deliver to the Seller the following:

Payment of the Purchase Price in accordance with Section 2.5;

(b) At the Closing, the Seller will deliver to the Purchaser the following:

The Bill of Sale;

2.5. Consideration.

(a) On the Closing Date, the Purchaser will pay to the Seller, and the Seller will accept and acknowledge receipt thereof, the fair market value of the Transferred Assets as calculated using the market price on May 28, 2010, at the time of transfer (the "Purchase Price"). The Seller shall provide Purchaser with a detailed report of the final

Transferred Assets, including the specific holdings, the number of shares, and the market value as of the transfer.

(b) The Purchaser shall pay the Purchase Price in cash in immediately available funds to an account(s) designated by the Seller on or prior to the Closing Date.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

The Seller represents and warrants to the Purchaser that as of the date hereof and as of the Effective Date, in each case except as set forth on the schedules:

3.1. Corporate Authority.

The execution, delivery and performance by the Seller of this Agreement is within its powers and has been duly authorized by all necessary corporate action on the part of the Seller.

3.2. Non-Contravention.

The execution and delivery of, and performance by the Seller of their obligations under this Agreement shall not:

(a) result in a breach of any provision of the articles of incorporation or by-laws of the Seller; or

(b) result in a breach of any order, judgment or decree of any governmental authority to which the Seller are a party or by which the Seller are bound.

3.3. Liens and Encumbrances on Transferred Assets.

The Seller has good and marketable title to the Transferred Assets, free and clear of all Liens, and at the Closing the Purchaser will acquire good title thereto, free and clear of all Liens.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

The Purchaser represents and warrants to the Seller that as of the date hereof and as of the Effective Date:

4.1. Corporate Authority.

The execution, delivery and performance by the Purchaser of this Agreement are within its powers and have been duly authorized by all necessary corporate action on the part of the Purchaser.

4.2. Non-Contravention.

The execution and delivery of, and performance by the Purchaser of its obligations under this Agreement, shall not:

(a) result in a breach of any provision of the articles of incorporation or by-laws of the Purchaser; or

(b) result in a breach of any order, judgment or decree of any governmental authority to which the Purchaser is a party or by which the Purchaser is bound.

ARTICLE V
MISCELLANEOUS PROVISIONS

5.1. Entire Agreement.

This Agreement, including all Exhibits attached hereto, constitute the entire contract between the parties and there are no understandings other than as expressed in this Agreement.

5.2. Assignment.

No party hereto shall transfer, delegate, subcontract, or assign any of its rights or obligations under this Agreement without first obtaining the written consent of the other party.

5.3. No Third-Party Beneficiaries.

Nothing in this Agreement is intended or shall be construed to give any person, other than the signatory parties hereto, any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provision contained herein.

5.4. Invalidity.

Unless the invalidity or unenforceability of any provision or portion thereof frustrates the intent of the parties or the purpose of this Agreement, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions or portions thereof and where possible, the provisions of this Agreement shall be interpreted so as to sustain their legality and enforceability and for that purpose the provisions of this Agreement shall be read as if they cover only the specific situation to which they are being applied. The invalidity or unenforceability of any provision of this Agreement in a specific situation shall not affect the validity or enforceability of that provision in other situations or of other provisions of this Agreement.

5.5. Governing Law.

This Agreement shall be deemed to have been made under and governed by the laws of the State of Washington, without regard to conflicts or choice of law rules.

5.6. Headings.

The headings in this Agreement are for the convenience of reference only and shall not affect its interpretations.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the Purchaser and the Seller as of the Effective Date.

Purchaser

UNIGARD INSURANCE COMPANY

By: _____
Name:
Title:

Seller

UNIGARD INDEMNITY COMPANY

By:_____
Name:
Title:

Exhibit A

Bill of Sale

BILL OF SALE

THIS BILL OF SALE, made, executed and delivered as of June 1, 2010, between UNIGARD INDEMNITY COMPANY, a Washington domiciled insurance company ("Assignor"), and UNIGARD INSURANCE COMPANY, a Washington domiciled insurance company (the "Assignee").

RECITALS:

WHEREAS, Assignors and Assignee are parties to a Intercompany Purchase Agreement of even date herewith (the "Purchase Agreement");

WHEREAS, pursuant to the Purchase Agreement, the Assignors wish to transfer and assign to Assignee all of Assignors' right, title and interest in and to the Transferred Assets (as defined in the Purchase Agreement);

NOW, THEREFORE, in consideration of the premises and of other valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Assignors, Assignors hereby convey, grant, bargain, sell, transfer, set over, assign, alienate, remise, release, deliver and confirm unto Assignee, its successors and assigns forever, all of Assignors' right, title and interest in and to the Transferred Assets.

TO HAVE AND TO HOLD all of the foregoing Transferred Assets to Assignee, its successors and assignees to its and their own use and behalf forever.

Section 1. Each of the parties hereto shall execute such documents and other papers and take, or cause to be taken, such further action as may be reasonably required to carry out the provisions hereof and to consummate and make effective the transactions contemplated hereby.

Section 2. Nothing in this instrument, express or implied, is intended or shall be construed to confer upon, or give to, any person, firm or corporation, any remedy or claim under or by reason of this instrument or any terms, covenants or conditions hereof, and all the terms, covenants and conditions, promises and agreements in this instrument contained shall be for the sole and exclusive benefit of the parties hereto and their respective successors and assigns.

Section 3. This Agreement, and all the rights and obligations of the parties hereunder, shall be governed by and construed in accordance with the laws of the State of Washington, without regard to the principles of conflicts or choice of laws rules.

IN WITNESS WHEREOF, each of the parties hereto has caused this instrument to be signed on the date first written above.

UNIGARD INDEMNITY COMPANY

By: _____

Name: _____

Title: _____

ACCEPTED:

UNIGARD INSURANCE COMPANY

By: _____

Name: _____

Title: _____

Exhibit B

Transferred Assets

QBE Regional Companies (N.A.), Inc.

Investment Holdings Report

Unigard Indemnity Company / Unigard Indemnity Company

Base Currency / STAT Accounting Basis

As of February 28, 2010

Cusip	Description	Cpn/ Dvd	Call	Fltr	Dflt	Imp	Nrv	Curr	Spot FX	Purchase Date	Maturity Date	Eff Mat Date	Par/Shares	Original Cost	Book Value	Market Value	Unreal FX	Unreal Gain	Unreal Loss	Accrued Interest	Adj Dur	Book Yld	Mkt Yld	Avg Life	Mdy's	S&P
Common Stock																										
002824100	ABBOTT LABORATORIES	1.500	N	N		N	N	USD	1.000	various			2,710	143,685	143,685	147,099	0	4,183	(769)	0	0.000	3.018	2.948			
00724F101	ADOBE SYSTEMS INC	0.000	N	N		N	N	USD	1.000	various			4,750	88,629	88,929	164,588	0	75,963	(305)	0	0.000	0.000	0.000			
031162100	AMGEN INC	0.000	N	N		N	N	USD	1.000	various			1,970	120,119	120,119	111,522	0	418	(9,015)	0	0.000	0.000	0.000			
037411105	APACHE CORP	0.500	N	N		N	N	USD	1.000	various			2,350	167,093	167,093	243,554	0	76,461	0	0	0.000	0.844	0.579			
037833100	APPLE INC	0.000	N	N		N	N	USD	1.000	various			1,310	119,463	119,463	268,052	0	148,589	0	0	0.000	0.000	0.000			
060505104	BANK OF AMERICA CORP	0.040	N	N		N	N	USD	1.000	various			14,950	187,803	187,803	249,067	0	61,264	0	0	0.000	0.318	0.240			
071813109	BAXTER INTERNATIONAL INC	1.040	N	N		N	N	USD	1.000	various			1,400	83,888	83,888	79,702	0	0	(4,186)	0	0.000	1.736	1.827			
14149Y108	CARDINAL HEALTH INC	0.700	N	N		N	N	USD	1.000	various			4,320	141,269	141,269	145,750	0	5,481	0	0	0.000	2.141	2.061			
166764100	CHEVRON CORP	2.720	N	N		N	N	USD	1.000	various			1,910	155,621	155,621	138,093	0	91	(17,619)	1,259	0.000	3.338	3.762			
17275R102	CISCO SYSTEMS INC	0.000	N	N		N	N	USD	1.000	12/10/2009			3,730	90,083	90,083	90,751	0	668	0	0	0.000	0.000	0.000			
184496107	CLEAN HARBORS INC	0.000	N	N		N	N	USD	1.000	various			1,060	59,056	59,056	60,250	0	3,425	(2,230)	0	0.000	0.000	0.000			
189754104	COACH INC	0.300	N	N		N	N	USD	1.000	various			2,630	93,403	93,403	95,837	0	2,434	0	0	0.000	0.845	0.823			
191216100	COCA-COLA CO/THE	1.640	N	N		N	N	USD	1.000	various			2,100	125,024	125,024	110,712	0	160	(14,472)	0	0.000	2.755	3.111			
254687106	WALT DISNEY CO/THE	0.350	N	N		N	N	USD	1.000	various			4,850	106,216	106,216	151,514	0	45,298	0	0	0.000	1.598	1.120			
291011104	EMERSON ELECTRIC CO	1.320	N	N		N	N	USD	1.000	various			3,300	113,378	113,378	156,222	0	45,263	(2,418)	1,106	0.000	3.842	2.788			
30231G102	EXXON MOBIL CORP	1.680	N	N		N	N	USD	1.000	various			3,740	330,989	330,989	243,100	0	0	(87,889)	1,571	0.000	1.898	2.585			
369604103	GENERAL ELECTRIC CO	0.400	N	N		N	N	USD	1.000	various			7,570	96,945	96,945	121,574	0	25,087	(457)	757	0.000	3.123	2.491			
38259P508	GOOGLE INC-CL A	0.000	N	N		N	N	USD	1.000	various			270	140,575	140,575	142,236	0	7,008	(5,339)	0	0.000	0.000	0.000			
384802104	WW GRAINGER INC	1.840	N	N		N	N	USD	1.000	02/12/2010			690	69,449	69,449	70,139	0	690	0	0	0.000	1.828	1.810			
406216101	HALLIBURTON CO	0.360	N	N		N	N	USD	1.000	various			4,840	89,003	89,003	145,926	0	56,923	0	436	0.000	1.958	1.194			
428236103	HEWLETT-PACKARD CO	0.320	N	N		N	N	USD	1.000	various			3,690	175,542	175,542	187,415	0	11,873	0	0	0.000	0.673	0.630			
437076102	HOME DEPOT INC	0.600	N	N		N	N	USD	1.000	various			4,120	104,331	104,331	128,544	0	24,213	0	0	0.000	3.554	2.885			
445658107	HUNT (JB) TRANSPRT SVCS INC	0.440	N	N		N	N	USD	1.000	various			2,160	74,151	74,151	76,637	0	2,486	0	0	0.000	1.282	1.240			
452308109	ILLINOIS TOOL WORKS	1.240	N	N		N	N	USD	1.000	various			3,170	109,654	109,654	144,298	0	34,644	0	0	0.000	3.585	2.724			
458140100	INTEL CORP	0.560	N	N		N	N	USD	1.000	various			6,830	131,417	131,417	146,893	0	15,476	(6,676)	1,076	0.000	2.910	2.728			
46625H100	JPMORGAN CHASE & CO	0.200	N	N		N	N	USD	1.000	various			6,350	250,558	250,558	268,510	0	17,855	(1,903)	0	0.000	0.507	0.477			
500255104	KOHLS CORP	0.000	N	N		N	N	USD	1.000	various			2,240	100,001	100,001	120,557	0	20,556	0	0	0.000	0.000	0.000			
501044101	KROGER CO	0.360	N	N		N	N	USD	1.000	various			3,910	93,747	93,747	86,411	0	0	(7,336)	371	0.000	1.501	1.629			
594918104	MICROSOFT CORP	0.520	N	N		N	N	USD	1.000	various			6,310	182,010	182,010	180,908	0	879	(1,981)	820	0.000	1.803	1.814			
801073109	MILLIPORE CORP	0.000	N	N		N	N	USD	1.000	various			1,450	116,528	116,528	136,895	0	20,366	0	0	0.000	0.000	0.000			
690768403	OWENS-ILLINOIS INC	0.000	N	N		N	N	USD	1.000	various			3,440	108,005	108,005	101,962	0	163	(6,207)	0	0.000	0.000	0.000			
693475105	PNC FINANCIAL SERVICES GRC	0.400	N	N		N	N	USD	1.000	various			2,540	95,153	95,153	136,550	0	41,398	0	0	0.000	1.068	0.744			
693506107	PPG INDUSTRIES INC	2.120	N	N		Y	N	USD	1.000	various			2,570	113,373	113,373	158,158	0	44,844	(59)	1,368	0.000	4.806	3.445			
717081103	PFIZER INC	0.640	N	N		N	N	USD	1.000	various			12,820	206,675	206,675	224,991	0	22,119	(3,804)	2,308	0.000	3.970	3.647			

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QBE Regional Companies (N.A.), Inc.

Investment Holdings Report

Unigard Indemnity Company / Unigard Indemnity Company

Base Currency / STAT Accounting Basis

As of February 28, 2010

Cusip	Description	Cpn/ Dvd	Call	Fltr	Dflt	Imp	Nrv	Curr	Spot FX	Purchase Date	Maturity Date	Eff Mat Date	Par/Shares	Original Cost	Book Value	Market Value	Unreal FX	Unreal Gain	Unreal Loss	Accrued Interest	Adj Dur	Book Yld	Mkt Yld	Avg Life	Mdy's	S&P
718172109	PHILIP MORRIS INTERNATIONA	2.160	N	N		N	N	USD	1.000	various			3,910	198,147	198,147	191,512	0	118	(6,753)	0	0.000	4.262	4.410			
745867101	PULTE HOMES INC	0.000	N	N		N	N	USD	1.000	various			9,190	106,721	106,721	99,528	0	1,846	(9,039)	0	0.000	0.000	0.000			
775696106	ROPER INDUSTRIES INC	0.330	N	N		N	N	USD	1.000	various			2,905	179,689	179,689	161,053	0	2,191	(20,827)	0	0.000	0.534	0.596			
855244109	STARBUCKS CORP	0.000	N	N		N	N	USD	1.000	various			8,050	133,302	133,302	184,426	0	51,123	0	0	0.000	0.000	0.000			
902973304	US BANCORP	0.200	N	N		N	N	USD	1.000	01/22/2010			5,060	151,609	151,609	149,137	0	0	(2,473)	0	0.000	0.799	0.813			
903914109	ULTRA PETROLEUM CORP	0.000	N	N		N	N	USD	1.000	various			2,120	86,197	86,197	96,948	0	15,779	(5,029)	0	0.000	0.000	0.000			
907818108	UNION PACIFIC CORP	1.080	N	N		Y	N	USD	1.000	various			2,560	150,053	150,053	173,815	0	27,982	(4,220)	597	0.000	1.857	1.503			
911312106	UNITED PARCEL SERVICE-CL B	1.600	N	N		N	N	USD	1.000	various			1,200	75,161	75,161	70,488	0	1,492	(6,166)	841	0.000	2.874	3.064			
912909108	UNITED STATES STEEL CORP	0.200	N	N		N	N	USD	1.000	01/12/2010			1,350	86,099	86,099	71,469	0	0	(14,630)	68	0.000	0.314	0.378			
913017109	UNITED TECHNOLOGIES CORP	1.540	N	N		N	N	USD	1.000	various			2,040	140,096	140,096	140,046	0	3,584	(3,634)	867	0.000	2.242	2.243			
92343V104	VERIZON COMMUNICATIONS IN	1.840	N	N		N	N	USD	1.000	various			2,790	101,962	101,962	80,715	0	0	(21,247)	0	0.008	5.035	6.368			
92826C839	VISA INC-CLASS A SHARES	0.420	N	N		N	N	USD	1.000	various			2,090	131,676	131,676	178,235	0	46,559	0	261	0.000	0.667	0.492			
931142103	WAL-MART STORES INC	1.090	N	N		N	N	USD	1.000	various			1,630	91,841	91,841	88,134	0	443	(4,150)	0	0.000	1.935	2.016			
941848103	WATERS CORP	0.000	N	N		N	N	USD	1.000	various			1,570	100,386	100,386	99,632	0	163	(917)	0	0.000	0.000	0.000			
949746101	WELLS FARGO & CO	0.200	N	N		N	N	USD	1.000	various			5,182	94,972	94,972	141,676	0	47,887	(1,183)	259	0.000	1.091	0.732			
V7780T103	ROYAL CARIBBEAN CRUISES L'	0.000	N	N		N	N	USD	1.000	various			3,790	82,117	82,117	106,013	0	23,895	0	0	0.000	0.000	0.000			
Total:	Common Stock												158,567	6,293,163	6,293,163	7,059,567	0	1,039,336	(272,932)	14,123	0.000	1.599	1.428			
Grand Total:													158,567	6,293,163	6,293,163	7,059,567	0	1,039,336	(272,932)	14,123	0.000	1.599	1.428			

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CAPITAL STOCK SUBSCRIPTION

1. The undersigned hereby subscribes for the number of shares set forth opposite the undersigned's name of the One Dollar ($1.00) par value common stock (the "Securities") of QBE Americas, Inc., a Delaware corporation (the "Corporation"), having an authorized capital stock of one thousand (1000) shares of One Dollar ($1.00) par value common stock. The undersigned further agrees to pay for the Securities on the basis of Eighty-One Thousand Nine Hundred Sixty-Nine Dollars ($80,969.00) per share in property, as set forth on Exhibit A attached hereto, and to pay said consideration when requested by the Board of Directors of the Corporation.

Name	Number of Shares
Unigard Insurance Company	**2**

2. The undersigned, by reason of the knowledge and experience in financial and business matters and the access the undersigned has had to information about the Corporation, believes that the undersigned is capable of evaluating the merits and risks of an investment in the Securities.

3. The undersigned hereby represents that the undersigned is acquiring the Securities solely for the account of the undersigned, for investment, and not on behalf of other persons or with the view to the distribution or resale hereof. The undersigned further represents that the financial condition of the undersigned is such that the undersigned is not under any present necessity or constraint to dispose of the Securities to satisfy any existing or contemplated debt or undertaking.

4. The undersigned is aware of the fact that the Securities have not been registered (nor is registration contemplated) under the Securities Act of 1933, as amended, or state securities laws, and, accordingly, that the federal and state securities laws require that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or unless, in the opinion of counsel for the Corporation, a transfer may be made without registration thereunder. Accordingly, the undersigned understands that the undersigned must bear the economic risk of the investment in the Securities for an indefinite period. The undersigned agrees that the Securities will bear a legend restricting the transfer thereof consistent with the foregoing.

5. All of the negotiations concerning this transaction have been carried on solely by the parties and their respective counsel and financial advisors. The undersigned has not dealt with any broker or other person who could claim a broker's fee or other remuneration with regard to any purchase of the Securities.

Dated as of the 1st day of January, 2010.

Unigard Insurance Company

By: _____
Peter T. Maloney
Assistant Corporate Secretary

4113378_2

Exhibit A

Property

[To be provided.]

Exhibit A – Fixed Assets

2009 Unigard Insurance Companies
Net Book Value Report

Book = Internal
YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 125000												
000247	000	B0032385	HP LASERJET 5	12/01/98	SLMM	00 00	$ 900.97	$ 0.00	12/31/09	$ 900.97	$ 0.00	100.00%
000250	000	B0032393	LEXMARK 2455 L	12/01/98	SLMM	00 00	1,578.19	0.00	12/31/09	1,578.19	0.00	100.00%
012209	000	B0011476	HP LASERJET 4	06/26/95	SLMM	00 00	1,605.22	0.00	12/31/09	1,605.22	0.00	100.00%
012315	000	B0011636	17" SVGA MONITI	07/01/96	SLMM	00 00	797.43	0.00	12/31/09	797.43	0.00	100.00%
012326	000	B0011637	17" SVGA MONITI	07/01/96	SLMM	00 00	785.07	0.00	12/31/09	785.07	0.00	100.00%
012327	000	B0011638	17" SVGA MONITI	07/01/96	SLMM	00 00	785.07	0.00	12/31/09	785.07	0.00	100.00%
012526	000	B0001868	CTX 14 SVGA MC	12/01/93	SLMM	00 00	73.62	0.00	12/31/09	73.62	0.00	100.00%
012586	000	B0027579	HP LASERJET 5	01/01/98	SLMM	00 00	1,074.00	0.00	12/31/09	1,074.00	0.00	100.00%
012609	000	B0032042	HP LASERJET 4	02/01/98	SLMM	00 00	1,214.38	0.00	12/31/09	1,214.38	0.00	100.00%
012681	000	B0032146	OPTIQUEST 17"	04/01/98	SLMM	00 00	377.62	0.00	12/31/09	377.62	0.00	100.00%
012683	000	B0032148	HP 690CXI PRINT	04/01/98	SLMM	00 00	393.94	0.00	12/31/09	393.94	0.00	100.00%
013216	000	B0032495	HP LASERJET 2	03/01/99	SLMM	00 00	730.32	0.00	12/31/09	730.32	0.00	100.00%
013235	000	B0032542	APC SMART UP	04/01/99	SLMM	00 00	673.31	0.00	12/31/09	673.31	0.00	100.00%
013261	000	B0032485	MONITOR 17" S	04/01/99	SLMM	00 00	295.64	0.00	12/31/09	295.64	0.00	100.00%
013262	000	B0032486	MONITOR 17" S	04/01/99	SLMM	00 00	295.64	0.00	12/31/09	295.64	0.00	100.00%
013263	000	B0032487	MONITOR 17" S	04/01/99	SLMM	00 00	295.64	0.00	12/31/09	295.64	0.00	100.00%
013264	000	B0032488	MONITOR 17" S	04/01/99	SLMM	00 00	295.64	0.00	12/31/09	295.64	0.00	100.00%
013265	000	B0032490	MONITOR 17" S	04/01/99	SLMM	00 00	295.64	0.00	12/31/09	295.64	0.00	100.00%
013266	000	B0032491	MONITOR 17" S	04/01/99	SLMM	00 00	295.64	0.00	12/31/09	295.64	0.00	100.00%
013267	000	B0032492	MONITOR 17" S	04/01/99	SLMM	00 00	295.63	0.00	12/31/09	295.63	0.00	100.00%
013268	000	B0032493	MONITOR 17" S	04/01/99	SLMM	00 00	295.63	0.00	12/31/09	295.63	0.00	100.00%
013269	000	B0032494	MONITOR 17" S	04/01/99	SLMM	00 00	295.63	0.00	12/31/09	295.63	0.00	100.00%
013270	000	B0032495	MONITOR 17" S	04/01/99	SLMM	00 00	295.63	0.00	12/31/09	295.63	0.00	100.00%
013400	000	B0032738	TOSHIBA 2060C	07/01/99	SLMM	00 00	1,493.85	0.00	12/31/09	1,493.85	0.00	100.00%
013592	000	B0032795	HP LASERJET 4	09/01/99	SLMM	00 00	1,710.55	0.00	12/31/09	1,710.55	0.00	100.00%
013747	000	B0032956	FAX MACHINE R	04/28/00	SLMM	00 00	1,350.98	0.00	12/31/09	1,350.98	0.00	100.00%
013830	000	B0032998	MONITORY 17" S	05/06/00	SLMM	00 00	298.60	0.00	12/31/09	298.60	0.00	100.00%
014091	000	B0034003	TOSHIBA 2210C	05/16/00	SLMM	00 00	1,259.59	0.00	12/31/09	1,259.59	0.00	100.00%
014092	000	B0034004	TOSHIBA 2210X	05/16/00	SLMM	00 00	1,259.59	0.00	12/31/09	1,259.59	0.00	100.00%
014103	000	B0034019	VIEWSONIC E77	07/07/00	SLMM	00 00	231.00	0.00	12/31/09	231.00	0.00	100.00%
014111	000	B0034018	TOSHIBA 1625C	04/05/00	SLMM	00 00	1,175.00	0.00	12/31/09	1,175.00	0.00	100.00%
014112	000	B0034017	TOSHIBA 2210X	04/05/00	SLMM	00 00	1,249.00	0.00	12/31/09	1,249.00	0.00	100.00%
014538	000	B0034140	BRANCH SERVE	03/01/01	SLMM	00 00	1,196.39	0.00	12/31/09	1,196.39	0.00	100.00%
014540	000	B0034142	BRANCH SERVE	03/01/01	SLMM	00 00	1,196.39	0.00	12/31/09	1,196.39	0.00	100.00%
014660	000	B0034148	HP 4050N	01/01/01	SLMM	00 00	1,593.92	0.00	12/31/09	1,593.92	0.00	100.00%
014868	000	B0034839	INFOCUS LP350	08/06/01	SLMM	00 00	4,128.96	0.00	12/31/09	4,128.96	0.00	100.00%
014957	000	B0034892	IDS 12 PORT STA	09/18/01	SLMM	00 00	1,295.19	0.00	12/31/09	1,295.19	0.00	100.00%
014995	000	B0034928	IBM A21M LAPTC	10/12/01	SLMM	00 00	1,406.10	0.00	12/31/09	1,406.10	0.00	100.00%
015078	000	b0034817	Ricoh Fax	08/06/01	SLMM	00 00	2,095.00	0.00	12/31/09	2,095.00	0.00	100.00%
015329	000	b0035179	CPE EQUIPMEN	03/01/02	SLMM	00 00	1,141.90	0.00	12/31/09	1,141.90	0.00	100.00%
015365	000	B0035202	MONITOR 19".	04/26/02	SLMM	00 00	236.10	0.00	12/31/09	236.10	0.00	100.00%
015366	000	B0035203	MONITOR 19".	04/26/02	SLMM	00 00	226.30	0.00	12/31/09	226.30	0.00	100.00%
015417	000	B0035261	MONITOR 18" S	05/08/02	SLMM	00 00	725.05	0.00	12/31/09	725.05	0.00	100.00%
015513	000	B0035316	MONITOR, VIEW	07/10/02	SLMM	00 00	987.00	0.00	12/31/09	987.00	0.00	100.00%
015514	000	B0035317	MONITOR, VIEW	07/10/02	SLMM	00 00	987.00	0.00	12/31/09	987.00	0.00	100.00%
015515	000	B0035318	MONITOR, VIEW	07/10/02	SLMM	00 00	987.00	0.00	12/31/09	987.00	0.00	100.00%
015516	000	B0035319	MONITOR, VIEW	07/10/02	SLMM	00 00	987.00	0.00	12/31/09	987.00	0.00	100.00%
015517	000	B0035320	MONITOR, VIEW	07/10/02	SLMM	00 00	987.00	0.00	12/31/09	987.00	0.00	100.00%
015518	000	B0035321	MONITOR, VIEW	07/10/02	SLMM	00 00	987.00	0.00	12/31/09	987.00	0.00	100.00%
015519	000	B0035322	MONITOR, VIEW	07/10/02	SLMM	00 00	987.00	0.00	12/31/09	987.00	0.00	100.00%
015549	000	B0035287	LAPTOP, IBM TH	06/19/02	SLMM	00 00	1,098.75	0.00	12/31/09	1,098.75	0.00	100.00%
015550	000	B0035286	LAPTOP, IBM TH	06/19/02	SLMM	00 00	1,158.72	0.00	12/31/09	1,158.72	0.00	100.00%

2009 Unigard Insurance Companies
Net Book Value Report

Book = Internal
YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 125000												
015551	000	B0035324	LAPTOP, IBM TH	06/19/02	SLMM	00 00	1,122.83	0.00	12/31/09	1,122.83	0.00	100.00%
015552	000	B0035288	LAPTOP, IBM TH	06/19/02	SLMM	00 00	1,385.98	0.00	12/31/09	1,385.98	0.00	100.00%
015553	000	B0035289	LAPTOP, IBM TH	06/19/02	SLMM	00 00	1,063.92	0.00	12/31/09	1,063.92	0.00	100.00%
015631	000	B0035392	PRINTER-HP LA	10/04/02	SLMM	00 00	1,872.45	0.00	12/31/09	1,872.45	0.00	100.00%
015632	000	B0035393	PRINTER-HP LA	10/04/02	SLMM	00 00	1,872.45	0.00	12/31/09	1,872.45	0.00	100.00%
015633	000	B0035360	COMPUTER, LA	09/04/02	SLMM	00 00	1,641.79	0.00	12/31/09	1,641.79	0.00	100.00%
015641	000	B0035372	MONITOR-VIEW	09/16/02	SLMM	00 00	961.35	0.00	12/31/09	961.35	0.00	100.00%
015642	000	B0035373	MONITOR-VIEW	09/16/02	SLMM	00 00	961.35	0.00	12/31/09	961.35	0.00	100.00%
015643	000	B0035374	MONITOR-VIEW	09/16/02	SLMM	00 00	961.35	0.00	12/31/09	961.35	0.00	100.00%
015644	000	B0035375	MONITOR-VIEW	09/16/02	SLMM	00 00	961.35	0.00	12/31/09	961.35	0.00	100.00%
015645	000	B0035376	MONITOR-VIEW	09/16/02	SLMM	00 00	961.37	0.00	12/31/09	961.37	0.00	100.00%
015665	000	B0035377	MONITOR - VIE	09/20/02	SLMM	00 00	955.00	0.00	12/31/09	955.00	0.00	100.00%
015666	000	B0035378	MONITOR - VIE	09/20/02	SLMM	00 00	955.00	0.00	12/31/09	955.00	0.00	100.00%
015667	000	B0035379	MONITOR - VIE	09/20/02	SLMM	00 00	955.00	0.00	12/31/09	955.00	0.00	100.00%
015668	000	B0035380	MONITOR - VIE	09/20/02	SLMM	00 00	955.00	0.00	12/31/09	955.00	0.00	100.00%
015818	000	B0035454	LAPTOP - IBM TH	09/05/03	SLMM	00 00	1,582.13	0.00	12/31/09	1,582.13	0.00	100.00%
015827	000	B0035456	LAPTOP - IBM TH	10/01/03	SLMM	00 00	1,532.03	0.00	12/31/09	1,532.03	0.00	100.00%
015848	000	B0034984	LAPTOP - IBM T4	02/11/04	SLMM	00 00	1,624.74	0.00	12/31/09	1,624.74	0.00	100.00%
015849	000	B0034983	FAX MACHINE - I	05/04/04	SLMM	00 00	708.44	0.00	12/31/09	708.44	0.00	100.00%
015851	000	NDE060401	COMPUTER, HP	06/01/04	SLMM	00 00	513.13	0.00	12/31/09	513.13	0.00	100.00%
15852	000	NDE060402	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015853	000	NDE060403	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015854	000	NDE060404	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015855	000	NDE060405	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015856	000	NDE060406	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015857	000	NDE060407	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015858	000	NDE060408	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015859	000	NDE060409	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015860	000	NDE060410	COMPUTER, HP	06/01/04	SLMM	00 00	513.11	0.00	12/31/09	513.11	0.00	100.00%
015861	000	NDE060411	LAPTOP, THINK	06/01/04	SLMM	00 00	1,620.41	0.00	12/31/09	1,620.41	0.00	100.00%
015862	000	NDE060412	LAPTOP, THINK	06/01/04	SLMM	00 00	1,620.40	0.00	12/31/09	1,620.40	0.00	100.00%
015863	000	B0034958	LAPTOP, THINK	06/01/04	SLMM	00 00	1,960.26	0.00	12/31/09	1,960.26	0.00	100.00%
015866	000	NDE090433	THINKPAD T40-	09/01/04	SLMM	00 00	1,620.41	0.00	12/31/09	1,620.41	0.00	100.00%
016096	000		HP LJ 3600 DN L	04/01/06	SLHY	00 00	855.50	0.00	12/31/09	855.50	0.00	100.00%
016229	000		HP LJ3380 Multi	11/01/06	SLHY	00 00	697.90	0.00	12/31/09	697.90	0.00	100.00%
016318	000		HP LaserJet 3390	05/01/07	SLHY	00 06	607.45	0.00	12/31/09	506.20	101.25	83.33%
016319	000		HP Laser Jet 339	05/01/07	SLHY	00 06	607.45	0.00	12/31/09	506.20	101.25	83.33%
016343	000		HP Color LaserJe	06/01/07	SLHY	00 06	906.45	0.00	12/31/09	755.38	151.07	83.33%
						G/L Asset Acct No = 125000	$ 87,042.31	$ 0.00		$ 86,688.74	$ 353.57	99.59%
						Less disposals and transfers	0.00	0.00		0.00	0.00	0.00%
						Net Subtotal	$ 87,042.31	$ 0.00		$ 86,688.74	$ 353.57	99.59%
G/L Asset Acct No = 128000												
000265	000	B0009241	EXECTALK DIC	12/01/93	SLMM	00 00	$ 377.19	$ 0.00	12/31/09	$ 377.19	$ 0.00	100.00%
000320	000	000039556	TELEPHONE TR	12/01/93	SLMM	00 00	885.85	0.00	12/31/09	885.85	0.00	100.00%
000321	000	B0016902	RICOH PLAIN PA	12/01/93	SLMM	00 00	1,753.38	0.00	12/31/09	1,753.38	0.00	100.00%
J339	000	B0015664	RICOH PLAIN PA	12/01/93	SLMM	00 00	2,223.42	0.00	12/31/09	2,223.42	0.00	100.00%
000604	000	B0000753	DESK MODEL D	03/28/94	SLMM	00 00	586.44	0.00	12/31/09	586.44	0.00	100.00%
000605	000	B0000754	DESK MODEL D	03/28/94	SLMM	00 00	586.44	0.00	12/31/09	586.44	0.00	100.00%

2009 Unigard Insurance Companies

Net Book Value Report

Book = Internal
YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 128000												
000606	000	B0000755	DESK MODEL D	03/28/94	SLMM	00 00	586.44	0.00	12/31/09	586.44	0.00	100.00%
000607	000	B0000756	DESK MODEL D	03/28/94	SLMM	00 00	586.46	0.00	12/31/09	586.46	0.00	100.00%
000614	000	B0000729	RICOH PLAIN PA	03/09/94	SLMM	00 00	2,487.00	0.00	12/31/09	2,487.00	0.00	100.00%
000616	000	B0000731	VISUAL BOARD	03/04/94	SLMM	00 00	600.17	0.00	12/31/09	600.17	0.00	100.00%
000617	000	B0002111	CHERRY WOOD	03/31/94	SLMM	00 00	272.07	0.00	12/31/09	272.07	0.00	100.00%
000618	000	B0002112	CHERRY WOOD	03/31/94	SLMM	00 00	272.07	0.00	12/31/09	272.07	0.00	100.00%
000623	000	B0002101	SLED BASE CHA	03/31/94	SLMM	00 00	308.52	0.00	12/31/09	308.52	0.00	100.00%
000624	000	B0002102	SLED BASE CHA	03/31/94	SLMM	00 00	308.52	0.00	12/31/09	308.52	0.00	100.00%
000625	000	B0002103	SLED BASE CHA	03/31/94	SLMM	00 00	308.52	0.00	12/31/09	308.52	0.00	100.00%
000626	000	B0002104	SLED BASE CHA	03/31/94	SLMM	00 00	308.52	0.00	12/31/09	308.52	0.00	100.00%
000627	000	B0002105	LOUNGE CHAIR	03/31/94	SLMM	00 00	804.67	0.00	12/31/09	804.67	0.00	100.00%
000628	000	B0002106	LOUNGE CHAIR	03/31/94	SLMM	00 00	804.67	0.00	12/31/09	804.67	0.00	100.00%
000630	000	B0002108	96IN ROUND COI	03/31/94	SLMM	00 00	1,061.13	0.00	12/31/09	1,061.13	0.00	100.00%
000631	000	B0002085	PENINSULA DES	03/31/94	SLMM	00 00	1,047.17	0.00	12/31/09	1,047.17	0.00	100.00%
000632	000	B0002088	22X42 BRIDGE	03/31/94	SLMM	00 00	429.64	0.00	12/31/09	429.64	0.00	100.00%
000633	000	B0002089	42X42 WORKSUF	03/31/94	SLMM	00 00	945.83	0.00	12/31/09	945.83	0.00	100.00%
000634	000	B0002091	22X66 CREDENZ	03/31/94	SLMM	00 00	858.71	0.00	12/31/09	858.71	0.00	100.00%
000635	000	B0002092	22X66 CREDENZ	03/31/94	SLMM	00 00	858.71	0.00	12/31/09	858.71	0.00	100.00%
000636	000	B0002093	LATERAL FILE	03/31/94	SLMM	00 00	580.18	0.00	12/31/09	580.18	0.00	100.00%
000637	000	B0002094	LATERAL FILE	03/31/94	SLMM	00 00	580.18	0.00	12/31/09	580.18	0.00	100.00%
000638	000	B0002095	OVRHEAD STO	03/31/94	SLMM	00 00	1,437.12	0.00	12/31/09	1,437.12	0.00	100.00%
000639	000	B0002080	HOWE STORM T	03/31/94	SLMM	00 00	335.64	0.00	12/31/09	335.64	0.00	100.00%
000640	000	B0002081	FIXTURES D CHA	03/31/94	SLMM	00 00	81.37	0.00	12/31/09	81.37	0.00	100.00%
000641	000	B0002082	FIXTURES D CHA	03/31/94	SLMM	00 00	81.37	0.00	12/31/09	81.37	0.00	100.00%
000642	000	B0002083	FIXTURES D CHA	03/31/94	SLMM	00 00	81.37	0.00	12/31/09	81.37	0.00	100.00%
000643	000	B0002084	FIXTURES D CHA	03/31/94	SLMM	00 00	81.37	0.00	12/31/09	81.37	0.00	100.00%
000687	000	B0002020	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000688	000	B0002021	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000689	000	B0002022	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000690	000	B0002023	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000693	000	B0002026	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000695	000	B0002028	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000696	000	B0002029	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000697	000	B0002030	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000698	000	B0002031	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000699	000	B0002032	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000700	000	B0002033	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000701	000	B0002034	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000702	000	B0002035	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000703	000	B0002036	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000704	000	B0002037	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000705	000	B0002038	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000706	000	B0002039	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000707	000	B0002040	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000708	000	B0002041	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000709	000	B0002042	H.M. SQ EDGE W	03/31/94	SLMM	00 00	180.21	0.00	12/31/09	180.21	0.00	100.00%
000710	000	B0002043	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000711	000	B0002044	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000712	000	B0002045	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000713	000	B0002046	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000714	000	B0002047	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000715	000	B0002048	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%

2009 Unigard Insurance Companies

Net Book Value Report

Book = Internal
YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 128000												
000716	000	B0002049	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000717	000	B0002050	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000718	000	B0002051	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000719	000	B0002052	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000720	000	B0002053	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000721	000	B0002054	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000722	000	B0002055	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000723	000	B0002056	H.M. STYLE B SH	03/31/94	SLMM	00 00	54.82	0.00	12/31/09	54.82	0.00	100.00%
000724	000	B0002057	H.M. SCOOTER S	03/31/94	SLMM	00 00	147.28	0.00	12/31/09	147.28	0.00	100.00%
000725	000	B0002058	H.M. SCOOTER S	03/31/94	SLMM	00 00	147.28	0.00	12/31/09	147.28	0.00	100.00%
000726	000	B0002059	H.M. SCOOTER S	03/31/94	SLMM	00 00	147.28	0.00	12/31/09	147.28	0.00	100.00%
000727	000	B0002060	H.M. SCOOTER S	03/31/94	SLMM	00 00	147.28	0.00	12/31/09	147.28	0.00	100.00%
000728	000	B0002061	H.M. SCOOTER S	03/31/94	SLMM	00 00	147.28	0.00	12/31/09	147.28	0.00	100.00%
000729	000	B0002062	H.M. WORKSURF	03/31/94	SLMM	00 00	99.81	0.00	12/31/09	99.81	0.00	100.00%
000730	000	B0002071	H.M. SUSP PULL I	03/31/94	SLMM	00 00	207.61	0.00	12/31/09	207.61	0.00	100.00%
000731	000	B0002072	H.M. SUSP PULL I	03/31/94	SLMM	00 00	207.61	0.00	12/31/09	207.61	0.00	100.00%
000732	000	B0002073	H.M. SUSP PULL I	03/31/94	SLMM	00 00	207.61	0.00	12/31/09	207.61	0.00	100.00%
000733	000	B0002074	H.M. SUSP PULL I	03/31/94	SLMM	00 00	207.61	0.00	12/31/09	207.61	0.00	100.00%
000734	000	B0002075	H.M. SUSP PULL I	03/31/94	SLMM	00 00	207.61	0.00	12/31/09	207.61	0.00	100.00%
000735	000	B0002076	H.M. SUSP PULL I	03/31/94	SLMM	00 00	207.61	0.00	12/31/09	207.61	0.00	100.00%
000737	000	B0002064	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000738	000	B0002065	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000739	000	B0002066	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000740	000	B0002067	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000741	000	B0002068	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000742	000	B0002069	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000743	000	B0002070	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000744	000	B0002077	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000745	000	B0002078	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.14	0.00	12/31/09	507.14	0.00	100.00%
000746	000	B0002079	H.M. LATERAL FI	03/31/94	SLMM	00 00	507.11	0.00	12/31/09	507.11	0.00	100.00%
000769	000	B0000757	H.M RECT WORK	04/19/94	SLMM	00 00	274.61	0.00	12/31/09	274.61	0.00	100.00%
000770	000	B0000758	H.M RECT WORK	04/19/94	SLMM	00 00	274.61	0.00	12/31/09	274.61	0.00	100.00%
000771	000	B0000759	H.M. RECT WORK	04/19/94	SLMM	00 00	310.37	0.00	12/31/09	310.37	0.00	100.00%
000772	000	B0000760	H.M. RECT WORK	04/19/94	SLMM	00 00	310.37	0.00	12/31/09	310.37	0.00	100.00%
000815	000	B0023095	RICOH FT4220 C	07/31/94	SLMM	00 00	4,074.00	0.00	12/31/09	4,074.00	0.00	100.00%
000819	000	B0023099	RICOH FAX MAC	08/12/94	SLMM	00 00	2,453.47	0.00	12/31/09	2,453.47	0.00	100.00%
000822	000	B0023105	RICOH PLAIN PA	09/16/94	SLMM	00 00	2,377.00	0.00	12/31/09	2,377.00	0.00	100.00%
000823	000	B0023104	RICOH PLAIN PA	09/16/94	SLMM	00 00	2,573.10	0.00	12/31/09	2,573.10	0.00	100.00%
000829	000	B0023109	EXPRESSWRITE	11/07/94	SLMM	00 00	804.51	0.00	12/31/09	804.51	0.00	100.00%
000836	000	B0023125	RICOH 2500L FA	12/14/94	SLMM	00 00	2,277.00	0.00	12/31/09	2,277.00	0.00	100.00%
000848	000	B0016927	EXPRESSWRITE	04/19/95	SLMM	00 00	830.38	0.00	12/31/09	830.38	0.00	100.00%
000853	000	B0023143	CORIANDER SI	06/01/95	SLMM	00 00	502.92	0.00	12/31/09	502.92	0.00	100.00%
000854	000	B0023144	CORIANDER SI	06/01/95	SLMM	00 00	502.92	0.00	12/31/09	502.92	0.00	100.00%
000923	000	B0023647	EXPRESSWRITE	12/18/95	SLMM	00 00	825.28	0.00	12/31/09	825.28	0.00	100.00%
000924	000	B0023648	EXPRESSWRITE	12/18/95	SLMM	00 00	825.28	0.00	12/31/09	825.28	0.00	100.00%
000925	000	B0023500	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000926	000	B0023501	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000927	000	B0023502	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000928	000	B0023504	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000929	000	B0023505	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000930	000	B0023506	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000933	000	B0023509	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%

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G/L Asset Acct No = 128000												
000934	000	B0023510	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000935	000	B0023511	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000936	000	B0023512	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000937	000	B0023514	2 DR LATERAL FI	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000938	000	B0023515	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000941	000	B0023518	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000942	000	B0023519	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000943	000	B0023520	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000944	000	B0023521	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000952	000	B0023529	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000954	000	B0023531	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000955	000	B0023532	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000958	000	B0023535	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000959	000	B0023536	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000960	000	B0023537	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000961	000	B0023538	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000962	000	B0023539	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000963	000	B0023540	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000964	000	B0023541	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000966	000	B0023543	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000967	000	B0023544	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000968	000	B0023545	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000969	000	B0023546	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000970	000	B0023547	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000971	000	B0023548	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000972	000	B0023549	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000973	000	B0023550	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000974	000	B0023551	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000976	000	B0023553	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000979	000	B0023556	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000980	000	B0023557	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000982	000	B0023559	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000983	000	B0023560	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000984	000	B0023561	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000986	000	B0023563	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000987	000	B0023564	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000988	000	B0023565	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000989	000	B0023566	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000990	000	B0023567	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000991	000	B0023568	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000994	000	B0023571	HM FABRIC PAN	12/18/95	SLMM	00 00	369.29	0.00	12/31/09	369.29	0.00	100.00%
000996	000	B0023573	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
000997	000	B0023574	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
000998	000	B0023575	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
000999	000	B0023576	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001000	000	B0023577	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001001	000	B0023578	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001002	000	B0023579	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001005	000	B0023582	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001006	000	B0023583	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001007	000	B0023584	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001008	000	B0023585	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%

2009 Unigard Insurance Companies
Net Book Value Report

Book = Internal
YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 128000												
001009	000	B0023586	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001010	000	B0023587	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001011	000	B0023588	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001012	000	B0023589	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001013	000	B0023590	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001014	000	B0023591	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001015	000	B0023592	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001016	000	B0023593	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001017	000	B0023594	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001018	000	B0023595	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001019	000	B0023596	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001022	000	B0023599	HM SQ-EDGE W	12/18/95	SLMM	00 00	134.61	0.00	12/31/09	134.61	0.00	100.00%
001031	000	B0023625	HM STORAGE C	12/18/95	SLMM	00 00	405.44	0.00	12/31/09	405.44	0.00	100.00%
001032	000	B0023607	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001033	000	B0023608	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001034	000	B0023609	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001035	000	B0023610	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001036	000	B0023611	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001037	000	B0023612	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001038	000	B0023613	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001039	000	B0023614	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001040	000	B0023615	HM 2DWR LAT F	12/18/95	SLMM	00 00	353.82	0.00	12/31/09	353.82	0.00	100.00%
001041	000	B0023616	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001042	000	B0023617	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001043	000	B0023618	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001044	000	B0023619	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001045	000	B0023620	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001046	000	B0023621	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001047	000	B0023622	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001048	000	B0023623	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001049	000	B0023624	HM PED DRAWEI	12/18/95	SLMM	00 00	268.34	0.00	12/31/09	268.34	0.00	100.00%
001051	000	B0023604	HM 4DWR FILE	12/18/95	SLMM	00 00	657.76	0.00	12/31/09	657.76	0.00	100.00%
001052	000	B0023605	HM 4DWR FILE	12/18/95	SLMM	00 00	657.76	0.00	12/31/09	657.76	0.00	100.00%
001053	000	B0023606	HM 4DWR FILE	12/18/95	SLMM	00 00	657.76	0.00	12/31/09	657.76	0.00	100.00%
001447	000	B0023657	CANON PLAIN P	01/22/96	SLMM	00 00	3,148.86	0.00	12/31/09	3,148.86	0.00	100.00%
001451	000	B0023651	HM 4DWR LAT F	01/10/96	SLMM	00 00	726.00	0.00	12/31/09	726.00	0.00	100.00%
001452	000	B0000751	DESK MODEL D	03/28/94	SLMM	00 00	586.44	0.00	12/31/09	586.44	0.00	100.00%
001858	000	B0023666	HM STEALTH S	02/21/96	SLMM	00 00	231.55	0.00	12/31/09	231.55	0.00	100.00%
001859	000	B0023667	HM SCOOTER S	02/21/96	SLMM	00 00	148.88	0.00	12/31/09	148.88	0.00	100.00%
001861	000	B0023669	HM SQ-EDGE W	02/21/96	SLMM	00 00	273.71	0.00	12/31/09	273.71	0.00	100.00%
001862	000	B0023670	HM SQ-EDGE W	02/21/96	SLMM	00 00	273.71	0.00	12/31/09	273.71	0.00	100.00%
001863	000	B0023671	LATERAL 2DWR I	02/21/96	SLMM	00 00	388.82	0.00	12/31/09	388.82	0.00	100.00%
001864	000	B0023672	HM SUSP PED P	02/21/96	SLMM	00 00	234.25	0.00	12/31/09	234.25	0.00	100.00%
001903	000	B0023756	HM SQ-EDGE W	03/31/96	SLMM	00 00	145.90	0.00	12/31/09	145.90	0.00	100.00%
001974	000	B0023957	SHARP SF-2027 (	05/28/96	SLMM	00 00	8,045.00	0.00	12/31/09	8,045.00	0.00	100.00%
002016	000	B0024607	HM SQ-EDGE W	05/01/96	SLMM	00 00	261.42	0.00	12/31/09	261.42	0.00	100.00%
002987	000	B0027106	EXECUTONE PH	12/01/96	SLMM	00 00	13,178.14	0.00	12/31/09	13,178.14	0.00	100.00%
002988	000	B0027108	EXECUTONE PH	12/01/96	SLMM	00 00	13,687.01	0.00	12/31/09	13,687.01	0.00	100.00%
002989	000	B0027105	EXECUTONE PH	12/01/96	SLMM	00 00	13,145.66	0.00	12/31/09	13,145.66	0.00	100.00%
002990	000	B0027107	EXECUTONE PH	12/01/96	SLMM	00 00	13,902.74	0.00	12/31/09	13,902.74	0.00	100.00%
002991	000	B0027111	EXECUTONE PH	12/01/96	SLMM	00 00	30,820.15	0.00	12/31/09	30,820.15	0.00	100.00%
002992	000	B0027109	EXECUTONE PH	12/01/96	SLMM	00 00	14,772.58	0.00	12/31/09	14,772.58	0.00	100.00%

2009 Unigard Insurance Companies
Net Book Value Report

Book = Internal
YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 126000												
006737	000	B0016860	PANASONIC KX	11/01/93	SLMM	00 00	627.16	0.00	12/31/09	627.16	0.00	100.00%
007912	000	B0017741	PANASONIC KX	11/01/93	SLMM	00 00	347.93	0.00	12/31/09	347.93	0.00	100.00%
008859	000	B0015576	ELECTRONIC S	11/01/93	SLMM	00 00	310.31	0.00	12/31/09	310.31	0.00	100.00%
008981	000	B0016210	TV 19" COLOR (	11/01/93	SLMM	00 00	55.48	0.00	12/31/09	55.48	0.00	100.00%
009069	000	B0015585	MAIL CART	11/01/93	SLMM	00 00	62.94	0.00	12/31/09	62.94	0.00	100.00%
009072	000	B0017722	PANASONIC KX	11/01/93	SLMM	00 00	387.39	0.00	12/31/09	387.39	0.00	100.00%
009076	000	B0018095	SCALE	11/01/93	SLMM	00 00	85.21	0.00	12/31/09	85.21	0.00	100.00%
009105	000	B0016316	DICTATOR #42(	11/01/93	SLMM	00 00	160.31	0.00	12/31/09	160.31	0.00	100.00%
009106	000	B0018448	SCALE POSTA	11/01/93	SLMM	00 00	313.88	0.00	12/31/09	313.88	0.00	100.00%
009107	000	B0018447	INTERFACE & T	11/01/93	SLMM	00 00	485.38	0.00	12/31/09	485.38	0.00	100.00%
009371	000	B0010099	DCX I DICTATO	11/01/93	SLMM	00 00	259.33	0.00	12/31/09	259.33	0.00	100.00%
010197	000	B0016194	PANASONIC TY	11/01/93	SLMM	00 00	685.57	0.00	12/31/09	685.57	0.00	100.00%
011116	000	B0007967	PANASONIC KX	11/01/93	SLMM	00 00	456.62	0.00	12/31/09	456.62	0.00	100.00%
011125	000	B0016536	COMPACT DICT	11/01/93	SLMM	00 00	245.14	0.00	12/31/09	245.14	0.00	100.00%
011131	000	B0015758	DICTAPHONE	11/01/93	SLMM	00 00	182.65	0.00	12/31/09	182.65	0.00	100.00%
011133	000	B0018258	DICTAPHONE	11/01/93	SLMM	00 00	182.64	0.00	12/31/09	182.64	0.00	100.00%
011134	000	B0017761	PORT DICTAPH	11/01/93	SLMM	00 00	182.64	0.00	12/31/09	182.64	0.00	100.00%
011160	000	B0000880	KXE700M PANA	11/01/93	SLMM	00 00	541.69	0.00	12/31/09	541.69	0.00	100.00%
011210	000	B0000889	POSTAGE SCAI	11/01/93	SLMM	00 00	624.56	0.00	12/31/09	624.56	0.00	100.00%
011430	000	B0017039	2 DRWR LTTR F	11/01/93	SLMM	00 00	82.83	0.00	12/31/09	82.83	0.00	100.00%
011519	000	B0015080	DICTAPHONE 3	11/01/93	SLMM	00 00	156.47	0.00	12/31/09	156.47	0.00	100.00%
011520	000	B0018090	3M OVERHEAD	11/01/93	SLMM	00 00	148.62	0.00	12/31/09	148.62	0.00	100.00%
011521	000	B0016177	CANON SURES	11/01/93	SLMM	00 00	57.70	0.00	12/31/09	57.70	0.00	100.00%
011530	000	B0016175	KX-E700M BAS	11/01/93	SLMM	00 00	210.92	0.00	12/31/09	210.92	0.00	100.00%
011531	000	B0018415	36" LATERAL FI	11/01/93	SLMM	00 00	153.78	0.00	12/31/09	153.78	0.00	100.00%
011541	000	B0018355	CRADENZA	11/01/93	SLMM	00 00	773.56	0.00	12/31/09	773.56	0.00	100.00%
011622	000	B0019303	4-DWR LATERA	11/01/93	SLMM	00 00	258.80	0.00	12/31/09	258.80	0.00	100.00%
011731	000	B0000888	PITNEY BOWES (	11/01/93	SLMM	00 00	882.08	0.00	12/31/09	882.08	0.00	100.00%
011732	000	B0000916	APOLLO OVERH	11/01/93	SLMM	00 00	250.02	0.00	12/31/09	250.02	0.00	100.00%
011733	000	B0017750	3M 910AJB OVER	11/01/93	SLMM	00 00	397.27	0.00	12/31/09	397.27	0.00	100.00%
011788	000	B0009018	DICTAPHONE 27	11/01/93	SLMM	00 00	150.81	0.00	12/31/09	150.81	0.00	100.00%
011816	000	B0001511	DICTAPHONE EX	11/01/93	SLMM	00 00	136.49	0.00	12/31/09	136.49	0.00	100.00%
011820	000	B0001417	DICTAPHONE EX	11/01/93	SLMM	00 00	136.48	0.00	12/31/09	136.48	0.00	100.00%
011821	000	B0017697	DICTAPHONE EX	11/01/93	SLMM	00 00	145.62	0.00	12/31/09	145.62	0.00	100.00%
011892	000	B0015575	ELECTRONIC PO	11/01/93	SLMM	00 00	875.92	0.00	12/31/09	875.92	0.00	100.00%
013788	000	B0031960	"TRILOGY" SIDE (	05/03/00	SLMM	00 04	249.47	0.00	12/31/09	241.18	8.29	96.68%
013789	000	B0031961	"TRILOGY" SIDE (	05/03/00	SLMM	00 04	249.47	0.00	12/31/09	241.18	8.29	96.68%
013790	000	B0031962	"TRILOGY" SIDE (	05/03/00	SLMM	00 04	249.47	0.00	12/31/09	241.18	8.29	96.68%
013791	000	B0031963	"TRILOGY" SIDE (	05/03/00	SLMM	00 04	249.47	0.00	12/31/09	241.18	8.29	96.68%
014100	000	B0031966	FAX MACHINE S	06/05/00	SLMM	00 05	1,987.38	0.00	12/31/09	1,904.56	82.82	95.83%
014142	000	B0029604	SLED BASE SID	07/12/00	SLMM	00 00	333.65	0.00	12/31/09	333.65	0.00	100.00%
014283	000	B0031968	RICOH FAX	12/12/00	SLMM	00 00	1,870.00	0.00	12/31/09	1,870.00	0.00	100.00%
014399	000	B0029606	BOOKCASE W/	12/22/00	SLMM	00 00	303.43	0.00	12/31/09	303.43	0.00	100.00%
014400	000	B0035251	COFFEE BREWE	02/01/01	SLMM	00 00	599.29	0.00	12/31/09	599.29	0.00	100.00%
014731	000	b0031969	Desk Chair	02/14/01	SLMM	01 01	729.88	0.00	12/31/09	650.83	79.05	89.17%
014934	000	0000001930	LETTER OPENIN	08/17/01	SLMM	02 06	1,168.70	0.00	12/31/09	899.00	269.70	76.92%
015059	000	B0037797	TABLE-PEDEST	08/27/01	SLMM	01 08	2,475.20	0.00	12/31/09	2,062.67	412.53	83.33%
015126	000	B0037799	24" DIAMETER T	11/29/01	SLMM	01 11	858.92	0.00	12/31/09	694.28	164.64	80.83%
015168	000	B0031975	refrigerator 25 cub	12/17/01	SLMM	02 00	1,394.61	0.00	12/31/09	1,115.68	278.93	80.00%
015169	000	B0031976	dishwasher	12/17/01	SLMM	02 00	393.52	0.00	12/31/09	314.80	78.72	80.00%
015170	000	b0031974	chair	12/21/01	SLMM	02 00	798.43	0.00	12/31/09	638.72	159.71	80.00%
015431	000	ND060201	H MILLER FURNI	05/07/02	SLMM	02 04	22,749.11	0.00	12/31/09	17,440.98	5,308.13	76.67%

2009 Unigard Insurance Companies

Net Book Value Report

Book = Internal
YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 128000												
015432	000	ND060202	KEYBOARD DRA	05/07/02	SLMM	02 04	2,851.96	0.00	12/31/09	2,186.53	665.43	76.67%
015433	000	ND060219	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.63	0.00	12/31/09	470.89	136.74	77.50%
015434	000	ND060220	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.63	0.00	12/31/09	470.89	136.74	77.50%
015435	000	ND060221	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.63	0.00	12/31/09	470.89	136.74	77.50%
015436	000	ND060222	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.63	0.00	12/31/09	470.89	136.74	77.50%
015437	000	ND060223	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.63	0.00	12/31/09	470.89	136.74	77.50%
015438	000	ND060224	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.63	0.00	12/31/09	470.89	136.74	77.50%
015439	000	ND060225	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.63	0.00	12/31/09	470.89	136.74	77.50%
015440	000	ND060226	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.63	0.00	12/31/09	470.89	136.74	77.50%
015441	000	ND060227	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.62	0.00	12/31/09	470.89	136.73	77.50%
015442	000	ND060228	CHAIR, BLACK W	04/05/02	SLMM	02 03	607.62	0.00	12/31/09	470.89	136.73	77.50%
015443	000	ND060217	TABLE, SIDE - G	04/05/02	SLMM	02 03	761.43	0.00	12/31/09	590.09	171.34	77.50%
015444	000	ND060218	TABLE, CONFERI	04/05/02	SLMM	02 03	4,984.51	0.00	12/31/09	3,862.99	1,121.52	77.50%
015445	000	ND060229	CHAIR, LOUNGE	04/05/02	SLMM	02 03	955.76	0.00	12/31/09	740.74	215.02	77.50%
015446	000	ND060230	CHAIR, LOUNGE	04/05/02	SLMM	02 03	955.76	0.00	12/31/09	740.74	215.02	77.50%
015447	000	ND060231	CHAIR-BLACK W	04/05/02	SLMM	02 03	333.96	0.00	12/31/09	258.85	75.11	77.51%
015448	000	ND060232	CHAIR, BLACK W	04/05/02	SLMM	02 03	333.96	0.00	12/31/09	258.85	75.11	77.51%
015449	000	ND060233	CHAIRS, 6 STAC	04/05/02	SLMM	02 03	657.12	0.00	12/31/09	509.25	147.87	77.50%
015450	000	ND060234	TABLES, 2 36" R	04/05/02	SLMM	02 03	675.06	0.00	12/31/09	523.20	151.86	77.50%
015451	000	ND060203	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015452	000	ND060204	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015453	000	ND060205	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015454	000	ND060206	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015455	000	ND060207	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015456	000	ND060208	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015457	000	ND060209	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015458	000	ND060210	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015459	000	ND060211	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015460	000	ND060212	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015461	000	ND060213	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015462	000	ND060214	CHAIR, AERON B	05/07/02	SLMM	02 04	663.43	0.00	12/31/09	508.61	154.82	76.66%
015463	000	ND060215	CHAIR, AERON B	05/07/02	SLMM	02 04	663.44	0.00	12/31/09	508.61	154.83	76.66%
015464	000	ND060216	CHAIR, AERON B	05/07/02	SLMM	02 04	663.44	0.00	12/31/09	508.61	154.83	76.66%
015530	000	ND070207	EASEL, TEAMWO	03/27/02	SLMM	02 03	1,911.93	0.00	12/31/09	1,481.73	430.20	77.50%
015545	000	ND080201	REFRIGERATOR	07/18/02	SLMM	02 07	1,065.99	0.00	12/31/09	790.61	275.38	74.17%
015546	000	ND080202	DISHWASHER, W	07/18/02	SLMM	02 07	426.39	0.00	12/31/09	316.25	110.14	74.17%
015547	000	ND080203	MICROWAVE OV	07/18/02	SLMM	02 07	170.55	0.00	12/31/09	126.53	44.02	74.19%
015559	000	B0037822	CHAIR, BLK PNE	03/06/02	SLMM	02 02	450.00	0.00	12/31/09	352.50	97.50	78.33%
015586	000	ND090203	FILE, LATERAL B	01/08/02	SLMM	02 00	509.23	0.00	12/31/09	407.36	101.87	80.00%
015620	000	ND090212	OFFICE MODULA	01/07/02	SLMM	02 00	9,721.08	0.00	12/31/09	7,776.88	1,944.20	80.00%
015639	000	ND100201	VOX TABLE + SI	09/19/02	SLMM	02 09	26,951.31	0.00	12/31/09	19,539.69	7,411.62	72.50%
015661	000	B0039001	REFRIGERATOR	10/17/02	SLMM	02 10	1,680.19	0.00	12/31/09	1,204.14	476.05	71.67%
015662	000	B0039002	REFRIGERATOR	10/03/02	SLMM	02 09	1,024.81	0.00	12/31/09	742.98	281.83	72.50%
015663	000	B0039003	MICROWAVE OV	10/03/02	SLMM	02 09	122.19	0.00	12/31/09	88.60	33.59	72.51%
015674	000	B0035402	PHONE-POLYC	10/17/02	SLMM	00 00	608.04	0.00	12/31/09	608.04	0.00	100.00%
015676	000	B0037824	TABLE-48" ROUN	10/24/02	SLMM	02 10	1,324.10	0.00	12/31/09	948.94	375.16	71.67%
015677	000	B0037823	BOOKCASE-3 S	10/24/02	SLMM	02 10	1,224.00	0.00	12/31/09	877.20	346.80	71.67%
015679	000	B0039004	ARTWORK-TET	09/14/02	SLMM	02 08	1,433.77	0.00	12/31/09	1,051.45	382.32	73.33%
015680	000	ND110202	ONE LOT OPEN S	10/09/02	SLMM	02 09	2,978.94	0.00	12/31/09	2,159.70	819.24	72.50%
015681	000	B0035398	FAX MACHINE-R	10/23/02	SLMM	00 00	1,610.00	0.00	12/31/09	1,610.00	0.00	100.00%
015695	000	ND120214	1 LOT MERIDIAN	07/03/02	SLMM	02 06	9,021.04	0.00	12/31/09	6,765.75	2,255.29	75.00%
015700	000	ND120210	1 LOT H MILLER (	11/05/02	SLMM	02 10	30,727.61	0.00	12/31/09	22,021.45	8,706.16	71.67%

2009 Unigard Insurance Companies

Net Book Value Report

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YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 128000												
015704	000	ND120213	4 BAR SEATS - St	10/07/02	SLMM	02 09	1,762.16	0.00	12/31/09	1,277.59	484.57	72.50%
015705	000	ND120209	1 LOT H MILLER I	11/20/02	SLMM	02 11	32,878.07	0.00	12/31/09	23,288.65	9,589.42	70.83%
015706	000	ND120208	44 AERON CHAIF	10/07/02	SLMM	02 09	27,971.90	0.00	12/31/09	20,279.63	7,692.27	72.50%
015710	000	ND120215	1 LOT H MILLER I	11/05/02	SLMM	02 10	41,793.89	0.00	12/31/09	29,952.30	11,841.59	71.67%
015711	000	ND120207	1 LOT ARTWORK	11/15/02	SLMM	02 10	3,180.00	0.00	12/31/09	2,279.00	901.00	71.67%
015713	000	ND120206	1 LOT CHAIRS (1	11/19/02	SLMM	02 11	7,342.67	0.00	12/31/09	5,201.08	2,141.59	70.83%
015716	000	ND120205	TABLE, ROUND 4	10/07/02	SLMM	02 09	247.38	0.00	12/31/09	179.37	68.01	72.51%
015717	000	ND120204	ARTWORKS (2) -	11/25/02	SLMM	02 11	371.00	0.00	12/31/09	262.79	108.21	70.83%
015718	000	ND120203	1 LOT AERON CH	09/27/02	SLMM	02 09	26,073.86	0.00	12/31/09	18,903.58	7,170.28	72.50%
015719	000	ND120202	10 AERON CHAIF	12/06/02	SLMM	02 11	6,582.40	0.00	12/31/09	4,662.52	1,919.88	70.83%
015721	000	ND120201	11 VISAVIS CHAI	10/18/02	SLMM	02 10	3,600.66	0.00	12/31/09	2,580.50	1,020.16	71.67%
015723	000	B0039019	EASEL, METROP	11/06/02	SLMM	02 10	1,887.49	0.00	12/31/09	1,352.71	534.78	71.67%
015724	000	B0039018	EASEL, METROP	11/06/02	SLMM	02 10	1,887.49	0.00	12/31/09	1,352.71	534.78	71.67%
015725	000	B0039020	EASEL, METROP	11/06/02	SLMM	02 10	1,887.49	0.00	12/31/09	1,352.71	534.78	71.67%
015793	000	B0039013	CHAIR - AERON E	06/01/03	SLMM	03 05	632.78	0.00	12/31/09	416.59	216.19	65.83%
015794	000	B0039024	LOUNGE CHAIR	06/02/03	SLMM	03 05	1,196.83	0.00	12/31/09	787.89	408.94	65.83%
015795	000	B0039025	LOUNGE CHAIR	06/02/03	SLMM	03 05	1,196.82	0.00	12/31/09	787.89	408.93	65.83%
015796	000	B0039023	TABLE -24" GLAS	06/02/03	SLMM	03 05	873.07	0.00	12/31/09	574.79	298.28	65.84%
015799	000	ND068301	DISHWASHER - V	06/19/03	SLMM	03 06	618.00	0.00	12/31/09	401.70	216.30	65.00%
015802	000	B0031982	POWERLITE S1 S	07/09/03	SLMM	03 06	1,035.70	0.00	12/31/09	673.21	362.49	65.00%
15847	000	B0031984	PROJECTOR - N	01/20/04	SLMM	00 00	891.00	0.00	12/31/09	891.00	0.00	100.00%
015872	000	ND090401	BROTHER FAX M	09/01/04	SLMM	04 08	744.99	0.00	12/31/09	397.33	347.66	53.33%
016190	000		Epson Powerlite S	10/01/06	SLHY	06 08	754.75	0.00	12/31/09	264.18	490.57	35.00%
016230	000		Fax Replacement	11/01/06	SLHY	06 09	2,766.27	0.00	12/31/09	968.19	1,798.08	35.00%
016406	000		Copier	11/01/07	NoDep	00 00	0.00	0.00	12/31/09	0.00	0.00	0.00%
016428	000		Standalone recep	04/01/08	SLHY	08 04	1,842.00	0.00	12/31/09	276.30	1,565.70	15.00%
016430	000		Television and mo	03/01/08	SLHY	01 04	2,734.35	0.00	12/31/09	1,367.18	1,367.17	50.00%
016435	000		Panel Systmes for	03/01/08	SLHY	08 03	28,037.30	0.00	12/31/09	4,205.60	23,831.70	15.00%
016440	000		Standalone recep	04/01/08	SLHY	08 04	1,840.97	0.00	12/31/09	276.15	1,564.82	15.00%
016444	000		Furniture - Irvine	04/01/08	SLHY	08 04	7,609.84	0.00	12/31/09	1,141.47	6,468.37	15.00%
016451	000		Misc Framing for I	04/01/08	NoDep	00 00	3,424.69	0.00	12/31/09	0.00	3,424.69	0.00%
016479	000		Misc Furniture / S	08/01/08	SLHY	08 07	2,888.24	0.00	12/31/09	433.23	2,455.01	15.00%
				G/L Asset Acct No = 128000			$ 581,095.08	$ 0.00		$ 453,996.94	$ 127,098.14	78.13%
				Less disposals and transfers			0.00	0.00		0.00	0.00	0.00%
						Net Subtotal	$ 581,095.08	$ 0.00		$ 453,996.94	$ 127,098.14	78.13%
G/L Asset Acct No = 144100												
013019	000	U00006782	WORDPERFECT	12/01/93	SLMM	00 00	$ 51.16	$ 0.00	12/31/09	$ 51.16	$ 0.00	100.00%
013020	000	U00006781	QUATTRO PRO 3	12/01/93	SLMM	00 00	69.99	0.00	12/31/09	69.99	0.00	100.00%
013062	000	U00007284	WORD PERFEC	12/01/93	SLMM	00 00	87.53	0.00	12/31/09	87.53	0.00	100.00%
				G/L Asset Acct No = 144100			$ 208.68	$ 0.00		$ 208.68	$ 0.00	100.00%
				Less disposals and transfers			0.00	0.00		0.00	0.00	0.00%
						Net Subtotal	$ 208.68	$ 0.00		$ 208.68	$ 0.00	100.00%
G/L Asset Acct No = 145000												
015363	000	2002-0003	PORTLAND REM	05/01/02	SLMM	00 00	$ 4,569.00	$ 0.00	12/31/09	$ 4,569.00	$ 0.00	100.00%

2009 Unigard Insurance Companies

Net Book Value Report

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YE Month = December

Sys No	Ext	Co Asset No	Description	In Svc Date	Depr Meth	Rem Life	Basis	(+) Salvage Value	Thru Date	(-) Current Accum Depreciation	(=) Net Book Value	Pct Dep
G/L Asset Acct No = 145000												
015699	000	LHI200203	DESIGN SERVIC	11/05/02	SLMM	00 00	1,760.00	0.00	12/31/09	1,760.00	0.00	100.00%
015702	000	LHI200201	DESIGN SERVIC	11/05/02	SLMM	00 00	1,650.00	0.00	12/31/09	1,650.00	0.00	100.00%
016421	000		Irvine TI / Installo	10/01/08	SLMM	03 09	2,282.00	0.00	12/31/09	570.49	1,711.51	25.00%
016431	000		Installation of cabl	03/01/08	SLMM	03 02	5,051.50	0.00	12/31/09	1,852.22	3,199.28	36.67%
016441	000		Moving of phones	04/01/08	SLMM	03 03	789.02	0.00	12/31/09	276.15	512.87	35.00%
016450	000		Install Cold- Hot w	04/01/08	SLHY	03 04	850.00	0.00	12/31/09	255.00	595.00	30.00%
016461	000		Tenant Improveme	04/01/08	SLMM	03 03	16,128.30	0.00	12/31/09	5,644.91	10,483.39	35.00%
016472	000		data cable work	10/01/08	SLMM	03 09	328.61	0.00	12/31/09	82.15	246.46	25.00%
016482	000		Architectural serv	10/01/08	SLMM	03 09	116.10	0.00	12/31/09	29.03	87.07	25.00%
016490	000		Office Constructio	10/01/08	SLMM	03 09	10,800.00	0.00	12/31/09	2,700.00	8,100.00	25.00%
016503	000		Video Entry syste	12/01/08	SLMM	03 11	1,417.99	0.00	12/31/09	307.23	1,110.76	21.67%
016547	000		Professional Serv	01/01/10	NoDep	00 00	1,125.00	0.00		0.00	1,125.00	0.00%
				G/L Asset Acct No = 145000			$ 46,867.52	$ 0.00		$ 19,696.18	$ 27,171.34	42.03%
				Less disposals and transfers			0.00	0.00		0.00	0.00	0.00%
						Net Subtotal	$ 46,867.52	$ 0.00		$ 19,696.18	$ 27,171.34	42.03%
						Grand Total	$ 715,213.59	$ 0.00		$ 560,590.54	$ 154,623.05	78.38%
				Less disposals and transfers			0.00	0.00		0.00	0.00	0.00%
						Net Grand Total	$ 715,213.59	$ 0.00		$ 560,590.54	$ 154,623.05	78.38%

Report Assumptions

Report Name: Net Book Value
Source Report: <Standard Report>

Calculation Assumptions:
Include Sec 168(k) Allowance & Sec 179: Yes

Group/Sorting Criteria:
Group = QBEAI
Include Assets that meet the following conditions:
Activity is currently A,D,F,J,K,L,M,N
Disposal Date does not exist
G/L Asset Acct No is less than 251000
Location is Beaverton, OR
Location is Fresno, CA
Location is Irvine, CA
Location is Roseville, CA
Location is Salt Lake City, UT
Sorted by: G/L Asset Acct No (with subtotals), System No, Extension

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered into as of the 1st day of January, 2010, by and between **Unigard Insurance Company,** a Washington corporation ("Seller"), and **QBE HOLDINGS, INC.**, a Delaware corporation ("Buyer").

WITNESSETH:

WHEREAS, Seller is the owner of Two (2) shares of the $1.00 par value common stock of QBE Americas, Inc., a Delaware corporation (the "Subject Shares"); and

WHEREAS, Seller desires to sell and transfer to Buyer and Buyer desires to purchase and receive from Seller all of the Subject Shares, upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, Seller and Buyer hereby promise and agree as follows:

1. Purchase and Sale of Stock. Subject to the terms and conditions set forth in this Agreement, at the Closing (as defined in Section 3.1, below), Seller shall sell and transfer to Buyer and Buyer shall purchase and receive from Seller the Subject Shares.

2. Purchase Price; Payment of Purchase Price. The purchase price for the Subject Shares shall be One Hundred Fifty-Four Thousand Six Hundred Twenty-Three Dollars ($154,623.00) (the "Purchase Price"). At the Closing, Buyer shall pay the Purchase Price to Seller by delivery of a promissory note in the form attached hereto as Exhibit A.

3. Closing.

3.1 Time and Place. The Closing of the sale and purchase of the Subject Shares contemplated herein (the "Closing") shall occur on the date hereof (the "Closing Date") simultaneously with the execution by the parties of this Agreement.

3.2 Seller's Deliveries. At the Closing, Seller shall deliver to Buyer stock certificate(s) representing all of the Subject Shares, duly endorsed in blank or accompanied by stock powers, duly executed in blank, transferring good and marketable title to the Subject Shares to Buyer.

3.3 Buyer's Deliveries. At the Closing, Buyer shall deliver to Seller the Purchase Price in the manner described in Section 2, above.

4. Warranties and Representations of Seller. Seller hereby warrants and represents to Buyer, which warranties and representations shall survive the Closing, as follows:

4.1 Organizational Matters. Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Washington.

4.2 Title to the Subject Securities. Seller is the beneficial and record owner of the Subject Shares and holds such Subject Shares, and will transfer such Subject Shares to Buyer at the Closing, free and clear of any claim, restriction, lien, charge or encumbrance (each, a "Lien") (other than restrictions on transfer imposed by applicable securities laws).

4.3 Authority. Seller has the corporate power and authority to enter into this Agreement and to sell, transfer and deliver to Buyer ownership of the Subject Shares pursuant to this Agreement and to consummate the other transactions contemplated herein. This Agreement has been duly and validly executed and delivered by Seller and this Agreement is and shall constitute the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to bankruptcy, reorganization, insolvency and other similar laws affecting the enforcement of creditors' rights in general and to general principles of equity (regardless of whether considered in a proceeding in equity or an action at law).

5. Warranties and Representations of Buyer. Buyer hereby warrants and represents to Seller, which warranties and representations shall survive the Closing, as follows:

5.1 Organizational Matters. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

5.2 Authorization. Buyer has the corporate power and authority to enter into this Agreement and to consummate the transactions contemplated herein. This Agreement has been duly and validly executed and delivered by Buyer and this Agreement is and shall constitute the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with its terms, subject to bankruptcy, reorganization, insolvency and other similar laws affecting the enforcement of creditors' rights in general and to general principles of equity (regardless of whether considered in a proceeding in equity or an action at law).

6. Execution of Additional Documents. Seller and Buyer hereby covenant and agree that the parties will from time to time after the Closing, execute and deliver to the requesting party such instruments, documents and agreements, and will take such other actions, in all instances only to the extent consistent with the terms and conditions set forth herein, as the requesting party may reasonably request in order to more effectively consummate the transactions contemplated herein.

7. Miscellaneous.

7.1 Assignment. This Agreement and the rights and obligations of the parties hereunder shall not be assignable or transferable by either party without the prior written consent of the other party.

7.2 Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and assigns.

7.3 Severability. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, this Agreement shall be construed with the invalid or inoperative provision deleted, and the rights and obligations of the parties shall be construed and enforced accordingly. Any such provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

7.4 Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to principles of conflicts of law.

7.5 Counterparts. This Agreement may be executed in one or more counterparts and/or by exchange of original, facsimile or ".PDF" signature pages, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.

[Signatures follow.]

IN WITNESS WHEREOF, the parties have executed this Stock Purchase Agreement as of the day, month and year first above written.

SELLER:

Unigard Insurance Company

Peter T. Maloney
Assistant Corporate Secretary

BUYER:

QBE HOLDINGS, INC.

Christopher C. Fish
Chief Financial Officer

4092445_3

Exhibit A

Form of Promissory Note

See the attached.

FORM OF NOTE

THIS PROMISSORY NOTE (THIS "NOTE") HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE SECURITIES LAWS, WAS ISSUED IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND STATE SECURITIES LAWS, AND MAY NOT BE RESOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN ANY MANNER EXCEPT IN COMPLIANCE WITH SUCH ACT AND STATE SECURITIES LAWS AND IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS NOTE.

PROMISSORY NOTE

$154,623.00

New York, New York
January 1, 2010 (the "Issuance Date")

FOR VALUE RECEIVED, the undersigned, **QBE HOLDINGS, INC.**, a Delaware corporation ("Maker"), hereby promises to pay to the order of **Unigard Insurance Company**, a Washington corporation ("Payee"), at **New York, New York**, or at such other place as Payee shall from time to time direct in writing to Maker, the principal sum of One Hundred Fifty-Four Thousand Six Hundred Twenty-Three Dollars ($154,623.00), together with interest accruing on the outstanding unpaid principal balance hereof from and after the date hereof at a fixed annual rate equal to one percent (1%). Accrued interest only shall be due and payable annually commencing on December 31, 2010, and continuing on each December 31st thereafter (or, if such payment date shall be a Saturday, Sunday or a legal holiday, on the first regular business day immediately following such date) until December 31, 2014, when the entire outstanding unpaid principal balance hereof, together with any unpaid interest accrued thereon, shall be due and payable in full. Interest accrued hereunder shall be calculated for the actual number of days elapsed, using a daily rate determined by dividing the annual rate by three hundred sixty-five (365).

Maker shall have the right at any time and from time to time, without penalty or premium, to prepay all or any portion of the outstanding unpaid principal balance of this Note. Maker may require presentation of this Note for endorsement of prepayment if such prepayment is in part or for surrender if such prepayment is in full. Unless otherwise agreed by Payee at the time of payment, any payment hereunder shall be applied first against interest accrued to the date of payment and then to reduce the outstanding unpaid principal balance hereof.

Unless waived by Payee, the occurrence of one or more of the following events shall constitute an "Event of Default" hereunder:

(a) If Maker shall fail to make any principal or interest payment hereunder when due and payable, if such failure shall continue for a period of ten (10) consecutive days thereafter; or

(b) If Maker shall (i) admit in writing his inability to pay his debts generally as they become due, (ii) file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law or statute of the United

States of America or any state thereof, or any other jurisdiction, (iii) make an assignment or other arrangement for the benefit of his creditors generally, (iv) consent to the appointment of a receiver for himself or for the whole or any substantial part of his property, or (v) have an order for relief in bankruptcy entered against him or with respect to him or be adjudged bankrupt, provided such order shall not be vacated, set aside or stayed within thirty (30) days after the date of entry thereof; or

If any Event of Default described in subparagraphs (a), above, shall have occurred, at the option of Payee upon written notice thereof to Maker, the outstanding unpaid principal balance of this Note and all unpaid interest accrued thereon shall immediately become due and payable in full. If an Event of Default described in subparagraph (b), above, shall have occurred, the outstanding unpaid principal balance of this Note and all unpaid interest accrued thereon shall immediately become due and payable in full without any notice to Maker whatsoever.

No delay or omission on the part of Payee or any subsequent holder hereof in exercising any right or option given to Payee or such subsequent holder shall impair such right or option or be considered as a waiver thereof or acquiescence in any default hereunder.

Maker hereby waives presentment, demand, notice of dishonor and protest and consents to any and all extensions and renewals hereof without notice.

Upon payment in full of this Note, Payee agrees to surrender this Note to Maker for cancellation thereof.

Maker shall pay all costs and expenses of collection, including reasonable attorneys' fees, incurred or paid by Payee or any subsequent holder hereof in enforcing this Note.

This Note and all questions arising in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to any conflicts of law principles thereunder.

MAKER:

QBE HOLDINGS, INC.

By:_____
Christopher C. Fish
Chief Financial Officer

4121917_1

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") is made and entered into as of January 1, 2010, by and between **Unigard Insurance Company**, a Washington corporation ("Unigard"), and **QBE AMERICAS, INC.**, a Delaware corporation ("QBEAI").

W I T N E S S E T H:

WHEREAS, Unigard has agreed to assign, transfer and convey to QBEAI all of Unigard's right, title and interest in and to the prepaid expenses and certain other assets set forth on Exhibit A attached hereto (collectively, the "Unigard Transferred Assets") and QBEAI has agreed to assume and discharge the accrued and unpaid liabilities set forth on Exhibit A attached hereto (collectively, the "Unigard Liabilities"), provided Unigard assigns, transfers and conveys to QBEAI cash in amount equal to the value of the Unigard Liabilities less the value of the Unigard Transferred Assets, as set forth on Exhibit A attached hereto (the "Unigard Cash Amount"); and

WHEREAS, QBEAI has agreed to acquire the Unigard Transferred Assets and the Unigard Cash Amount and to assume and discharge the Unigard Liabilities.

WHEREAS, QBEAI has agreed to assign, transfer and convey to Unigard all of QBEAI's right, title and interest in and to the prepaid expenses and certain other assets set forth on Exhibit B attached hereto (collectively, the "QBEAI Transferred Assets") and Unigard has agreed to assume and discharge the accrued and unpaid liabilities set forth on Exhibit B attached hereto (collectively, the "QBEAI Liabilities"), provided QBEAI assigns, transfers and conveys to Unigard cash in amount equal to the value of the QBEAI Liabilities less the value of the QBEAI Transferred Assets, as set forth on Exhibit B attached hereto (the "QBEAI Cash Amount"); and

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, Unigard and QBEAI hereby promise and agree as follows:

1. Assignment of Transferred Assets and Cash Amount; Assumption of Liabilities.

1.1 Unigard hereby assigns, transfers and conveys the Unigard Transferred Assets and the Unigard Cash Amount and all of Unigard's right, title and interest in and to the Unigard Transferred Assets and the Unigard Cash Amount to QBEAI, and QBEAI hereby accepts such assignment and assumes and agrees to discharge the Unigard Liabilities as the same become due. In the event the value of the Unigard Transferred Assets exceeds the value of the Unigard Liabilities, QBEAI shall pay Unigard an amount equal to such excess by delivery of immediately available funds to an account designated by Unigard.

1.2 QBEAI hereby assigns, transfers and conveys the QBEAI Transferred Assets and the QBEAI Cash Amount and all of QBEAI's right, title and interest in and to the QBEAI

Transferred Assets and the QBEAI Cash Amount to Unigard, and Unigard hereby accepts such assignment and assumes and agrees to discharge the QBEAI Liabilities as the same become due. In the event the value of the QBEAI Transferred Assets exceeds the value of the QBEAI Liabilities, Unigard shall pay QBEAI an amount equal to such excess by delivery of immediately available funds to an account designated by QBEAI.

2. Post-Transfer Adjustment. Unigard and QBEAI acknowledge and agree that the values of the Unigard Transferred Assets, the Unigard Liabilities and the Unigard Cash Amount set forth on Exhibit A, and the QBEAI Transferred Assets, the QBEAI Liabilities and the QBEAI Cash Amount set forth on Exhibit B attached hereto, respectively, are estimates only and will be adjusted subsequent to the date hereof based on the final determination of the values thereof as mutually agreed upon by Unigard and QBEAI.

3. Assignment This Agreement and the rights and obligations of the parties hereunder shall not be assignable or transferable by either party without the prior written consent of the other party.

4. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and assigns.

5. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to principles of conflicts of law.

6. Counterparts. This Agreement may be executed in one or more counterparts and/or by exchange of original, facsimile or ".PDF" signature pages, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.

[Signatures follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption Agreement as of the day, month and year first above written.

UNIGARD:

UNIGARD INSURANCE COMPANY

By: _____
Peter T. Maloney
Assistant Corporate Secretary

QBEAI:

QBE AMERICAS, INC.

By: _____
Christopher C. Fish
Treasurer

4181655_4

Exhibit A
Assignment and Assumption Agreement
Unigard Insurance Company

Unigard Transferred Assets

Prepaid Expenses	($624,000)
Deferred Taxes	($4,474,000)
Other	($8,000)
Total Assets	($5,106,000)

Unigard Liabilities

General Expense	$7,143,000
Pension	$11,238,000
Total Liabilities	$18,381,000

Unigard Cash Amount

Cash Amount	$13,275,000

Exhibit B
Assignment and Assumption Agreement
Unigard Insurance Company

QBEAI Transferred Assets

Deferred Taxes	($4,505,000)
Other	
Total Assets	($4,505,000)

QBEAI Liabilities

General Expense	$7,999,000
Pension	$12,293,000
Total Liabilities	$20,292,000

QBEAI Cash Amount

Cash Amount	$15,786,000

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") is made and entered into as of January 1, 2010, by and between **Unigard Indemnity Company**, a Washington corporation ("Assignor"), and **QBE AMERICAS, INC.**, a Delaware corporation ("Assignee").

WITNESSETH:

WHEREAS, Assignor has agreed to assign, transfer and convey to Assignee all of Assignor's right, title and interest in and to the prepaid expenses and certain other assets set forth on Exhibit A attached hereto (collectively, the "Transferred Assets") and Assignee has agreed to assume and discharge the accrued and unpaid liabilities set forth on Exhibit B attached hereto (collectively, the "Liabilities"), provided Assignor assigns, transfers and conveys to Assignee cash in amount equal to the value of the Liabilities less the value of the Transferred Assets, as set forth on Exhibit C attached hereto (the "Cash Amount"); and

WHEREAS, Assignee has agreed to acquire the Transferred Assets and the Cash Amount and to assume and discharge the Liabilities.

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, Assignor and Assignee hereby promise and agree as follows:

1. Assignment of Transferred Assets and Cash Amount; Assumption of Liabilities. Assignor hereby assigns, transfers and conveys the Transferred Assets and the Cash Amount and all of the Seller's right, title and interest in and to the Transferred Assets and the Cash Amount to Assignee, and Assignee hereby accepts such assignment and assumes and agrees to discharge the Liabilities as the same become due. In the event the value of the Transferred Assets exceeds the value of the Liabilities, Assignee shall pay Assignor an amount equal to such excess by delivery of immediately available funds to an account designated by Assignor.

2. Post-Transfer Adjustment. Assignor and Assignee acknowledge and agree that the values of the Transferred Assets, the Liabilities and the Cash Amount set forth on Exhibits A, B and C attached hereto, respectively, are estimates only and will be adjusted subsequent to the date hereof based on the final determination of the values thereof as mutually agreed upon by Assignor and Assignee.

3. Assignment This Agreement and the rights and obligations of the parties hereunder shall not be assignable or transferable by either party without the prior written consent of the other party.

4. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and assigns.

5. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to principles of conflicts of law.

6. Counterparts. This Agreement may be executed in one or more counterparts and/or by exchange of original, facsimile or ".PDF" signature pages, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party.

[Signatures follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment and Assumption Agreement as of the day, month and year first above written.

ASSIGNOR:

UNIGARD INDEMNITY COMPANY

By: _____
John R. Schanen
Vice President

ASSIGNEE:

QBE AMERICAS, INC.

By: _____
Christopher C. Fish
Treasurer

4181655_4

Exhibit A – Transferred Assets
Assignment and Assumption Agreement
Unigard Indemnity Company

Deferred Taxes	($554,000)
Other	
Total Assets	($554,000)

Exhibit C – Cash Amount
Assignment and Assumption Agreement
Unigard Indemnity Company

Cash Amount	$1,733,000

INVESTMENT AND FINANCIAL SERVICES ASSOCIATION

UNIGARD INSURANCE COMPANY
and its subsidiaries listed on Exhibit A
(Client)

and

MINSTER COURT ASSET MANAGEMENT PTY LTD
ABN 30 005 953 837

(Manager)

STANDARD INVESTMENT MANAGEMENT AGREEMENT

PLEASE NOTE:

Copyright in this Agreement is the property of the Investment and Financial Services Association (IFSA).

A non-exclusive licence to use this Agreement is granted to the user on payment of the licence fee to IFSA. The user may use the Agreement for its own purposes but may not transfer this licence to any other person except with the written permission of the IFSA. Other than this licence, no ownership rights or title in the copyright are granted to the user.

The user may copy all or part of the Agreement for its own use but must ensure that any full or partial copy includes the copyright notice which appears on the Agreement and this notice.

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INVESTMENT MANAGEMENT AGREEMENT

AGREEMENT dated **2010 between:**

1. **Unigard Insurance Company (15805 NE 24th Street Bellevue, WA 98008), TIN 91-6027360, and each of its subsidiaries listed on Exhibit A hereto (referred to herein, together and individually as the "*Client*");**

   and

2. **Minster Court Asset Management Pty Ltd (ABN 30 005 953 837) of Level 3, 82 Pitt Street, Sydney, NSW 2000 Australia (*Manager*).**

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

Australian Financial Services Licence or ***AFSL*** means a licence under section 913B of the Corporations Act 2001 that authorises a person who carries on a financial services business to provide financial services.

Authorised Person means each officer identified in Schedule 5 and any other person appointed as an authorised person under clause 13 from time to time.

Block-Booked Transaction means entering into a trade on behalf of one or more clients and allocating parts of the trade among those clients before, at the time of or after the trade has been entered into.

Business Day means a day on which the Manager is open for business in the city where the principal address of the Manager is situated, but excluding Saturday and Sunday.

Clearing House means a person who provides facilities for the transfer, clearing or settlement of either securities or futures contracts, in the ordinary course of trading in securities or futures contracts.

Custodian means:

(a) if paragraph 1 of Schedule 1 identifies a body corporate as the Custodian of the Portfolio, that body corporate; or

(b) if the Client has appointed some other body corporate to be the Custodian of the Portfolio, that body corporate, as notified to the Manager in writing,

which satisfies any requirements imposed by the Regulator from time to time and includes any sub-custodian appointed by the Custodian.

Derivative Contracts has its ordinary meaning from time to time and includes, without limitation, swaps, futures, forward rate agreements and options.

GST means any goods and services tax, consumption tax, value-added tax or any similar impost or duty which is or may be levied or becomes payable in connection with the supply of goods or services.

Portfolio means all assets including any Derivative Contracts, which the Client notifies to the Manager in writing to be invested and managed by the Manager under this Agreement, and all income and accretions in respect of them or any part thereof.

Regulator means:

(a) the relevant state, federal or national regulator(s) charged with responsibility for the oversight of the conduct of the Client and/or the Manager; and

(b) the Australian Securities and Investments Commission established under the Australian Securities and Investments Commission Act 1989; and

(c) their successors.

Relevant Law means any requirement of the Australian Securities and Investments Commission Act 1989 and any other present or future law of any nation, the Commonwealth of Australia or any U. S. State or Territory with which the Client, Manager or the governing rules of the portfolio must comply or which the Client, Manager or governing rules of the portfolio must satisfy in order:

(a) to secure imposition at a concessional rate of any withholding tax or income tax which, in the opinion of the Client, is or may become payable in connection with the portfolio; or

(b) for the Client or Manager to avoid a relevant penalty, detriment or disadvantage.

Supervised Agent means an agent identified in paragraph 2 of Schedule 1.

Taxes means all taxes of whatever nature lawfully imposed including income tax, recoupment tax, land tax, sales tax, payroll tax, fringe benefits tax, group tax, capital gains tax, profit tax, interest tax, GST, property tax, undistributed profits tax, withholding tax, municipal rates, financial institutions duty, bank account debit tax, stamp duties and other taxes, charges, duties and levies assessed or charged or assessable or chargeable by or payable to any national, federal, state or municipal taxation or excise authority, including any interest, penalty or fee imposed in connection with any tax, rates, duties, charges or levies.

Title Documents means the certificates, warrants, receipts, acknowledgments (including, without limitation, of uncertificated holdings), scrip and other written evidence of title to or interest in any of the assets forming part of the Portfolio for the time being.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. In this Agreement, unless the context otherwise requires:

(a) The singular includes the plural and vice versa.

(b) A reference to a person includes a reference to a body corporate, a government organisation, body or instrumentality, an unincorporated body and any other entity.

(c) Each recital and schedule of this Agreement and direction and instruction under this Agreement forms part of this Agreement.

(d) A reference to this Agreement includes a reference to any variation, replacement or novation of it.

(e) A reference to any legislation or to any provision of any legislation includes a reference to any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.

(f) A reference to a thing includes a reference to any part of that thing.

(g) A reference to any party to this Agreement where relevant includes a reference to the party's successors and permitted assigns.

(h) A reference to dollars or $ is a reference to Australian currency.

(i) Where a word or phrase is defined, its other grammatical terms have corresponding meanings.

(j) A reference to conduct includes a reference to any omission, statement or undertaking, whether or not in writing.

(k) A word or phrase appearing in a certain context which, when used in a similar context in the Corporations Act would have a particular meaning, has that meaning in this Agreement.

(l) If a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day.

2. APPOINTMENT

2.1 Manager

The Client appoints the Manager as agent of the Client to invest and manage the Portfolio on the terms contained in this Agreement and the Manager accepts the appointment.

2.2 Custodian

(a) The Client must nominate a Custodian for the Portfolio or the Title Documents. The Manager and Custodian may use Clearing Houses as required in the ordinary course of investment and management of the Portfolio. The Client must ensure that the Custodian will:

(i) act in accordance with the instructions of the Manager under this Agreement;

(ii) open and maintain safe custody of ownership records;

(iii) receive all dividends and income forming part of the Portfolio; and

(iv) promptly advise the Manager of cash movements of the Portfolio in an electronic format consistent with industry practice.

(b) If the Custodian is not able (itself or through its agents or sub-custodians) to settle transactions in a place in which the Manager is authorised to invest or to hold assets, provided the investment instructions in Schedule 2 and the Relevant Law are otherwise complied with, the Client authorises (but the Manager is not obliged) the Manager or a nominee of the Manager to appoint on the Client's behalf a Custodian of the relevant assets.

3. DUTIES OF THE MANAGER

3.1 Manager

The Manager must:

(a) invest and manage the Portfolio for and on behalf of the Client in accordance with this Agreement;

(b) keep the Portfolio under review and confer at regular intervals with the Client regarding the investment and management of the Portfolio;

(c) keep proper books of account in relation to the Portfolio recording transactions by the Manager and to provide information in relation to the Portfolio to assist the Client or the Custodian in the preparation of reports required under the Relevant Law as instructed by the Client, unless such books of account are to be maintained by the Custodian;

(d) give proper instructions to the Custodian in relation to transactions concerning the Portfolio;

(e) ensure that any notice to be given to the Custodian is given to the address specified by the Client and otherwise in accordance with the provisions of this Agreement;

(f) with the consent of the Client, or under force of law and as advised by the Client, give any information and assistance and make available any records relating to the Portfolio reasonably required by the auditors of the Portfolio or the Regulator on the written request of the Client or the Regulator, and within or at a time and at a place specified in the request that is reasonable in the circumstances, provide the Client or the Regulator with any document or information in the Manager's possession relating to this Agreement or performed under this Agreement, including but not limited to, a copy of the accounts relating to the Portfolio;

(g) promptly notify the Client of any instructions given to it by the Client which have not been complied with;

(h) comply with the Manager's policy regarding the receipt by the Manager or by an associate or a related body corporate of the Manager, of benefits in the nature of soft dollar receipts, in relation to the investment or management of the Portfolio, and provide a copy of the relevant policy to the Client upon request;

(i) account to the Client for any monetary benefits, fees or commissions received by the Manager or any related body corporate of the Manager in relation to the investment of the Portfolio, other than benefits permitted to be received in accordance with the policy disclosed under clause 3.1(h) and fees and commissions referred to in clauses 7.1, 7.3 and 7.4;

(j) comply with any reasonable requests for information or assistance from any auditor appointed by the Client to conduct an audit of the Portfolio;

(k) exercise all due diligence and vigilance in carrying out its functions, powers and duties under this Agreement;

(l) exercise due care in selecting, appointing and reviewing the performance of any agent of the Manager in connection with the Portfolio or any broker engaged by the Manager under clause 4.1(d);

(m) subject to clause 2.2(b), use reasonable endeavours to ensure that the assets comprising the Portfolio are vested as soon as practicable in the Custodian or Clearing House, unless the Manager believes having regard to the nature of the investment and the interests of the Client it is not reasonably practicable to do so (for example, because a structured investment product involves another party acting as custodian); and

(n) act in good faith in determining any allocation of a Block-Booked Transaction to the Portfolio before, during and after the transaction has been entered into by the Manager.

3.2 Investment Instructions

(a) The investment instructions set out in Part A of Schedule 2 must be complied with by the Manager in exercising any investment discretion.

(b) The investment instructions set out in Part A of Schedule 2 may be amended by a specific written instruction, approved or ratified by Client's board of directors, and given to the Manager by an Authorised Person of the Client and the Manager must comply with the amended investment instructions within a reasonable time.

(c) If the Manager is unable to comply with the investment instructions given pursuant to paragraph (b) it must immediately notify the Client. Upon receipt of such notice the Client must either:

(i) withdraw the specific instructions with which the Manager is unable to comply in accordance with this clause; or

(ii) terminate the Agreement pursuant to clause 10.2, in which case the specific instruction will have no effect.

(d) If a specific written instruction is:

(i) inconsistent with the investment instructions set out in Part A of Schedule 2 but is not expressed to amend Part A of Schedule 2; or

(ii) in the Manager's opinion, ambiguous or unclear in any respect,

the Manager must promptly clarify the instruction with the Client and the instruction will not operate until it has been clarified.

3.3 *Investment objectives*

The investment objectives set out in Part B of Schedule 2 are guidelines and are not legally binding on the Manager but the Manager must have regard to them in investing and managing the Portfolio.

3.4 *Portfolio Changes*

If by reason of:

(a) market movements;

(b) contributions to or withdrawals from the Portfolio;

(c) a change in the nature of any investment (whether through change in business activity or credit rating),

the Portfolio ceases to comply with Part A of Schedule 2, the Manager must remedy the non-compliance within the time specified in Part A of Schedule 2 in respect of the particular restriction or, if no time is specified, as soon as practicable after the Manager becomes aware of the non-compliance. If remedied in accordance with this clause, the non-compliance will not constitute a breach of the Agreement nor will it give rise to any right or remedy in the Client.

3.5 *Compliance with Relevant Law*

The Manager must comply with any Relevant Law to the extent that it concerns the functions, powers and duties of the Manager in relation to the management of the Portfolio under this Agreement. However, the Client acknowledges that:

(a) the Manager may act on specific instructions given by the Client without investigating whether the act will comply with the Relevant Law, but must not comply with any direction which it is aware will cause a breach of the Relevant Law; and

(b) the Manager has no obligation to ensure that it complies with any Relevant Law applicable to the Client or any constitutional documents or legislation regulating the Client to the extent it does not directly concern the functions, powers and duties of the Manager in relation to the management of the Portfolio under this Agreement.

3.6 *Client may instruct or vary decision of Manager*

The Manager agrees that the Client may, at any time, instruct the Manager or vary any decision of the Manager in the performance of the Manager's functions from that time, in which circumstances the Client has the sole responsibility for the consequences of that instruction or variation. However, the Manager may complete any transaction already commenced provided it does not act contrary to any reasonable direction by the Client.

4. POWERS OF THE MANAGER

4.1 Powers and Limitations

For the purpose of carrying out its functions and duties under this Agreement, the Manager has the powers of a natural person to deal with the Portfolio and to do all things and execute all documents necessary for the purpose of managing the Portfolio (including, without limitation, entering into a Block Booked Transaction), but the Manager must not knowingly do anything the Manager is prohibited from doing by a Relevant Law and must not without the prior consent of the Client (which may be expressed in this Agreement):

(a) hold Derivative Contracts unless there are at all times, in the case of each contract, sufficient assets in the Portfolio to support the underlying liability of the Client under every contract in the form of one or more of the following:

  (i) assets of the kind required to be delivered under the contract;

  (ii) other contracts or assets which substantially offset the underlying liability under the contract; and/or

  (iii) cash or immediately realisable assets of sufficient value either to discharge the maximum contingent liability or effect an offset as described in (ii);

(b) except as either disclosed in paragraph 3 of Schedule 1 or as agreed in writing with the Client, delegate any of its discretionary management powers under this Agreement;

(c) charge or encumber in any way (other than as arises by lien in the ordinary course of business or by statutory charge) any asset in the Portfolio; or

(d) perform any broking function in relation to the Portfolio, but the Manager may, using reasonable care and diligence, on behalf of the Client appoint any broker to act on behalf of the Client in relation to the Portfolio, subject to reasonable monitoring of capacity and performance.

4.2 Common investment of funds

The Portfolio may be invested with funds managed by the Manager on behalf of other persons. The Client consents to the Manager acting in the acquisition and disposal of assets on behalf of other persons and authorises the Manager to deal with the Portfolio and any other funds managed by the Manager as an undivided whole, to the extent necessary for the efficient management or administration of the Portfolio, subject to the Manager maintaining systems and records that distinguish the Portfolio from the property of any other person.

4.3 Non-exclusivity

Provided the Client is not disadvantaged, the Manager may from time to time perform similar investment and management services for itself and other persons to the services performed for the Client under this Agreement. The Client acknowledges that:

(a) the Manager has no obligation to purchase or sell, or recommend for purchase or sale, for the account of the Client, any investment which the Manager purchases or sells for its own account or for the account of any other client of the Manager; and

(b) the Manager may give advice and take action in the performance of its duties for other clients which differ from advice given and action taken in relation to the Portfolio.

4.4 Derivative Contracts

If the Manager is authorised to enter into Derivative Contracts under Part A of Schedule 2, it may do so on behalf of the Client in its own name, or in the name of another person, as nominee for the Custodian and:

(a) the Manager will:

(i) promptly pay net proceeds received in respect of Derivative Contracts to the Custodian; and

(ii) provide to the Client a risk management statement in such form as is prescribed by the Regulator; and

(b) the Client will:

(i) procure that the Custodian will comply with authorised directions of the Manager in relation to payment of liabilities under or settlement of Derivative Contract; and

(ii) if required by the Manager, execute a statement in the form set out in Schedule 7 to this Agreement.

5. INDEMNITIES

5.1 Manager

The Client must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any reasonable costs, charges and expenses incurred in connection with, the Manager or any of its officers or agents acting under this Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, fraud or dishonesty of the Manager or its officers or Supervised Agents or are internal cost, charges or expenses of the Manager. This obligation continues after the termination of this Agreement. The Client is not otherwise liable to the Manager for any loss or liability.

5.2 Client

The Manager must indemnify the Client against any losses or liabilities reasonably incurred by the Client arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, any negligence, fraud or dishonesty of the Manager or its officers or Supervised Agents. This obligation continues after the termination of this Agreement. The Manager is not otherwise liable to the Client for any loss or liability.

5.3 *Action against Agents*

The Manager must provide reasonable assistance to the Client (at the cost of the Client) in any action of the Client against an agent of the Manager arising out of, or in connection with any negligence, default, fraud or dishonesty of the agent. These obligations continue after the termination of this Agreement.

5.4 *Brokers*

The Client is responsible to any broker appointed by the Manager pursuant to clause 4.1(d) for all reasonable brokerage and other charges arising from the implementation by the broker of any authorised transaction initiated by the Manager. The Client authorises the Manager to approve any deduction from the Portfolio in respect of reasonable brokerage and other charges.

6. WITHDRAWALS and DEPOSITS

6.1 *Request*

The Client may instruct the Manager to authorise the Custodian to make a withdrawal from the Portfolio in accordance with the procedures set out in Schedule 6.

6.2 *Satisfaction of request*

The Manager, in respect of a withdrawal instruction for cash, must use reasonable endeavours to satisfy the instruction within 3 Business Days.

6.3 *Withdrawal by transfer of assets*

A withdrawal pursuant to clause 6.1 may be made by transfer of assets, property or investments comprised in the Portfolio as agreed by the Manager and the Client.

6.4 *Deposits*

The Client must advise the Manager of any additional money made available for investment and management pursuant to this Agreement, prior to transfer to the Custodian.

6.5 *Cleared Funds*

The Manager may deal with any payment by either the Client or the Custodian as if made in cleared funds. The Client must indemnify the Manager against any losses and expenses incurred by the Manager if the amount tendered does not result in cleared funds in the normal course.

7. MANAGEMENT FEES

7.1 *Fee*

In consideration for the Manager providing the services specified in this Agreement, the Manager is entitled to a management fee in accordance with Schedule 4.

7.2 *Payment*

Subject to Schedule 4, the Manager may instruct the Custodian to deduct the management fee from the Portfolio if:

(a) the Manager gives to the Client in respect of each deduction 10 Business Days' notice of the Manager's intention to so direct the Custodian; and

(b) the Client has not objected.

The Manager must record the fee in the report provided under clause 9.

7.3 *Management Fees to Related bodies corporate*

Where:

(a) a related body corporate of the Manager has received or is entitled to receive any management fee (howsoever described) for services it provides in relation to the management of the Portfolio; or

(b) the Manager itself receives a management fee (howsoever described) for managing any managed investment scheme in which the Portfolio is invested,

the management fee otherwise payable under this Agreement will be reduced by the amount of that fee, except where specified in paragraph 4 of Schedule 1 or where the Manager bears that fee itself.

7.4 *Use of Related bodies corporate*

The Client acknowledges that the Manager may invest in, deal with or engage the services of the Manager's related bodies corporate engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business and on arm's length terms. No adjustment to the management fee paid under this Agreement is to be made for any fee, brokerage or commission paid to a related body corporate of the Manager in compliance with this clause.

7.5 *GST*

The parties agree that:

(a) all payments under this Agreement have been calculated without regard to GST;

(b) if the whole or any part of any payment under or in connection with this Agreement is the consideration for a taxable supply for which the payee is liable to GST, the payer must pay to the payee an additional amount equal to the amount referrable to GST, either concurrently with that payment or as otherwise agreed in writing;

(c) any reference to a cost or expense in this Agreement excludes any amount in respect of GST forming part of the relevant cost or expense when incurred by the relevant party for which that party can claim an input tax credit;

(d) each party will comply with its obligations under the Trade Practices Act 1974 when calculating the amount of any payment under or in respect of this Agreement and the amount of any relevant payments will be adjusted accordingly; and

(e) the payee will provide to the payer a tax invoice.

8. EXPENSES

8.1 Client Liable for Expenses

The Client must pay all Taxes, and all reasonable costs, charges and expenses properly incurred in connection with the investment and management of the Portfolio or the acquisition, disposal or maintenance of any investment of the Portfolio (including all Custodian and Clearing House fees and excluding in-house administration costs of the Manager in the nature of rent for Manager's premises, computer charges, salaries, research costs and like expenses) or in acting under this Agreement and the Manager may cause them to be deducted from the Portfolio. The Manager may allocate expenses incurred in connection with an asset acquired or to be acquired on behalf of several clients between those clients proportionately to their interest in the asset.

8.2 Taxes

The Manager may, or may authorise the Custodian to, make any payment from the Portfolio and transfer all or any part of the Portfolio to the Client without deduction of any Tax, provided that the Manager is entitled to or to authorise the Custodian to pay from the Portfolio any Taxes which are incurred in connection with the proper performance of this Agreement. The Client must indemnify the Manager and keep the Manager indemnified after termination of this Agreement against any liability for Tax properly incurred in connection with this Agreement.

8.3 Regulatory Costs

The Client must bear any costs associated with the provision of information and other assistance to the Regulator relating to the Portfolio, if the Regulator requires the information or other assistance under the Relevant Law.

9. REPORTS

9.1 Regular Reports

Unless the Client notifies the Manager that the Custodian will provide reports to the Client, the Manager must provide the Client with the reports specified in Schedule 3 and must take reasonable steps to ensure that those reports are complete and accurate in all material respects to the extent the necessary information is within the reasonable control of the Manager. The Manager will also provide, upon request by the Client, additional information which is complete and accurate in all material respects to the extent the necessary information is within the reasonable control of the Manager, as to the making of, and return on, the investments in the Portfolio and as is necessary to enable the Client to assess the capability of the Manager to manage the investments of the Fund, and otherwise to comply with Relevant Law.

9.2 *Notice of Adverse Effect and breach of the Relevant Law*

The Manager must promptly advise the Client upon becoming aware of any event:

(a) having a significant effect on the financial position of the Portfolio;

(b) which causes a breach of the Relevant Law.

9.3 Additional Information

The Client may request the Manager to provide to the Client additional information required by the Client to complete returns to regulatory authorities, including the Regulator and taxation authorities, and the Manager, if requested by the Client, will promptly provide the information required by the Client to fulfil its obligations to the extent such information is within the control of the Manager.

10. TERMINATION

10.1 Term

This Agreement commences as of and from the date, and is in force for the term, if any, specified in paragraph 5 of Schedule 1.

10.2 Right to terminate

Subject to clauses 10.1 and 10.3, this Agreement remains in force until terminated by the Client giving to the Manager not less than 5 Business Days' written notice of termination or by the Manager giving to the Client not less than 20 Business Days' written notice of termination or such lesser period of notice as the parties agree.

10.3 Default of Manager

The Client may terminate this Agreement at any time by written notice to the Manager if:

(a) a receiver, receiver and manager, administrative receiver or similar person is appointed with respect to the assets and undertakings of the Manager;

(b) the Manager:

(i) goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Client);

(ii) ceases to carry on business in relation to its activities as an investment manager;

(iii) breaches any provision of this Agreement, or fails to observe or perform any representation, warranty or undertaking given by the Manager under this Agreement and the Manager fails to correct such breach or failure within 10 Business Days of receiving notice in writing from the Client specifying such breach or failure;

(iv) ceases to be a member of the group named in paragraph 6 of Schedule 1;

(v) ceases to be a wholly owned subsidiary (directly or indirectly) of QBE Insurance Group Limited;

(c) the Manager sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Manager or of a beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Client; or

(d) Relevant Law requires the Agreement to terminate.

10.4 Claims and transactions

The termination of this Agreement does not affect any:

(a) transaction properly entered into prior to termination;

(b) claim by the Manager in respect of accrued management fees and expenses incurred in respect of the period to termination; or

(c) other claim which either party may have against the other.

10.5 Transition protocols and discharge of obligations

If requested by the Client the Manager will deal with the Portfolio for up to 30 Business Days from the effective date of termination of this Agreement in order to vest control of it in the Client (or as the Client may otherwise direct in writing) and during that time the Manager:

(a) subject to the consent of the Client, may enter transactions to settle or otherwise extinguish or offset obligations incurred by the Manager in relation to the Portfolio before that date;

(b) must, with respect to obligations not capable of settlement before transfer of the Portfolio, create provision for such contingent liability as will arise, notify the Client of that provision, and the Client must procure that the Custodian holds sufficient assets of the Portfolio to satisfy that liability;

(c) may instruct the Custodian to deduct from the Portfolio the fees, charges and expenses due to the date on which the transfer of the Portfolio is effected if, after giving 10 Business Days' notice to the Client of its intention to so direct the Custodian, the Client has not objected, and all charges and expenses have been incurred in the actions envisaged by this clause;

(d) must deliver to the Client (or as the Client reasonably directs) in accordance with the Manager's transfer protocols all records kept by Manager in respect of the Portfolio which may reasonably be required by the Client;

(e) may, after consultation with the Client, pay or cause to be paid to the Client (or as the Client otherwise directs) the net realizable value of any shares listed on a foreign exchange or any prescribed interest in a scheme or an interest in a managed investment scheme promoted by the Manager or the proportion of any asset which is held jointly and is indivisible;

(f) may deal with the Portfolio in accordance with instructions from a new manager appointed by the Client; and

(g) to the extent that any part of the Portfolio is not held by the Custodian promptly transfer that part to the Client (or as the Client reasonably directs).

The Client must take all necessary steps to facilitate the transfer of the Portfolio from the Manager.

10.6 Report

The Manager must, within the period specified in paragraph 7 of Schedule 1, provide the Client with a report that is complete and accurate in all material respects on the Portfolio and all investment transactions conducted since the last report.

11. WARRANTIES AND ACKNOWLEDGEMENT FROM CLIENT AND MANAGER

11.1 Warranties of Client

The Client warrants and represents to the Manager that during the term of this Agreement:

(a) the Client is the Client of the Fund and it has the power to enter into and perform this Agreement, subject only to those express limitations that have been advised to the Manager in writing;

(b) any Custodian appointed by it will not engage in securities lending in relation to any investments in the Portfolio without the consent in writing of the Manager, and the Client will ensure that the Portfolio is able to be traded by the Manager and that any securities lending does not interfere with the Manager's ability to invest and manage the Portfolio under this Agreement;

(c) either:

(i) the Fund:

(A) is constituted by or under a law of the Commonwealth or of a State, Territory or foreign country; or

(B) has net assets of not less than $10,000,000; or

(ii) the Client is not a retail client for the purpose of section 761G(6) of the Corporations Act 2001 (Cwth) of Australia.

11.2 Acknowledgement

The Client acknowledges that neither the Manager nor any related body corporate guarantees the repayment of capital or the performance of the Portfolio or make any representation concerning any of these matters.

11.3 Warranties of Manager

The Manager warrants and represents to the Client:

(a) that it has and will at all times during the term of this Agreement have the skill, facilities, capacity and staff necessary to perform the duties and obligations under this Agreement;

(b) that it will ensure that sufficient competent investment management staff experienced in fund management will have charge at all times of the conduct of, and will maintain close supervision of, the investment and management of the Portfolio;

(c) that it will, at all times during the term of this Agreement, be the holder of all licences required to be held under all applicable legislation governing the activities of the Manager; and is not and, at all times during the term of this Agreement, will not be a disqualified person under a Relevant Law;

(d) that it will cooperate with the Custodian whenever requested to ensure that investments forming part of the Portfolio are in good and proper form with free and clear title in favour of the Client or any permitted nominee and not subject to any express lien, charge or encumbrance of any nature other than as permitted by the Relevant Law;

(e) that it will invest and manage the Portfolio at all times to perform its obligations under this Agreement and in accordance with the directions of the Client; and

(f) that it will have in place at all times during this Agreement, a business continuity plan which:

(i) is designed to enable the Manager to recover the services provided under this Agreement in an orderly manner within 5 Business Days in the event of any disruptions to the normal performance of business activities, whether such disruptions arise by causes internal or external to the Manager;

(ii) ensures that data and software used by the Manager in respect of this Agreement are backed up on a frequent basis; and

(iii) without limiting clause 11.3(f)(ii), provides for complete recovery of computer systems and data.

11.4 Inaccurate warranty

If a warranty given by a party to this Agreement ceases to be accurate, that party must immediately advise the other party in writing.

12. VOTING

12.1 Exercise of Voting rights

The Client authorises the Manager to exercise any right to vote attached to a share or unit forming part of the Portfolio or to so direct the Custodian. In the event that the Manager receives a direction from the Client in relation to the appointment of a proxy and the way in which the proxy should vote, the Manager must use its best endeavours to implement the direction, but in the absence of any direction, the Manager may exercise or not exercise the right to vote as it sees fit, having regard to any general direction contained in Part A of Schedule 2.

12.2 Notices of Meeting

The Manager is not required to dispatch to the Client any notice of meeting relating to any person, company or unit trust in which the Portfolio is invested.

12.3 Voting Policy

The Manager must provide a copy of its proxy voting policy to the Client upon request by the Client. The Manager must inform the Client of any change to the Manager's proxy voting policy.

13. AUTHORISED PERSON

13.1 Authorised Person

Authorised Persons are authorised to make any written communication or take action on behalf of the Client and Manager respectively under this Agreement.

13.2 Variation of Authorised Persons

The Client and the Manager may vary their respective Authorised Persons by notice to the other.

13.3 Manager's action

The Manager is not obliged to take any action if a communication or action is not made by an Authorised Person of the Client nor to enquire as to the identity of any person if it reasonably believes such person is an Authorised Person.

13.4 Client not liable

The Client is not liable in respect of any action or omission by the Manager in reliance on any communication given or action taken by any person acting or purporting to act on behalf of the Client who neither is an Authorised Person nor a person whom the Manager reasonably believes to be an Authorised Person, but the Client can ratify such an action or omission in which case the

13.5 Client's action

The Client is not obliged to take any action if a communication or action is not made by an Authorised Person of the Manager nor to enquire as to the identity of any person if it reasonably believes such person is an Authorised Person.

13.6 Manager not liable

Subject to the Relevant Law, the Manager is not liable in respect of any action or omission by the Client in reliance on any communication given or action taken by any person acting or purporting to act on behalf of the Manager who neither is an Authorised Person nor a person whom the Client reasonably believes to be an Authorised Person, but the Manager can ratify such an action or omission in which case the Manager will be liable.

13.7 Manager's reliance on instruction

If the Manager receives an instruction in circumstances where it is reasonable for the Manager to assume it was from an Authorised Person, subject to the Relevant Law the Manager is not liable for any properly performed action or omission by the Manager in reliance on that instruction.

14. NOTICES

Any notice given under this Agreement:

(a) must be sent to the address, facsimile number or email address as set out in Schedule 5 or to any other address, facsimile number or email address that either party may specify in writing to the other;

(b) will be taken to have been given:

(i) (in the case of delivery in person or by post) when delivered, received or left at the party's address;

(ii) (in the case of delivery by facsimile) on production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the number of the recipient;

(iii) (in the case of delivery by email address) on production of an email receipt from the recipient to the sender which indicates that the email was sent to the email address of the recipient and has been opened by the recipient,

but if delivery or receipt occurs on a day which is not a Business Day or is later than 2 pm (local time) it will be taken to have been duly given at the commencement of the next Business Day; and

(c) is subject to the provisions of clause 13.

15. NO WAIVER

No failure to exercise and no delay in exercising any right, power or remedy under this Agreement will operate as a waiver. Nor will any single or partial exercise of any right, power or remedy preclude any other or further exercise of that or any other right, power or remedy.

16. ASSIGNMENT

A party may not assign any of its rights and obligations under this Agreement without the prior written consent of the other party except to a related body corporate in the case of the Manager .

17. CONFIDENTIALITY, PRIVACY AND SECURITY

17.1 Confidentiality

Except as required by law or regulation as is necessary for the performance of its obligations under this Agreement by its officers or agents, neither party may directly or indirectly disclose to any other person, or use or permit to be disclosed or used for any purpose other than a purpose contemplated by this Agreement or as a consequence of any direction given pursuant to this Agreement or in the normal course of business for credit assessment, the terms of this Agreement or any information that may be acquired by the party under or for the purposes of this Agreement without the prior written consent of the other party and each party must keep all such information confidential, except where publicly available other than by breach of this Agreement.

17.2 Privacy

The parties must comply with all applicable privacy laws or data protection laws in force from time to time, including the privacy code and any guidelines issued by the Australian Federal Privacy Commissioner under the *Privacy Act 1988*, and any and all applicable U.S. Federal or State law, and agree to co-operate in the resolution of any compliant under or relating to any of those laws, codes or guidelines.

17.3 Security

The Manager must have appropriate security standards to protect information within its control from unauthorised access and will ensure that its officers or Supervised Agents comply with those standards.

18. DISPUTE RESOLUTION

If a dispute arises between the parties to this Agreement, a party may give written notice to the other that the dispute exists ("dispute notice"). The dispute notice must designate a representative with the appropriate authority to negotiate the dispute on behalf of the party giving the notice. Within 5 Business Days of receipt of the dispute notice, the recipient must designate a representative with similar authority. The representatives must promptly discuss the dispute, following whatever investigation each considers appropriate. If the dispute is not resolved as a result of the discussions, the parties may agree on a dispute resolution procedure, other than litigation or arbitration. Nothing in this clause prevents a party from seeking urgent interlocutory relief or other remedies. Despite the existence of a dispute, each party must continue to perform this Agreement.

19. FURTHER ASSURANCES

The Client agrees to enter into and perform any instrument or agreement reasonably necessary to give effect to this Agreement. The Client will enter into any master trading or clearing agreement required for orderly trading of investments pursuant to this Agreement and authorises the Manager to act as its agent under these agreements as is reasonably necessary for the Manager to comply with its investment management obligations under this Agreement.

20. ENTIRE AGREEMENT

This Agreement contains the entire agreement between the parties with respect to its subject matter. It supersedes all earlier conduct by the parties or prior agreement between the parties with respect to its subject matter. If the Client has provided to the Manager investment objectives set out in Part B of Schedule 2 or otherwise, those objectives are accepted by the Manager as an expectation but are of no contractual force nor do they affect the interpretation or operation of this Agreement.

21. AMENDMENT

This Agreement (other than Part A of Schedule 2) may be amended by exchange of letters signed by the parties. Part A of Schedule 2 may be amended by specific written instruction from an Authorised Person of the Client to the Manager.

22. GOVERNING LAW AND JURISDICTION

This Agreement is governed by the laws of the State or Territory referred to in paragraph 8 of Schedule 1. The parties submit to the non-exclusive jurisdiction of Courts exercising jurisdiction there.

23. SEVERANCE

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction will be ineffective in that jurisdiction to the extent of the prohibition or unenforceability. That will not invalidate the remaining provisions of this Agreement nor affect the validity or enforceability of that provision in any other jurisdiction.

24. COUNTERPARTS

This Agreement may be executed in any number of counterparts. All counterparts taken together will be deemed to constitute one document.

25. ADDITIONAL SERVICES

In addition to the services to be provided pursuant to this Agreement the Manager will endeavour to conclude a separate services agreement so as to deliver to the Client in 2010 accounting and reporting information as required by the National Association of Insurance Commissioners and various other regulators.

SUPPLEMENT
RISK WARNINGS

1 Value of Investments

The value of investments in the Fund may fall as well as rise and income from such investments may fluctuate in value. The Client may not get back the amount it has invested.

2 Exchange Rate Risk

A movement of exchange rates may affect, unfavourably as well as favourably, any gain or loss on an investment.

3 Investments which are not Readily Realisable Investments

Not readily Realisable Investments means that there may be no recognised market for such investments, and it may, therefore, be difficult to deal in the investment or to obtain reliable information about its value of the extent of the risks to which it is exposed. The client recognises and accepts that market markers will be prepared to deal or that adequate information for determining current value of the relevant investment may be unavailable.

4 Stabilisation

Stabilisation is a process whereby the market price of a security is pegged or fixed during the period in which a new issue of securities is sold to the public. Stabilisation may take place in the securities of the new issue or in other securities related to the new issue in such a way that the price of the other securities may affect the price of the new issue or vice versa.
The reason stabilisation is permitted is that when a new issue is brought to market the sudden glut will sometimes force the price lower for a period of time before buyers are found for the securities on offer.
As long as it obeys a strict set of rules, the "stabilising manager", normally the issuing house chiefly responsible for bringing a new issue to market, is entitled to buy securities in the market that it has previously sold to investors or allotted to institutions who were included in the new issue but who have decided not to continue participating. The effect of this may be to keep the price at a higher level than would otherwise be the case during the period of stabilisation.
The statutory stabilisation rules limit the period in which a stabilising manager may stabilise a new issue, fix the price at which it may stabilise (in the case of shares and warrants but not bonds), and require to disclose that it may be (but not that it is) stabilising.
The fact that a new issue or a related security is being stabilised does not in itself mean that investors are not interested in the issue, but neither should the existence of transactions in an issue where stabilisation may take place be relied upon as an indication that investors are interested in the new issue or interested in purchasing at the price at which transactions are taking place.

5 Warrants

Warrants often involve a high degree of gearing so that a relatively small movement in the price of the security to which the warrant relates may result in a disproportionately large movement, unfavourable as well as favourable.

6 Investments for which the Market is restricted

The Investment Manager may effect transactions in investments for which a market is made by less than three independent market makers, one of whom might be an affiliated company.

7 Real Property

It may be difficult or impossible to realise an investment in real property or in a pooled vehicle the underlying investments of which consist wholly or substantially of real property because the real property concerned may not be readily saleable. The value of the real property concerned is generally a matter of a valuer's opinion.

8 Derivatives Risk Warning Notice

This Agreement does not disclose all of the risks and other significant aspects of derivatives products such as futures, options, and contracts for differences. **The Client should not deal in derivatives unless the Client understands the nature of the contract the Client is entering into and the contract is suitable for the Client in the light of the Client's circumstances and financial position.** Certain strategies, such as a "spread" position or a "straddle", may be as risky as a simple "long" or "short" position.
Whilst derivative instruments can be utilised for the management of investment risk, some investments are unsuitable for many investors. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments or to give the Investment Manager authority to trade on your behalf in such instruments the Client should be aware of the following points:

8.1 Futures

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the Client's position with cash. **They carry a high degree of risk.** The "gearing" or "leverage" often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small market movement can lead to a proportionately much larger movement in the value of the Client's investment, and this can work against the Client as well as for the Client. **Futures transactions have a contingent liability, and the Client should be aware of the implications of this, in particular the margining requirements, which are set out in clause 8.8 below.**

8.2 Buying Options

Buying options involves less risk than selling options because, if the price of the underlying asset moves against the Client, the Client can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if the Client buys a call option on a futures contract and later exercises the option, the Client will acquire the future. This will expose the Client to the risks described under clauses 8.1 and 8.8 of this Supplement.

8.3 Writing Options

If the Client writes an option, the risk involved is considerably greater than buying options. The Client may be liable for margin to maintain the Client's position and a loss may be sustained well in excess of any premium received. By writing an option, the Client accepts a legal obligation to purchase or sell the underlying asset if the option is exercised against the Client, however far the market price has moved away from the exercise price. If the Client already owns the underlying asset which the Client has contracted to sell (known as "covered call options") the risk is reduced. If the Client does not own the underlying asset (known as "uncovered call options") the risk can be unlimited. **Only experienced persons should contemplate writing uncovered options, and then only after securing full details from the Investment Manager of the applicable and potential risk exposure.**

8.4 Traditional Options

A particular type of option called a "traditional option" is written by certain exchange firms under special exchange rules within particular countries. These may involve greater risk than other options. Two way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage its exposure to risk.
Certain options markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation the Client may subsequently be called upon to pay margin on the option up to the level of its premium. If the Client fails to do so as required, the Client's position may be closed or liquidated in the same way as a futures position.

8.5 Contracts for Differences

Futures and options contracts can also be referred to as a Contract for Differences. These can be options and futures on an index as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and the Client should be aware of these as set out in clauses 8.1-8.4 of this Supplement inclusive. Transactions in contracts for differences may also have a contingent liability and the Client should be aware of the implications of this as set out in clause 8.8 below.

8.6 Off Exchange Transactions

While some off-exchange markets are highly liquid, transactions in off-exchange or "non transferable" derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

8.7 Foreign Markets

Foreign markets will involve different risks to the home market. In some cases the risks will be greater. On request, the Investment Manager will provide an explanation of the relevant risks and protections (if any) which will operate in any relevant foreign markets, including the extent to which the Investment Manager will accept liability for any default of a foreign broker through whom the Investment Manager deals. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

8.8 Contingent Liability Transactions

Contingent liability transactions which are margined require the Client to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.
If the Client trades in futures, contracts for differences or sell options, the Client may sustain a total loss of the margin the Client deposits to establish or maintain a position. If the market moves against the Client, the Client may be called upon to pay substantial additional margin at short notice to maintain the position. If the Client fails to do so within the time required, the Client's position may be liquidated at a loss and the Client will be liable for any resulting deficit.
Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when the Client entered the contract.
Contingent liability transactions which are not traded on or under the rules of a Recognised or Designated Investment Exchange may expose the Client to substantially greater risks.

8.9 Collateral

If the Client deposits collateral as security with the Investment Manager, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of the Client's collateral depending on whether the Client is trading on a recognised or designated investment exchange, with the rules of that exchange (and associated clearing house) applying, or trading off exchange. Deposited collateral may lose its identity as the Client's property once dealings on the Client's behalf are undertaken. Even if the Client's dealings should ultimately prove profitable, the Client may not get back the same assets which the Client deposited and may have to accept payment in cash. The Client should ascertain from the Investment Manager how the Client's collateral will be dealt with.

8.10 Commissions

The Client should require of the Investment Manager prior to the commencement of trading details of all commissions and other charges for which the Client will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), the Client should obtain a clear written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of the Client's initial payment.

8.11 Suspensions of Trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit the Client's losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

8.12 Clearing House Protections

On many exchanges, the performance of a transaction by the Investment Manager (or the third party with whom it is dealing on the Client's behalf) is "guaranteed" by the exchange or its clearing house. However, this guarantee is unlikely in most circumstances to cover the Client, and may not protect the Client if the Investment Manager or another party defaults on its obligations to the Client. On request, the Investment Manager will explain any protection provided to the Client under the clearing guarantee applicable to any on-exchange derivatives in which the Client is dealing. There is no clearing house for traditional options, nor normally for off- exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

8.13 Insolvency

The Investment Manager's insolvency or default, or that of any brokers involved with the Client's transaction, may lead to positions being liquidated or closed out without the Client's consent. In certain circumstances, the Client may not get back the actual assets which the Client's lodged as collateral and the Client may have to accept any available payment in cash. On request, the Investment Manager will provide an explanation of the extent to which the Investment Manager will accept liability for any insolvency of, or default by, other brokers involved with the Client's transactions.

SCHEDULE 1
Additional definitions

1. CLAUSE 1.1, DEFINITION OF *CUSTODIAN*

Name of Custodian: Citibank, N.A.

2. CLAUSE 1.1, DEFINITION OF *SUPERVISED AGENT*

Supervised Agent means an agent of the Manager which in fact acts under the control and supervision of the Manager, but does not include a person which:

(a) is either a broker, a Clearing House or a counterparty, or another person who acts in a broker, a Clearing House or a counterparty capacity; or

(b) is an agent, or one of a class of agents, nominated in writing by the Manager for this purpose and which is not objected to by the Client within 10 Business Days of the date the Client receives the nomination; or

(c) is an agent whose conduct or actions is not capable of supervision by the Manager, in respect of the particular matter to which reference is made; or

(d) acts in accordance with the direction of the Client in respect of the particular matter to which reference is made.

3. CLAUSE 4.1(b)

Discretionary management powers which may be delegated: All if to another wholly owned subsidiary (directly or indirectly) of QBE Insurance Group Limited.

4. CLAUSE 7.3

Related bodies corporate which may earn fees: Nil

5. CLAUSE 10.1

Commencement Date: The date of this agreement.

Term: Perpetual

6. CLAUSE 10.3

Name of group: QBE Insurance Group

7. CLAUSE 10.6

Period for termination report: 30 DAYS

8. CLAUSE 22

State or Territory: New York, New York, USA

9. SCHEDULE 3 AND 4

Method of calculating Portfolio Value: In accordance with Group Accounting Policy.

SCHEDULE 2

PART A

Investment Instructions
(Clause 3.1, Clause 3.2, Clause 3.4)

Business: US licensed insurance company, underwriting personal, corporate and commercial risks in the USA. Domiciled in the State of Washington, and commercially domiciled in the State of California.

Regulatory body: NAIC, various state insurance departments. It is the responsibility of the Client to keep the Manager up to date with any changes in regulatory investment guidelines and requirements.

Type of fund: Equity, fixed interest, cash and short term money market instruments.

Benchmarks:

Benchmarks will be determined between the Manager and the Client from time to time. The Fund is managed against absolute investment returns, with other reference benchmarks or peer group performance to be used as a monitoring tool rather than as key performance indicators.

The following market indexes shall act as a reference.

Currency	**Fixed Interest**		**Equities**		**Benchmark Index**
	Minimum	Maximum	Minimum	Maximum	
USD	10	100	0	10% of admitted assets	**Merrill Lynch Government Bond 1-3 year** **Equities – S&P 500**

It is the responsibility of the Client to inform the Manager of the admitted assets on a regular and timely basis.

Equity Investment Guidelines

This asset class comprises securities representing ownership of a proportion of a company or trust.

Allowable investments

- Shares of companies listed on the main stock exchanges of the USA. It includes ordinary shares, and participation in IPO's, redeemable or convertible preference shares, convertible debentures or notes or rights issues and listed property trusts.
- Investments in unlisted companies (with the exception in companies listing via an IPO) is prohibited.

Portfolio Constraints

- Short Selling is prohibited
- Securities lending and repurchase is prohibited
- Sub-underwriting is prohibited

Money Market and Fixed Interest Investment Guidelines

This class comprises all debt and hybrid debt securities, fixed or floating rate securities, fixed interest unit trusts, cash, deposits with banks, commercial paper, certificates of deposit, bank bills, promissory notes and money market unit trusts.

Derivatives Guidelines

Derivatives are financial contracts whose value depends on, or is derived from, assets or indices ("the underlying asset"). Derivative transactions include a wide assortment of instruments such as futures, options, warrants, swaps, forwards and other composites.

Derivatives may be used to obtain or reduce exposure to individual assets or market indices. A fund/portfolio does not hold "uncovered" derivatives (ie, sufficient cash or cash equivalents are held to meet all potential obligations arising from the derivatives position, or assets are held for which the derivatives are a reasonable hedge).

Split Ratings Guideline

Where an instrument/issuer is rated by Moody's and another rating agency, the Moody's rating will be assigned. Where Moody's does not have a rating another internationally recognised agency (eg S&P or Fitch) will be assigned.

PART B

Investment Objectives
(Clause 3.1, Clause 3.3)

To (at least) meet annual budget return objectives (comprising both capital growth and income).

SCHEDULE 3

Reports
(Clause 9)

Quarterly accounting package containing portfolio listing and valuation, transaction statement and cash-flow statement.

Quarterly Board report, due 1 week before board meeting. This will include a general economic commentary plus company specific investment strategy report, investment performance statistics and commentary, cash flow matching statistic, investment guideline breaches and a summary portfolio listing.

SCHEDULE 4

Management fee
(Clause 7.1)

The fee will be payable in arrears at the end of each calendar quarter, based on the investment managers valuation of the total value of all the portfolios, in accordance with the following table:

Market Value of the Fund	**Fee per annum**
Fixed Interest	10.5 basis points
Equities	50 basis points

NOTE: FEE STRUCTURES ARE AS PER INTERCOMPANY GROUP CHARGING RATE.

SCHEDULE 5

Notices
(Clause 13 and Clause 14)

1. **CLIENT**

Attention:

Address: QBE Regional Companies (N.A.), Inc.
One General Drive
Sun Prairie, WI 53596
USA

Telephone: Work: +
Fax: + (608) 825-5899

Authorised Persons:

For written confirmation of additions to the portfolio - any one signature

For all other written instructions or confirmations - any two signatures

Name	**Title**	**Specimen signature**
John Rumpler		
Christopher C. Fish		
James J. Fiore		
Robert Franzino		

2. MANAGER

Attention: Mark ten Hove – Chief Executive Officer and Director

Address: Level 3, 82 Pitt Street
Sydney, New South Wales 2000
Australia

Facsimile: 61 + 2 9231 1906

Email: mark.tenhove@qbe.com

Copy (if required): Francis Cox
Francis.cox@qbe.com

Authorised Persons: Mark ten Hove, CEO and Director
Gary Brader, Head of Fixed Income
Mary Jane Fallon, Senior Fund Manager, Fixed Income
Tim Chesterfield, Head of Equities
Tim Richardson, Manager – Investment Operations
Garth Fletcher, Senior Fund Manager – Fixed Income
Joanne Denning, Senior Officer Operations Group
Catherine Bussier, Operations Supervisor
Joe Prsa, Senior Manager Group Investment Reporting

SCHEDULE 6

Withdrawals
(Clause 6.1)

Procedures for Withdrawal:

Number of Authorised Persons required to authorise withdrawal:

Payment details: (Account no. etc).

Direction method: (Facsimile/Confirmation etc)

To be completed prior to execution.

SCHEDULE 7

Derivatives Trading
(Clause 4.4)

Date:

To: .....
Client

From: .....
Investment manager

As your investment manager, we enter into financial markets transactions from time to time on your behalf. This term includes the whole range of transactions conducted in the financial markets including derivatives. Examples are interest rate and currency swaps, options and foreign currency transactions. There may be other types of transactions. Terms governing financial markets transactions are usually contained in industry standardised documents that we sign with counterparties on your behalf. However, some financial markets transactions may be undocumented.
To enhance the integrity of the financial markets, the industry associations* that represent participants in the financial markets have agreed that investment managers seek to obtain confirmation from each of their clients, that:

- the investment manager has authority as the client's agent to enter into:
  - industry standardised documents (completed and amended as agreed between the investment manager and the counterparty which may relate to more than one client and which may not necessarily be negotiated having regard to the individual circumstances of any particular client) to govern the terms of financial markets transactions; and
  - financial markets transactions governed by those documents and confirmations of those transactions and financial markets transactions which are not documented (other than by way of confirmation).
- the client is duly constituted and has the power to enter into and perform its obligations in relation to those financial markets transactions and industry standardised documents;
- if the client purports to transfer property under a financial markets transaction (such as a repo), it is transferred beneficially and free of security interests;
- the client's obligations in relation to those financial markets transactions and industry standardised documents are enforceable;
- if the investment manager is acting in connection with a statutory fund of a life company:
  - the financial markets transaction relates to the business of the statutory fund.

Signing this schedule will facilitate us entering into financial markets documents and financial markets transactions. By signing this letter you will be taken to:

- represent and warrant to the investment manager and to each counterparty or prospective counterparty with whom the investment manager enters into, or proposes to enter into,

transactions as your agent, the matters set out in this letter. These representations are taken to be repeated each time a financial markets transaction or industry standardised document is entered into on behalf of the client and every three months thereafter; and

- agree to notify the investment manager of any change in these representations.

You consent to our providing a copy of this letter to counterparties or proposed counterparties to the transactions and acknowledge that they will rely on these representations and warranties in entering into those financial markets transactions and industry standardised documents.
If you do not return this letter, we may not be able to enter transactions with at least some counterparties on your behalf.

Signed on behalf of the investment manager:

Signature: ..... **Date:** .....
Authorised person

Name: ..... **Position** .....

Signed on behalf of the client:

Signature: ..... **Date:** .....
Authorised person***

Name: ..... **Position** .....

* They are Australian Financial Markets Association, investment and Financial Services Association and Australian Bankers Association. This letter is an industry standard document endorsed by those associations.

** The Authorised Person must be authorised by the Client to sign this document for and on behalf of the Client.

Exhibit A to
Investment Management Agreement
Effective Date:

Subsidiaries of
Unigard Insurance Company

Unigard Indemnity Company [TIN 91-0895822]

EXECUTED AS AN AGREEMENT

SIGNED on behalf of **UNIGARD INSURANCE COMPANY** and its subsidiary in the presence of:	))))

Signature	Signature
Print Name	Print Name
Office Held	Office Held

SIGNED on behalf of **MINSTER COURT ASSET** **MANAGEMENT PTY LTD** in the presence of:	))))

Signature	Signature
Print Name	Print Name
Office Held	Office Held

SERVICE AGREEMENT

1. UNIGARD INSURANCE COMPANY ("UIC") and UNIGARD INDEMNITY COMPANY ("UID") make this agreement for the purpose of achieving in their operations the greatest efficiency consistent with the interests of the policyholders of each. The purpose of this agreement is to accomplish an equitable distribution of the expenses of the joint operations of the parties.

2. UIC agrees that, subject to the direction of the Board of Directors of UID, it will provide all services for the operation of UID, including collecting moneys and paying expenses. UIC shall make settlement of premiums (less return premiums) and all other moneys, within thirty (30) days after the end of the month, after first deducting:

   (a) All expenses paid by it due solely to UID operations, including specifically but not limited to, losses on insured risks, agents' commissions, agents' profit-sharing commissions, policyholder dividends, taxes, license fees, rating bureau fees, reinsurance premiums, allocated claims adjustment expense, and specifically incurred investment expense, and

   (b) Payment for operation services, to be computed as set forth below.

3. Payment for operation services shall be such share of the total operation service expense for the Unigard Group as shall be determined by Corporate Accounting in accordance with the uniform accounting instructions of the National Association of Insurance Commissioners and generally accepted accounting principles.

   Such expense to be divided into four classes: underwriting expenses, investment service expenses, banking expenses and unallocated adjustment expenses with estimated amounts charged on a monthly basis. Expenses shall be adjusted to actual annually, prior to the close of the year based upon the percentage relationships between:

   1) underwriting expenses and premiums written (gross premiums less return premiums);
   2) investment expense plus banking expense and investment income (excluding capital gains or losses);
   3) unallocated claims adjustment expense and property lines losses; and
   4) unallocated claims adjustment expense and casualty losses.

To compute the current monthly allocation, these percentages shall be applied to the figure for that month in the appropriate category, for example, the underwriting expense percentage per the group operating statement will be applied to the written premium income for UID for the month to determine the amount of underwriting expense charged for that month.

4. All income from premiums financed by UIC will be retained by UIC.

5. The books and records of UIC as they pertain to this agreement, shall be available for audit and review by the Washington Insurance Commissioner, the North Carolina Insurance Commissioner and by UID.

6. This agreement is subject to the laws of the state of Washington and North Carolina.

7. This agreement can be assigned only upon the prior written consent of the parties.

8. This agreement applies to all operations on and after December 1, 1993 and is subject to cancellation by either party giving 90 days written notice.

DATED: January 18, 1994.

UNIGARD INSURANCE COMPANY

By _____
Dale E. Abbrederis
Chief Financial Officer

By _____
Hugh R. McGough
Secretary

UNIGARD INDEMNITY COMPANY

By _____
Dale E. Abbrederis
Chief Financial Officer

By _____
Hugh R. McGough
Secretary

WESTERN ASSOCIATION OF AUTOMOBILE INSURANCE PLANS

P.O. Box 7917, 94120-7917 595 Market Street, Suite 1250 San Francisco, CA 94105
Phone (415) 765-6767 Countrywide (800) 227-4659 California (800) 622-0954
Fax (415) 421-4013 E-mail waaip@aipso.com www.aipso.com/western

Richard J. Manning, *Regional Director*
richard.manning@aipso.com

Karen Borawski, *Administrative Manager*
karen.borawski@aipso.com

January 21, 2009

Mr. Jonathan Sachs
Associate Director of Marketing
Praetorian Insurance Company
Park 80 West Plaza II
Saddle Brook, NJ 07663

RE: WAAIP LAD Approvals for:

LAD Carrier:	**Praetorian Insurance Company**
Buy-Out Company:	**Unigard Insurance Company**
State(s) Approved:	**Arizona, Idaho, Nevada, Oregon, Utah, and Washington**

Dear Mr. Sachs:

The above-referenced WAAIP LAD contract(s) between Praetorian Insurance Company as the LAD Carrier, and the above-referenced insurance company as the buy-out company, complies with the necessary provisions of Section. 40.C of the Automobile Insurance Plan pending receipt of the addendums.

The contracts are effective as of January 1, 2009.

If you have any questions regarding the above, please feel free to contact me.

Sincerely,

R. J. Manning

Richard J. Manning
WAAIP Regional Director

cc: J. Hagen, Unigard Ins Co
K. Murtagh, AIPSO
File

PRAETORIAN INSURANCE COMPANY
Park 80 West Plaza II
P.O. Box 6579
Saddle Brook, N.J. 07663
(201) 368-8055 Fax (201) 368-8649

January 22, 2009

Ms. Judy Zelhofer
Corporate Counsel
QBE Regional Insurance
One General Drive
Sun Prairie, WI 53596

Dear Judy,

Enclosed for your records is a copy of the letter from the Western Association of Automobile Insurance Plans regarding the Agreements to have Praetorian Insurance Company provide LAD Carrier services to your company, for your quota of WAAIP State private passenger automobile assigned risk business for calendar year 2009.

The letter confirms that the Agreements have been approved based on receipt of an addendum as required by the WAAIP State Plans. The addendum, cited as Paragraph 1.5 below, should be included with each WAAIP State LAD Agreement to comply with Plan requirements.

1.5 The parties agree that during the term of this Agreement, any Plan policies, which have been previously assigned to the Buy-Out Company by the Plan and which are in-force will be non-renewed on their anniversary date.

Please indicate your acceptance of this addendum, which is required by each WAAIP State Plan, by signing in the space below and returning a signed copy to me at the address shown above. Praetorian, upon receipt, will provide a signed copy to the California Low Cost Plan.

Also enclosed for your record is a copy of the signed Agreements, along with a copy of the WAAIP approval letter.

Judy, we appreciate your business; and we look forward to providing you with our services. Please do not hesitate to call me if you have any questions.

Respectfully,

Jonathan Sachs
Associate Director of Marketing

Accepted by:

For Unigard Insurance Company
Printed Name CHARLES VALMOTH

Cc: Mr. Richard Manning, WAAIP Plan Manager

LIMITED ASSIGNMENT DISTRIBUTION AGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY (SERVICING COMPANY)
AND
UNIGARD INSURANCE COMPANY (BUY-OUT COMPANY)

ARIZONA

AGREEMENT, made effective as of the 1st day of January, 2009, between Praetorian Insurance Company (hereinafter called "Servicing Company"), an insurance company authorized to write motor vehicle insurance in Arizona, having offices at 88 Pine Street, Wall Street Plaza, New York, NY 10005 and Unigard Insurance Company (hereafter called the "Buy-Out Company"), an insurance company authorized to write motor vehicle insurance in Arizona having offices at 1 General Drive, Sun Prairie, Wisconsin 53596.

Preamble

I. The Servicing Company has been approved by the Arizona Automobile Insurance Plan Governing Committee as a Servicing Company under the Limited Assignment Distribution Program [hereinafter called the "LAD Program"].

II. The Buy-Out Company is eligible and elects to be excused from its obligations to accept certain new assignments under the Arizona Automobile Insurance Plan (hereinafter called "AAIP"), and the Buy-Out Company desires to enter into this Agreement with the Servicing Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Transfer of AAIP Assignments

1.1 The Servicing Company hereby agrees to accept assignments from AAIP which would otherwise be made to the Buy-Out Company during the term of this Agreement, on the class of business covered by this Agreement, subject to the limitation set forth in this Agreement and as required by law.

1.2 The class of business covered by this Agreement is private passenger non-fleet Arizona motor vehicle risks submitted to the AAIP on or after January 1, 2009.

1.3 The amount of assignments which the Servicing Company will accept under the terms hereof shall be the quota of assignments during the term of this Agreement which the Buy-Out Company is required by law to write on account of its own private passenger non-fleet motor vehicle insurance written on a voluntary basis in the State of Arizona.

1.4 The Servicing Company hereby agrees to defend, indemnify and hold harmless Buy-Out Company, its agents, employees, successors, and assigns from any and all claims, regulatory compliance actions, or other causes of action, including but not limited to reasonable attorney's fees and litigation expenses, brought against the Buy-Out Company by any third party based upon an act or failure to act on the part of the Servicing Company in connection with its responsibilities under and for the term of this Buy-Out Agreement.

Buy-Out Fee and Terms of Payment

2.1 The Buy-Out Company shall pay to the Servicing Company a fee (the Buy-Out Fee) by application of the factor set forth in Exhibit A to the Buy-Out Company's total quota of assignments (in premium dollars) under the AAIP for the term of this Agreement. The estimated Buy-Out Fee, which is to be paid on a QUARTERLY basis, is to be paid within 30 days after billing beginning with the effective date of this Agreement and QUARTERLY thereafter, is based on the Buy-Out Company's then current AAIP share of the estimated premium volume as calculated by the AAIP published estimate of premium volume by calendar year. When the AAIP issues the Plan Annual Report the initial fee shall be adjusted to reflect the Buy-Out Company's actual AAIP share and the actual premium volume of the AAIP. This subsequent adjustment may result in an additional charge or refund which shall be calculated and paid to the applicable party within thirty [30] days following the AAIP'S publication of the actual premium volume for the applicable calendar year. If the Buy-Out Company fails to pay the Buy-Out Fee, or any adjustment fee as provided in this paragraph, Servicing Company may charge Buy-Out Company a late fee of 1% per month.

Representations and Warranties

3.1 The Servicing Company hereby warrants and represents that it has been approved by the Arizona Automobile Insurance Plan Governing Committee to act as a Servicing Company under the LAD Program.

3.2 The Buy-Out Company hereby warrants and represents that it is eligible for participation in the LAD Program as a Buy-Out Company.

Duration of Agreement: Cancellation

4.1 This Agreement shall become effective on the date set forth at the beginning of this Agreement, or on the date this Agreement is approved by the Arizona Automobile Insurance Plan Governing Committee, whichever is later, and shall continue in force and effect until December 31st, 2009.

4.2 Beginning on January 1, 2010, the Agreement shall be automatically renewed for successive one-year terms unless either party sends the other written notice of non-renewal at least ninety [90] days prior to the renewal effective date. Such renewal is subject to negotiation at least every three (3) years.

4.3 Notwithstanding the foregoing provision, the Agreement shall terminate at such earlier date as may be required by law, including, without limitation, any provisions of the Arizona Insurance Law, the regulations of the Arizona Insurance Department, the rules of AAIP, or the lawful order or decree of the Arizona Insurance Department or the AAIP, provided, however, that the period within which either party hereto may object to or appeal from any such order or decree shall have expired.

4.4 Buy-Out Company may terminate this Agreement in the event of a material breach by Servicing Company which is not cured within ten (10) days after written notice thereof. The termination will be effective as of the end of the ten (10) day cure period. Further, Buy-Out Company may terminate this Agreement if (i) a petition for involuntary bankruptcy is filed against the Servicing Company and is not dismissed within thirty (30) days or (ii) the Servicing Company becomes insolvent

or files or has filed any action related to protection under the bankruptcy laws, including without limitation, reorganization or appointment of a receiver.

4.5 The termination provisions hereof shall not be construed to affect the period for which the Servicing Company must write insurance for assureds assigned to it under this Agreement, it being understood that the rules of the AAIP, presently require that the Servicing Company issue policies to each assured assigned to it under this Agreement for a period of three [3] years.

Notice

5.1 Any notice required or permitted to be given hereunder shall be given in writing, shall be signed by the party giving notice and shall be delivered by certified or registered mail, return receipt requested, to the address of the party to whom the notice is directed as set forth below, or to such other person or address of whom such party shall have given notice.

If to Servicing Company:
Fabian Burstyn, Senior Vice-President
Praetorian Insurance Company
88 Pine Street, Wall Street Plaza
New York, New York 10005

If to Buy-Out Company:
Mr. John Hagen
Unigard Insurance Company
1 General Drive
Sun Prairie, Wisconsin 53596

5.2 Notwithstanding the provisions of Section 5.1 above, a notice will be deemed to have been properly given if the party to whom it is directed signs a copy of such notice and returns it to the party giving notice.

Successors and Assigns

6. This Agreement and any rights pursuant hereto shall not be assignable by any party hereto, except by operation of law. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto, or their respective legal successors, any rights, remedies, obligations or liabilities, or to relieve any person other than the parties hereto, or their respective legal successors, from any obligations or liabilities that would otherwise be applicable.

Entire Agreement, Amendment

7.1 This Agreement, together with Exhibit A attached hereto, constitutes the entire Agreement among the parties hereto with respect to the rights established herein.

7.2 This Agreement may not be changed orally, and any modification, amendment or repeal of this Agreement must be in writing and shall be signed by the party against whom such amendment or modification is to be enforced.

7.3 This Agreement supercedes all prior agreements among the parties with respect to the subject matter hereof, and all prior agreements are of no further force or effect.

Arbitration

8.1 All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two (2) arbitrators, one to be chosen by each party, and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one (1) month after being required by the other party in writing to do so, or if the arbitrators fail to appoint an umpire within one (1) month of a request in writing by either of them to do so, such arbitrators or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

8.2 The arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one (1) month after the appointment of the court of arbitration, and the respondent shall submit its reply within one (1) month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under this agreement according to an equitable rather than a strictly legal interpretation of its terms.

8.3 The written decision shall be provided to both parties and shall be final and shall not be subject to appeal.

8.4 Each party shall bear the expenses of his arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

8.5 This article shall survive the termination of this Agreement.

Gender, Singular and Plural

9. The use of any one or more genders shall be construed to include all other genders, unless the context clearly indicates that less than all the genders is intended. The use of the singular or of the plural shall be construed to include both the singular and the plural unless the context clearly indicates that only the singular or the plural is intended.

Captions

10. Captions in this Agreement are inserted for ease of reference only and shall not be used in construing the terms of this Agreement.

Severability

11. If any part of this Agreement is determined to be invalid, the validity of this Agreement shall not be affected and the parties agree that all remaining parts shall remain in full force and effect.

Governing Law

12. This Agreement shall be governed and construed in accordance with the laws of the State of New York, except all obligations of the Buy-Out Company and the Servicing Company to the AAIP will be governed and construed by Arizona law.

IN WITNESS WHEREOF, we have executed this instrument on the date first written above.

Praetorian Insurance Company

BY: Fabian Burstyn
TITLE: Senior Vice President

Unigard Insurance Company

BY: _____
TITLE: VP

LIMITED ASSIGNMENT DISTRIBUTION PROGRAM AGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY, SERVICING COMPANY
AND
UNIGARD INSURANCE COMPANY, BUY-OUT COMPANY

ARIZONA

EXHIBIT A – BUY-OUT FEE

a. The percentage to be used in calculating the Buy-Out Fee for 2009 shall be **20.0** Percent.
b. In the event, however, the application of this percentage, inclusive of any subsequent adjustments to the estimated premium volume, produces a total Buy-Out Fee of less than $1,500, the above percentage will be increased such that the annual Buy-Out Fee will equal $1,500.
c. The estimated Buy-Out Fee shall be in quarterly installments, to be paid within 30 days of billing.

Servicing Company:

Praetorian Insurance Company

By: _____

Name: Fabian Burstyn

Title: Senior Vice President

Date: 1/13/09

Buy-Out Company:

Unigard Insurance Company

By: _____

Name: JENNIFER J. VERE

Title: VP

Date: 1/7/2009

PRAETORIAN INSURANCE COMPANY
Park 80 West Plaza II
P.O. Box 6579
Saddle Brook, N.J. 07663
(201) 368-8055 Fax (201) 368-8649

January 22, 2009

Ms. Judy Zelhofer
Corporate Counsel
QBE Regional Insurance Company
One General Drive
Sun Prairie, WI 53596

Dear Ms. Zelhofer,

Enclosed for your records is a copy of the letter from the California Automobile Assigned Risk Plan (CAARP) regarding the Agreement to have Praetorian Insurance Company provide LAD Carrier services to your company for your quota of California private passenger automobile assigned risk business for calendar year 2009.

The letter confirms that the Agreement has been approved and as a result we may proceed under its terms.

Also enclosed for your records is a copy of the signed Agreement.

Judy, we appreciate your business; and we look forward to providing you with our services. Please do not hesitate to call me if you have any questions.

Respectfully,

Jonathan Sachs
Associate Director of Marketing

CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN

Administrators of the California Low Cost Automobile Insurance Program

P.O. Box 7917, 94120-7917 595 Market Street, Suite 1250 San Francisco, CA 94105
Phone (415) 765-6767 California (800) 622-0954 Countrywide (800) 227-4659
Fax (415) 421-4013 E-mail caarp@aipso.com www.aipso.com/ca

Richard J. Manning, *Regional Director*
richard.manning@aipso.com

Karen Borawski, *Administrative Manager*
karen.borawski@aipso.com

January 21, 2009

Mr. Jonathan Sachs
Associate Director of Marketing
Praetorian Insurance Company
Park 80 West Plaza II
Saddle Brook, NJ 07663

Re: Private Passenger Auto LAD Approval

LAD Carrier: **Praetorian Insurance Company**
Buy-Out Company: **Unigard Insurance Company**

Dear Mr. Sachs:

The California Private Passenger Auto LAD Contract between **Praetorian Insurance Company,** as the LAD Carrier and the above-referenced insurance company as the Buy Out Company, has been approved in accordance with the provisions of Section 8B of the California Plan.

The effective date of the contract is January 1, 2009.

Sincerely,

R. J. Manning

Richard J. Manning
CAARP Regional Director

cc J. Hagen, Unigard Ins Co
K. Murtagh, AIPSO
File

CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN
LIMITED ASSIGNMENT DISTRIBUTION PROGRAM AGREEMENT
BETWEEN

PRAETORIAN INSURANCE COMPANY, LAD CARRIER
AND

UNIGARD INSURANCE COMPANY, BUY-OUT COMPANY

Agreement made effective as of January 1, 2009 between Praetorian Insurance Company (hereinafter referred to as "LAD Carrier"), an insurance company authorized to write auto liability insurance in California having offices at 88 Pine Street, Wall Street Plaza, New York 10005 and Unigard Insurance Company (hereinafter referred to as the "Buy-Out Company"), an insurance company authorized to write auto liability insurance in California, having offices at 1 General Drive, Sun Prairie, Wisconsin 53596.

Preamble

I. The LAD Carrier has been approved by the Advisory Committee of the California Automobile Assigned Risk Plan ("CAARP"), as a LAD Carrier under the Limited Assignment Distribution Program (hereinafter called the "LAD Program").

II. The Buy-Out Company desires to be excused from its obligations to accept certain new assignments under Plan rules, and the Buy-Out Company desires to enter into this Agreement with the LAD Carrier.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Transfer of Plan Assignments

1.1 The LAD Carrier hereby agrees to accept assignments from the Plan that would otherwise be made to the Buy-Out Company during the term of this Agreement, on the class of business covered by this Agreement and as required by law.

1.2 The class of business covered by this Agreement is private passenger motor non-fleet vehicle risks submitted to the Plan on or after January 1, 2009, or on or after the date this Agreement is approved by the Plan, whichever is later.

1.3 The amount of assignments which the LAD Carrier will accept under the terms hereof shall be the quota of assignments during the term of this Agreement which the Buy-Out Company is required to write on account of its own private passenger non-fleet motor vehicle insurance written on a voluntary basis in the State of California as determined by Plan rules.

SECTION 2. Buy-Out Fee and Terms of Payment

2.1 The Buy-Out Company shall pay to the LAD Carrier a fee (the "Buy-Out Fee") determined by multiplying the Buy-Out Company's total quota of assignments (in premium dollars) under The Plan for the term of this Agreement by the percentage set forth in Exhibit A. The fee shall initially be estimated based on the Buy-Out Company's then current share of the estimated premium volume as calculated by The Plan in its published estimate of premium volume by accounting (calendar) year. This estimated fee will be adjusted by a subsequent accounting using the Buy-Out Company's share of actual premium volume as calculated by the Plan for such accounting (calendar) year. In the event that the Buy-Out Company's share of actual premium volume is different than the amount estimated initially by the Plan, the Buy-Out Fee will be adjusted accordingly. If the adjustment reflects an increase in the Buy-Out Fee, the Buy-Out Company shall pay such additional amount to the LAD Carrier. If the adjustment reflects a decrease in the Buy-Out Fee, then the LAD Carrier shall refund the difference to the Buy-Out Company. Any such additional charge or refund shall be calculated and paid to the applicable party as soon as practicable following the Plan's publication of the actual premium volume for the applicable accounting (calendar) year.

2.2 In the event the Buy-Out Company fails to pay to the LAD Carrier the Buy-Out Fee within the time period set forth in Exhibit A, then the LAD Carrier shall send notice to the Buy-Out Company. If the Buy-Out Company still has not paid the Buy-Out Fee within one month after such notice, then LAD Carrier may send the Buy-Out Company a termination notice pursuant to Section 4.3 below, and this

Agreement will then be terminated as provided therein. Further, If the Buy-Out Company fails to pay the Buy-Out Fee, or any adjustment fee as provided in this paragraph, Servicing Company may charge Buy-Out Company a late fee of 1% per month.

SECTION 3. Representations and Warranties

The LAD Carrier warrants and represents that it has been approved by the Advisory Committee of the Plan to act as a LAD Carrier under the LAD Program.

SECTION 4. Duration of Agreement; Cancellation

4.1 This Agreement shall become effective on the date set forth at the beginning of this Agreement or on the date this Agreement is approved by the Plan, whichever is later, and shall continue in force and effect until December 31, 2009.

4.2 Beginning on January 1, 2010, the Agreement shall be automatically renewed for successive one year terms unless either party sends the other written notice of non-renewal at least 90 days prior to the renewal effective date. Such renewal is subject to negotiation at least every three (3) years.

4.3 This Agreement may be terminated prior to expiration of the term(s) set forth in section 4.1 and 4.2 above, by the LAD Carrier for non-payment of fees as provided by Section 2.2 above or for any other reason permitted by the State of California (hereinafter referred to as the "Department"), the Plan rules or by law, by giving 30 days prior written notice to the Buy-Out Company and the Plan.

4.4 Buy-Out Company may terminate this Agreement in the event of a material breach by Servicing Company which is not cured within ten (10) days after written notice thereof. The termination will be effective as of the end of the ten (10) day cure period. Further, Buy-Out Company may terminate this Agreement if (i) a petition

for involuntary bankruptcy is filed against the Servicing Company and is not dismissed within thirty (30) days or (ii) the Servicing Company becomes insolvent or files or has filed any action related to protection under the bankruptcy laws, including without limitation, reorganization or appointment of a receiver.

4.5 The termination provisions hereof shall not be construed to affect the period for which the LAD Carrier must write insurance for policyholders assigned to it under the LAD Program. It being understood that The Plan rules presently require that the LAD Carrier issue policies to each policyholder assigned to it under this Agreement for a period of three (3) years.

In-Force Policies

5. The LAD Carrier will assume the Buy-Out Company's CAARP assigned policy renewal obligation. The LAD Carrier will make a renewal policy offer and, if accepted, issue its policy to each CAARP assigned policyholder for the remaining number of years required by CAARP.

Insolvency

6. In the event of the declared bankruptcy or insolvency of the Buy-Out Company and the appointment of a trustee or liquidator, receiver, conservator or statutory successor, this Agreement will be deemed terminated, and the LAD Carrier will be responsible to accept only that pro-rata portion of the Plan assignments equal to the percentage of Buy-Out Fees paid by the Buy-Out Company prior to such date, in accordance with Plan rules.

Filing of Agreement with THE PLAN; Further Instruments

7.1 The parties agree that they will cause a copy of this Agreement, when fully executed, to be filed with the Plan. In addition, the parties agree that they shall provide the Department a copy of this Agreement, including all Exhibits and Schedules relating hereto, in response to any requests which the Department at any time shall make pursuant to its examination authority.

7.2 The parties agree that they will execute such other and further instruments as may be necessary to effect the provisions of this Agreement.

Notice

8.1 Any notice required or permitted to be given hereunder shall be given in writing, shall be signed by the party giving notice and shall be delivered by certified or registered mail, return receipt requested, to the address of the party to whom the notice is directed as set forth below, or to such other person or address of which such party shall have given notice.

If to LAD Carrier

Mr. Fabian Burstyn, Senior Vice-President

Praetorian Insurance Company

88 Pine Street, Wall Street Plaza

New York, New York 10005

If to Buy-Out Company

Mr. John Hagen

Unigard Insurance Company

1 General Drive

Sun Prairie, Wisconsin 53596

8.2 Notwithstanding the provisions of Section 8.1 above. A notice shall be deemed to have been properly given if the party to whom it is directed signs a copy of such notice and returns it to the party giving notice.

Successors and Assigns

9. This Agreement and any rights pursuant hereto shall not be assignable by any party hereto, except by operation of law. Nothing in this Agreement, expressed or

implied, is intended to confer on any person other than the parties hereto, or their respective legal successors, any rights, remedies, obligations or liabilities, or to relieve any person other than the parties hereto, or their respective legal successors, from any obligations or liabilities that would otherwise be applicable.

Entire Agreement, Amendment

10.1 This Agreement, together with Exhibit A, constitutes the entire agreement between the parties hereto with respect to the rights established herein.

10.2 This Agreement may not be changed orally, and any modification, amendment or repeal of this Agreement must be in writing and shall be signed by the party against whom it is to be enforced.

10.3 This Agreement supersedes all prior agreements between the parties with respect to its subject matter hereof, and all prior agreements are of no further force or effect.

Governing Law and Severability

11.1 This Agreement shall be governed and construed in accordance with the laws of the State of New York except all obligations of the Buy-Out Company and the LAD Carrier to the Plan will be governed and construed by California law.

11.2 If any part of this Agreement is determined to be invalid, the validity of this Agreement shall not be affected and the parties agree that all remaining parts shall remain in full force and effect.

Arbitration

12.1 All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two arbitrators, one to be chosen by each party, and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one month after being required by the other party in writing to do so, or if the arbitrators or umpire within one month of a

request in writing by either of them to do so, such arbitrators or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

12.2 The arbitration proceeding shall take place in New York City, New York. The applicant shall submit its case within one month after the appointment of the court of arbitration, and the respondent shall submit its reply within one month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They may settle any dispute under the Agreement according to an equitable rather than a strictly legal interpretation of its terms.

12.3 Their written decision shall be provided to both parties and shall be final and not subject to appeal.

12.4 Each party shall bear the expenses of his arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

12.5 This article shall survive the termination of this Agreement.

Gender, Singular and Plural

13. The use of any one or more genders shall be construed to include all other genders unless the context clearly indicates that less than all the genders is intended. The use of the singular or of the plural shall be construed to include both the singular and the plural unless the context clearly indicates that only the singular or the plural is intended.

Captions

14. Captions in this Agreement are inserted for ease of reference only and shall not be used in construing the terms of this Agreement.

IN WITNESS WHEREOF, we have executed this instrument of the date set forth below.

LAD Carrier

By: Fabian Burstyn

Title: Senior Vice-President

Date: 1/13/09

Buy-Out Company

By: _____

Title: VP

Date: 1/7/2009

CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN

LIMITED ASSIGNMENT DISTRIBUTION PROGRAM AGREEMENT

BETWEEN

PRAETORIAN INSURANCE COMPANY, LAD CARRIER

AND

UNIGARD INSURANCE COMPANY, BUY-OUT COMPANY

CALIFORNIA

EXHIBIT A – BUY-OUT FEE

a. The percentage to be used in calculating the Buy-Out Fee for 2009 shall be **20.0** Percent.

b. In the event, however, the application of this percentage, inclusive of any subsequent adjustments to the estimated premium volume, produces a total Buy-Out Fee of less than $1,500, the above percentage will be increased such that the annual Buy-Out Fee will equal $1,500.

c. The estimated Buy-Out Fee shall be billed in quarterly installments, to be paid within 30 days of billing.

LAD Carrier:

Praetorian Insurance Company

By: _____

Name: Fabian Burstyn

Title: Senior Vice President

Date: 1/13/09

Buy-Out Company:

Unigard Insurance Company

By: _____

Name: JENNIFER J. VERNON

Title: VP

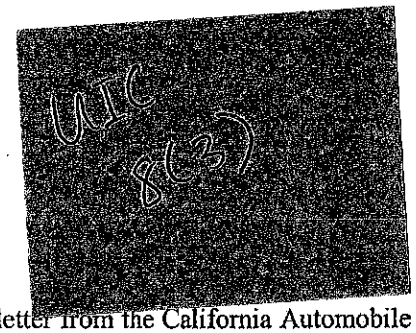
Date: 1/7/2009

PRAETORIAN INSURANCE COMPANY

Park 80 West Plaza II
P.O. Box 6579
Saddle Brook, N.J. 07663
(201) 368-8055 Fax (201) 368-8649

February 9, 2009

Ms. Judith Zelhofer
Corporate Counsel
Corporate Legal
QBE Regional Insurance
One General Drive
Sun Prairie, WI 53596



Dear Judith,

Enclosed for your records is a copy of the letter from the California Automobile Assigned Risk Plan regarding the Agreement to have Praetorian Insurance Company provide LAD Carrier services to your company, for your quota of California Low Cost assignments for calendar year 2009.

The letter confirms that the Agreements have been approved based on receipt of an addendum as required by the California Low Cost Plan. The addendum, cited as Paragraph 4.5 below, should replace the Paragraph 4.5 in the Low Cost LAD Agreement to correct the Agreement to comply with Plan requirements. The addendum is required in order to ensure that renewals are based on eligibility, as required by the Low Cost Plan rather than on a 3 year renewal requirement

4.5. The termination provisions hereof shall not be construed to affect the period for which the LAD Carrier must write insurance for policyholders assigned to it under the LAD Program. It being understood that The Plan rules presently require that the LAD Carrier issue policies to each policyholder assigned to it under this Agreement for as long a period as the assured is eligible for the LCA, pursuant to Section 31 of the LCA Rules.

Please indicate your acceptance of this addendum, which is required by the California Low Cost Plan, by signing in the space below and returning the signed copy to me at the address shown above. Praetorian, upon receipt, will provide a signed copy to the California Low Cost Plan.

Also enclosed for your record is a copy of the signed Agreement, with a copy of this letter as the addendum and with a copy of the CAARP approval letter.

Judith, we appreciate your business; and we look forward to providing you with our services. Please do not hesitate to call me if you have any questions.

Respectfully,

Jonathan Sachs
Associate Director of Marketing

Accepted by:

For Unigard Insurance Company
Printed Name CHARLES U ALWO

Cc: Mr. Richard Manning, CAARP Plan Manager
Mr. John Svoboda, Vice President, Praetorian Insurance

CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN

Administrators of the California Low Cost Automobile Insurance Program

P.O. Box 7917, 94120-7917 595 Market Street, Suite 1250 San Francisco, CA 94105
Phone (415) 765-6767 California (800) 622-0954 Countrywide (800) 227-4659
Fax (415) 421-4013 E-mail caarp@alpso.com www.alpso.com/ca

Richard J. Manning, *Regional Director*
richard.manning@alpso.com

Karen Borawski, *Administrative Manager*
karen.borawski@alpso.com

February 3, 2009

Mr. Jonathan Sachs
Associate Director of Marketing
Praetorian Insurance Company
Park 80 West Plaza II
Saddle Brook, NJ 07663

Re: Low Cost Auto LAD Approval

LAD Carrier: **Praetorian Insurance Company**
Buy-Out Company: **Unigard Insurance Company**

Dear Mr. Sachs:

The California Low Cost Auto LAD Contract between **Praetorian Insurance Company,** as the LAD Carrier and the above-referenced insurance company as the Buy Out Company, has been approved in accordance with the provisions of Section 8B of the California Low Cost Automobile Insurance Program pending receipt of the addendum.

The effective date of the contract is January 1, 2009.

Sincerely,

R. J. Manning

Richard J. Manning
CAARP Regional Director

cc J. Hagen, Unigard Ins Co
K. Murtagh, AIPSO
File

CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM
LIMITED ASSIGNMENT DISTRIBUTION PROGRAM AGREEMENT
BETWEEN

PRAETORIAN INSURANCE COMPANY, LAD CARRIER
AND

UNIGARD INSURANCE COMPANY, BUY-OUT COMPANY

Agreement made effective as of January 1, 2009, between Praetorian Insurance Company (hereinafter referred to as "LAD Carrier"), an insurance company authorized to write auto liability insurance in California having offices at 88 Pine Street, Wall Street Plaza, New York 10005 and Unigard Insurance Company (hereinafter referred to as the "Buy-Out Company"), an insurance company authorized to write auto liability insurance in California, having offices at 1 General Drive, Sun Prairie, Wisconsin 53596.

Preamble

I. The LAD Carrier has been approved by the Advisory Committee of the California Low Cost Automobile Insurance Program ("LCA"), as a LAD Carrier under the Limited Assignment Distribution Program (hereinafter called the "LAD Program").

II. The Buy-Out Company desires to be excused from its obligations to accept certain new assignments under the LCA Plan rules, and the Buy-Out Company desires to enter into this Agreement with the LAD Carrier.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Transfer of Plan Assignments

1.1 The LAD Carrier hereby agrees to accept LCA assignments from the Plan that would otherwise be made to the Buy-Out Company during the term of this Agreement, on the class of business covered by this Agreement and as required by law.

1.2 The class of business covered by this Agreement is LCA private passenger motor non-fleet vehicle risks submitted to the Plan on or after January 1, 2009, or on or after the date this Agreement is approved by the Plan, whichever is later.

1.3 The amount of assignments which the LAD Carrier will accept under the terms hereof shall be the quota of assignments during the term of this Agreement which the Buy-Out Company is required to write on account of its own private passenger non-fleet motor vehicle insurance written on a voluntary basis in the State of California as determined by LCA Plan rules.

SECTION 2. Buy-Out Fee and Terms of Payment

2.1 The Buy-Out Company shall pay to the LAD Carrier a fee (the "Buy-Out Fee") determined by multiplying the Buy-Out Company's total quota of assignments (in premium dollars) under The Plan for the term of this Agreement by the percentage set forth in Exhibit A. The fee shall initially be estimated based on the Buy-Out Company's then current share of the estimated premium volume as calculated by The Plan in its published estimate of premium volume by accounting (calendar) year. This estimated fee will be adjusted by a subsequent accounting using the Buy-Out Company's share of actual premium volume as calculated by the Plan for such accounting (calendar) year. In the event that the Buy-Out Company's share of actual premium volume is different than the amount estimated initially by the Plan, the Buy-Out Fee will be adjusted accordingly. If the adjustment reflects an increase in the Buy-Out Fee, the Buy-Out Company shall pay such additional amount to the LAD Carrier. If the adjustment reflects a decrease in the Buy-Out Fee, then the LAD Carrier shall refund the difference to the Buy-Out Company. Any such additional charge or refund shall be calculated and paid to the applicable party as soon as practicable following the Plan's publication of the actual premium volume for the applicable accounting (calendar) year.

2.2 In the event the Buy-Out Company fails to pay to the LAD Carrier the Buy-Out Fee within the time period set forth in Exhibit A, then the LAD Carrier shall send notice to the Buy-Out Company. If the Buy-Out Company still has not paid the Buy-Out Fee within one month after such notice, then LAD Carrier may send the Buy-Out Company a termination notice pursuant to Section 4.3 below, and this

Agreement will then be terminated as provided therein. Furthermore, If the Buy-Out Company fails to pay the Buy-Out Fee, or any adjustment fee as provided in this paragraph, Servicing Company may charge Buy-Out Company a late fee of 1% per month.

SECTION 3. Representations and Warranties

The LAD Carrier warrants and represents that it has been approved by the Advisory Committee of the LCA Plan to act as a LAD Carrier under the LAD Program.

SECTION 4. Duration of Agreement; Cancellation

4.1 This Agreement shall become effective on the date set forth at the beginning of this Agreement or on the date this Agreement is approved by the Plan, whichever is later, and shall continue in force and effect until December 31, 2009.

4.2 Beginning on January 1, 2010, the Agreement shall be automatically renewed for successive one year terms unless either party sends the other written notice of non-renewal at least 90 days prior to the renewal effective date. Such renewal is subject to negotiation at least every three (3) years.

4.3 This Agreement may be terminated prior to expiration of the term(s) set forth in section 4.1 and 4.2 above, by the LAD Carrier for non-payment of fees as provided by Section 2.2 above or for any other reason permitted by the State of California (hereinafter referred to as the "Department"), the LCA Plan rules or by law, by giving 30 days prior written notice to the Buy-Out Company and the Plan.

4.4 Buy-Out Company may terminate this Agreement in the event of a material breach by Servicing Company which is not cured within ten (10) days after written notice thereof. The termination will be effective as of the end of the ten (10) day cure period. Further, Buy-Out Company may terminate this Agreement if (i) a petition

for involuntary bankruptcy is filed against the Servicing Company and is not dismissed within thirty (30) days or (ii) the Servicing Company becomes insolvent or files or has filed any action related to protection under the bankruptcy laws, including without limitation, reorganization or appointment of a receiver.

4.5 The termination provisions hereof shall not be construed to affect the period for which the LCA LAD Carrier must write insurance for policyholders assigned to it under the LCA LAD Program. It being understood that The Plan rules presently require that the LAD Carrier issue policies to each policyholder assigned to it under this Agreement for a period of three (3) years.

In-Force Policies

5. The LAD Carrier will assume the Buy-Out Company's LCA assigned policy renewal obligation. The LAD Carrier will make a renewal policy offer and, if accepted, issue its policy to each LCA assigned policyholder for the remaining number of years required by the LCA Plan.

Insolvency

6. In the event of the declared bankruptcy or insolvency of the Buy-Out Company and the appointment of a trustee or liquidator, receiver, conservator or statutory successor, this Agreement will be deemed terminated, and the LAD Carrier will be responsible to accept only that pro-rata portion of the Plan assignments equal to the percentage of Buy-Out Fees paid by the Buy-Out Company prior to such date, in accordance with Plan rules.

Filing of Agreement with THE PLAN; Further Instruments

7.1 The parties agree that they will cause a copy of this Agreement, when fully executed, to be filed with the LCA Plan. In addition, the parties agree that they shall provide the Department a copy of this Agreement, including all Exhibits and Schedules relating hereto, in response to any requests which the Department at any time shall make pursuant to its examination authority.

7.2 The parties agree that they will execute such other and further instruments as may be necessary to effect the provisions of this Agreement.

Notice

8.1 Any notice required or permitted to be given hereunder shall be given in writing, shall be signed by the party giving notice and shall be delivered by certified or registered mail, return receipt requested, to the address of the party to whom the notice is directed as set forth below, or to such other person or address of which such party shall have given notice.

If to LAD Carrier

Mr. Fabian Burstyn, Senior Vice-President

Praetorian Insurance Company

88 Pine Street, Wall Street Plaza

New York, New York, 10005

If to Buy-Out Company

Mr. John Hagen

Unigard Insurance Company

1 General Drive

Sun Prairie, Wisconsin 53596

8.2 Notwithstanding the provisions of Section 8.1 above. a notice shall be deemed to have been properly given if the party to whom it is directed signs a copy of such notice and returns it to the party giving notice.

Successors and Assigns

9. This Agreement and any rights pursuant hereto shall not be assignable by any party hereto, except by operation of law. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto, or their respective legal successors, any rights, remedies, obligations or liabilities, or to relieve any person other than the parties hereto, or their respective legal successors, from any obligations or liabilities that would otherwise be applicable.

Entire Agreement, Amendment

10.1 This Agreement, together with Exhibit A, constitutes the entire agreement between the parties hereto with respect to the rights established herein.

10.2 This Agreement may not be changed orally, and any modification, amendment or repeal of this Agreement must be in writing and shall be signed by the party against whom it is to be enforced.

10.3 This Agreement supersedes all prior agreements between the parties with respect to its subject matte hereof, and all prior agreements are of no further force or effect.

Governing Law and Severability

11.1 This Agreement shall be governed and construed in accordance with the laws of the State of New York except all obligations of the Buy-Out Company and the LAD Carrier to the Plan will be governed and construed by California law.

11.2 If any part of this Agreement is determined to be invalid, the validity of this Agreement shall not be affected and the parties agree that all remaining parts shall remain in full force and effect.

Arbitration

12.1 All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two arbitrators, one to be chosen by each party, and in the event of the

arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one month after being required by the other party in writing to do so, or if the arbitrators or umpire within one month of a request in writing by either of them to do so, such arbitrators or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

12.2 The arbitration proceeding shall take place in New York City, New York. The applicant shall submit its case within one month after the appointment of the court of arbitration, and the respondent shall submit its reply within one month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They may settle any dispute under the Agreement according to an equitable rather than a strictly legal interpretation of its terms.

12.3 Their written decision shall be provided to both parties and shall be final and not subject to appeal.

12.4 Each party shall bear the expenses of his arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

12.5 This article shall survive the termination of this Agreement.

Gender, Singular and Plural

13. The use of any one or more genders shall be construed to include all other genders unless the context clearly indicates that less than all the genders is intended. The use of the singular or of the plural shall be construed to include both the singular and the plural unless the context clearly indicates that only the singular or the plural is intended.

Captions

14. Captions in this Agreement are inserted for ease of reference only and shall not be used in construing the terms of this Agreement.

IN WITNESS WHEREOF, we have executed this instrument of the date set forth below.

LAD Carrier

By: _____
Fabian Burstyn

Title: Senior Vice-President

Date: 1/27/09

Buy-Out Company

By: _____

Title:: SVP ABL Regional

Date: 1/21/09

CALIFORNIA LOW COST AUTOMOBILE INSURANCE PROGRAM
LIMITED ASSIGNMENT DISTRIBUTION PROGRAM AGREEMENT

BETWEEN

PRAETORIAN INSURANCE COMPANY, LAD CARRIER

AND

UNIGARD INSURANCE COMPANY, BUY-OUT COMPANY

CALIFORNIA LOW COST

EXHIBIT A – BUY-OUT FEE

a. The percentage to be used in calculating the Buy-Out Fee for 2009 shall be **20.0** Percent.

b. In the event, however, the application of this percentage, inclusive of any subsequent adjustments to the estimated premium volume, produces a total Buy-Out Fee of less than $1,500, the above percentage will be increased such that the annual Buy-Out Fee will equal $1,500.

c. The estimated Buy-Out Fee shall be billed in quarterly installments, to be paid within 30 days of billing.

LAD Carrier:

Praetorian Insurance Company

By: _____

Name: Fabian Burstyn

Title: Senior Vice President

Date: 1/27/09

Buy-Out Company:

Unigard Insurance Company

By: _____

Name: CHARLES R VALINO JR

Title: QBE Regional SVP

Date: 1/21/09

WESTERN ASSOCIATION OF AUTOMOBILE INSURANCE PLANS

P.O. Box 7917, 94120-7917 595 Market Street, Suite 1250 San Francisco, CA 94105
Phone (415) 765-6767 Countrywide (800) 227-4659 California (800) 622-0954
Fax (415) 421-4013 E-mail waaip@aipso.com www.aipso.com/western

Richard J. Manning, *Regional Director*
richard.manning@aipso.com

Karen Borawski, *Administrative Manager*
karen.borawski@aipso.com

January 21, 2009

Mr. Jonathan Sachs
Associate Director of Marketing
Praetorian Insurance Company
Park 80 West Plaza II
Saddle Brook, NJ 07663

RE: WAAIP LAD Approvals for:

LAD Carrier:	**Praetorian Insurance Company**
Buy-Out Company:	**Unigard Insurance Company**
State(s) Approved:	**Arizona, Idaho, Nevada, Oregon, Utah, and Washington**

Dear Mr. Sachs:

The above-referenced WAAIP LAD contract(s) between Praetorian Insurance Company as the LAD Carrier, and the above-referenced insurance company as the buy-out company, complies with the necessary provisions of Section. 40.C of the Automobile Insurance Plan pending receipt of the addendums.

The contracts are effective as of January 1, 2009.

If you have any questions regarding the above, please feel free to contact me.

Sincerely,

R. J. Manning

Richard J. Manning
WAAIP Regional Director

cc: J. Hagen, Unigard Ins Co
K. Murtagh, AIPSO
File

PRAETORIAN INSURANCE COMPANY
Park 80 West Plaza II
P.O. Box 6579
Saddle Brook, N.J. 07663
(201) 368-8055 Fax (201) 368-8649

January 22, 2009

Ms. Judy Zelhofer
Corporate Counsel
QBE Regional Insurance
One General Drive
Sun Prairie, WI 53596

Dear Judy,

Enclosed for your records is a copy of the letter from the Western Association of Automobile Insurance Plans regarding the Agreements to have Praetorian Insurance Company provide LAD Carrier services to your company, for your quota of WAAIP State private passenger automobile assigned risk business for calendar year 2009.

The letter confirms that the Agreements have been approved based on receipt of an addendum as required by the WAAIP State Plans. The addendum, cited as Paragraph 1.5 below, should be included with each WAAIP State LAD Agreement to comply with Plan requirements.

1.5 The parties agree that during the term of this Agreement, any Plan policies, which have been previously assigned to the Buy-Out Company by the Plan and which are in-force will be non-renewed on their anniversary date.

Please indicate your acceptance of this addendum, which is required by each WAAIP State Plan, by signing in the space below and returning a signed copy to me at the address shown above. Praetorian, upon receipt, will provide a signed copy to the California Low Cost Plan.

Also enclosed for your record is a copy of the signed Agreements, along with a copy of the WAAIP approval letter.

Judy, we appreciate your business; and we look forward to providing you with our services. Please do not hesitate to call me if you have any questions.

Respectfully,

Jonathan Sachs
Associate Director of Marketing

Accepted by:

For Unigard Insurance Company
Printed Name CHARLES VALMOTH

Cc: Mr. Richard Manning, WAAIP Plan Manager

LIMITED ASSIGNMENT DISTRIBUTIONAGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY (SERVICING COMPANY)
AND
UNIGARD INSURANCE COMPANY (BUY-OUT COMPANY)

IDAHO

AGREEMENT, made effective as of the 1st day of January, 2009, between Praetorian Insurance Company (hereinafter called "Servicing Company"), an insurance company authorized to write motor vehicle insurance in Idaho, having offices at 88 Pine Street, Wall Street Plaza, New York, NY 10005 and Unigard Insurance Company (hereafter called the "Buy-Out Company"), an insurance company authorized to write motor vehicle insurance in Idaho having offices at 1 General Drive, Sun Prairie, Wisconsin 53596.

Preamble

I. The Servicing Company has been approved by the Idaho Automobile Insurance Plan Governing Committee as a Servicing Company under the Limited Assignment Distribution Program [hereinafter called the "LAD Program"].

II. The Buy-Out Company is eligible and elects to be excused from its obligations to accept certain new assignments under the Idaho Automobile Insurance Plan (hereinafter called "IAIP"), and the Buy-Out Company desires to enter into this Agreement with the Servicing Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Transfer of IAIP Assignments

1.1 The Servicing Company hereby agrees to accept assignments from the IAIP which would otherwise be made to the Buy-Out Company during the term of this Agreement, on the class of business covered by this Agreement, subject to the limitation set forth in this Agreement and as required by law.

1.2 The class of business covered by this Agreement is private passenger non-fleet Idaho motor vehicle risks submitted to the IAIP on or after January 1, 2009.

1.3 The amount of assignments which the Servicing Company will accept under the terms hereof shall be the quota of assignments during the term of this Agreement which the Buy-Out Company is required by law to write on account of its own private passenger non-fleet motor vehicle insurance written on a voluntary basis in the State of Idaho.

1.4 The Servicing Company hereby agrees to defend, indemnify and hold harmless Buy-Out Company, its agents, employees, successors, and assigns from any and all claims, regulatory compliance actions, or other causes of action, including but not limited to reasonable attorney's fees and litigation expenses, brought against the Buy-Out Company by any third party based upon an act or failure to act on the part of the Servicing Company in connection with its responsibilities under and for the term of this Buy-Out Agreement.

Buy-Out Fee and Terms of Payment

2.1 The Buy-Out Company shall pay to the Servicing Company a fee (the Buy-Out Fee) by application of the factor set forth in Exhibit A to the Buy-Out Company's total quota of assignments (in premium dollars) under the IAIP for the term of this Agreement. The estimated Buy-Out Fee, which is to be paid on a QUARTERLY basis, is to be paid within 30 days after billing beginning with the effective date of this Agreement and QUARTERLY thereafter, is based on the Buy-Out Company's then current IAIP share of the estimated premium volume as calculated by the IAIP published estimate of premium volume by calendar year. When the IAIP issues the Plan Annual Report the initial fee shall be adjusted to reflect the Buy-Out Company's actual IAIP share and the actual premium volume of the IAIP. This subsequent adjustment may result in an additional charge or refund which shall be calculated and paid to the applicable party within thirty [30] days following the IAIP'S publication of the actual premium volume for the applicable calendar year. If the Buy-Out Company fails to pay the Buy-Out Fee, or any adjustment fee as provided in this paragraph, Servicing Company may charge Buy-Out Company a late fee of 1% per month.

Representations and Warranties

3.1 The Servicing Company hereby warrants and represents that it has been approved by the Idaho Automobile Insurance Plan Governing Committee to act as a Servicing Company under the LAD Program.

3.2 The Buy-Out Company hereby warrants and represents that it is eligible for participation in the LAD Program as a Buy-Out Company.

Duration of Agreement: Cancellation

4.1 This Agreement shall become effective on the date set forth at the beginning of this Agreement, or on the date this Agreement is approved by the Idaho Automobile Insurance Plan Governing Committee, whichever is later, and shall continue in force and effect until December 31st, 2009.

4.2 Beginning on January 1, 2010, the Agreement shall be automatically renewed for successive one-year terms unless either party sends the other written notice of non-renewal at least ninety [90] days prior to the renewal effective date. Such renewal is subject to negotiation at least every three (3) years.

4.3 Notwithstanding the foregoing provision, the Agreement shall terminate at such earlier date as may be required by law, including, without limitation, any provisions of the Idaho Insurance Law, the regulations of the Idaho Insurance Department, the rules of IAIP, or the lawful order or decree of the Idaho Insurance Department or the IAIP, provided, however, that the period within which either party hereto may object to or appeal from any such order or decree shall have expired.

4.4 Buy-Out Company may terminate this Agreement in the event of a material breach by Servicing Company which is not cured within ten (10) days after written notice thereof. The termination will be effective as of the end of the ten (10) day cure period. Further, Buy-Out Company may terminate this Agreement if (i) a petition for involuntary bankruptcy is filed against the Servicing Company and is not dismissed within thirty (30) days or (ii) the Servicing Company becomes insolvent

or files or has filed any action related to protection under the bankruptcy laws, including without limitation, reorganization or appointment of a receiver.

4.5 The termination provisions hereof shall not be construed to affect the period for which the Servicing Company must write insurance for assureds assigned to it under this Agreement, it being understood that the rules of the IAIP, presently require that the Servicing Company issue policies to each assured assigned to it under this Agreement for a period of three [3] years.

Notice

5.1 Any notice required or permitted to be given hereunder shall be given in writing, shall be signed by the party giving notice and shall be delivered by certified or registered mail, return receipt requested, to the address of the party to whom the notice is directed as set forth below, or to such other person or address of whom such party shall have given notice.

If to Servicing Company:
Fabian Burstyn, Senior Vice-President
Praetorian Insurance Company
88 Pine Street, Wall Street Plaza
New York, New York 10005

If to Buy-Out Company:
Mr. John Hagen
Unigard Insurance Company
1 General Drive
Sun Prairie, Wisconsin 53596

5.2 Notwithstanding the provisions of Section 5.1 above, a notice will be deemed to have been properly given if the party to whom it is directed signs a copy of such notice and returns it to the party giving notice.

Successors and Assigns

6. This Agreement and any rights pursuant hereto shall not be assignable by any party hereto, except by operation of law. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto, or their respective legal successors, any rights, remedies, obligations or liabilities, or to relieve any person other than the parties hereto, or their respective legal successors, from any obligations or liabilities that would otherwise be applicable.

Entire Agreement, Amendment

7.1 This Agreement, together with Exhibit A attached hereto, constitutes the entire Agreement among the parties hereto with respect to the rights established herein.

7.2 This Agreement may not be changed orally, and any modification, amendment or repeal of this Agreement must be in writing and shall be signed by the party against whom such amendment or modification is to be enforced.

7.3 This Agreement supercedes all prior agreements among the parties with respect to the subject matter hereof, and all prior agreements are of no further force or effect.

Arbitration

8.1 All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two (2) arbitrators, one to be chosen by each party, and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one (1) month after being required by the other party in writing to do so, or if the arbitrators fail to appoint an umpire within one (1) month of a request in writing by either of them to do so, such arbitrators or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

8.2 The arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one (1) month after the appointment of the court of arbitration, and the respondent shall submit its reply within one (1) month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under this agreement according to an equitable rather than a strictly legal interpretation of its terms.

8.3 The written decision shall be provided to both parties and shall be final and shall not be subject to appeal.

8.4 Each party shall bear the expenses of his arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

8.5 This article shall survive the termination of this Agreement.

Gender, Singular and Plural

9. The use of any one or more genders shall be construed to include all other genders, unless the context clearly indicates that less than all the genders is intended. The use of the singular or of the plural shall be construed to include both the singular and the plural unless the context clearly indicates that only the singular or the plural is intended.

Captions

10. Captions in this Agreement are inserted for ease of reference only and shall not be used in construing the terms of this Agreement.

Severability

11. If any part of this Agreement is determined to be invalid, the validity of this Agreement shall not be affected and the parties agree that all remaining parts shall remain in full force and effect.

Governing Law

12. This Agreement shall be governed and construed in accordance with the laws of the State of New York, except all obligations of the Buy-Out Company and the Servicing Company to the IAIP will be governed and construed by Idaho law.

IN WITNESS WHEREOF, we have executed this instrument on the date first written above.

Accepted for Praetorian Insurance Company

BY: Fabian Burstyn Date: 1/13/09
TITLE: Senior Vice President

Accepted for Unigard Insurance Company

BY: Date: 1/7/2009
TITLE: VP

WESTERN ASSOCIATION OF AUTOMOBILE INSURANCE PLANS

P.O. Box 7917, 94120-7917 595 Market Street, Suite 1250 San Francisco, CA 94105
Phone (415) 765-6767 Countrywide (800) 227-4659 California (800) 622-0954
Fax (415) 421-4013 E-mail waaip@aipso.com www.aipso.com/western

Richard J. Manning, *Regional Director*
richard.manning@aipso.com

Karen Borawski, *Administrative Manager*
karen.borawski@aipso.com

January 21, 2009

Mr. Jonathan Sachs
Associate Director of Marketing
Praetorian Insurance Company
Park 80 West Plaza II
Saddle Brook, NJ 07663

RE: WAAIP LAD Approvals for:

LAD Carrier:	**Praetorian Insurance Company**
Buy-Out Company:	**Unigard Insurance Company**
State(s) Approved:	**Arizona, Idaho, Nevada, Oregon, Utah, and Washington**

Dear Mr. Sachs:

The above-referenced WAAIP LAD contract(s) between Praetorian Insurance Company as the LAD Carrier, and the above-referenced insurance company as the buy-out company, complies with the necessary provisions of Section. 40.C of the Automobile Insurance Plan pending receipt of the addendums.

The contracts are effective as of January 1, 2009.

If you have any questions regarding the above, please feel free to contact me.

Sincerely,

R. J. Manning

Richard J. Manning
WAAIP Regional Director

cc: J. Hagen, Unigard Ins Co
K. Murtagh, AIPSO
File

PRAETORIAN INSURANCE COMPANY
Park 80 West Plaza II
P.O. Box 6579
Saddle Brook, N.J. 07663
(201) 368-8055 Fax (201) 368-8649

January 22, 2009

Ms. Judy Zelhofer
Corporate Counsel
QBE Regional Insurance
One General Drive
Sun Prairie, WI 53596

Dear Judy,

Enclosed for your records is a copy of the letter from the Western Association of Automobile Insurance Plans regarding the Agreements to have Praetorian Insurance Company provide LAD Carrier services to your company, for your quota of WAAIP State private passenger automobile assigned risk business for calendar year 2009.

The letter confirms that the Agreements have been approved based on receipt of an addendum as required by the WAAIP State Plans. The addendum, cited as Paragraph 1.5 below, should be included with each WAAIP State LAD Agreement to comply with Plan requirements.

1.5 The parties agree that during the term of this Agreement, any Plan policies, which have been previously assigned to the Buy-Out Company by the Plan and which are in-force will be non-renewed on their anniversary date.

Please indicate your acceptance of this addendum, which is required by each WAAIP State Plan, by signing in the space below and returning a signed copy to me at the address shown above. Praetorian, upon receipt, will provide a signed copy to the California Low Cost Plan.

Also enclosed for your record is a copy of the signed Agreements, along with a copy of the WAAIP approval letter.

Judy, we appreciate your business; and we look forward to providing you with our services. Please do not hesitate to call me if you have any questions.

Respectfully,

Jonathan Sachs
Associate Director of Marketing

Accepted by:

For Unigard Insurance Company
Printed Name CHARLES VALMOTH

Cc: Mr. Richard Manning, WAAIP Plan Manager

LIMITED ASSIGNMENT DISTRIBUTIONAGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY (SERVICING COMPANY)
AND
UNIGARD INSURANCE COMPANY (BUY-OUT COMPANY)

NEVADA

AGREEMENT, made effective as of the 1st day of January, 2009, between Praetorian Insurance Company (hereinafter called "Servicing Company"), an insurance company authorized to write motor vehicle insurance in Arizona, having offices at 88 Pine Street, Wall Street Plaza, New York, NY 10005 and Unigard Insurance Company (hereafter called the "Buy-Out Company"), an insurance company authorized to write motor vehicle insurance in Nevada having offices at 1 General Drive, Sun Prairie, Wisconsin 53596.

Preamble

I. The Servicing Company has been approved by the Nevada Automobile Insurance Plan Governing Committee as a Servicing Company under the Limited Assignment Distribution Program [hereinafter called the "LAD Program"].

II. The Buy-Out Company is eligible and elects to be excused from its obligations to accept certain new assignments under the Nevada Automobile Insurance Plan (hereinafter called "NAIP"), and the Buy-Out Company desires to enter into this Agreement with the Servicing Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Transfer of AAIP Assignments

1.1 The Servicing Company hereby agrees to accept assignments from NAIP which would otherwise be made to the Buy-Out Company during the term of this Agreement, on the class of business covered by this Agreement, subject to the limitation set forth in this Agreement and as required by law.

1.2 The class of business covered by this Agreement is private passenger non-fleet Nevada motor vehicle risks submitted to the NAIP on or after January 1, 2009.

1.3 The amount of assignments which the Servicing Company will accept under the terms hereof shall be the quota of assignments during the term of this Agreement which the Buy-Out Company is required by law to write on account of its own private passenger non-fleet motor vehicle insurance written on a voluntary basis in the State of Nevada.

1.4 The Servicing Company hereby agrees to defend, indemnify and hold harmless Buy-Out Company, its agents, employees, successors, and assigns from any and all claims, regulatory compliance actions, or other causes of action, including but not limited to reasonable attorney's fees and litigation expenses, brought against the Buy-Out Company by any third party based upon an act or failure to act on the part of the Servicing Company in connection with its responsibilities under and for the term of this Buy-Out Agreement.

Buy-Out Fee and Terms of Payment

2.1 The Buy-Out Company shall pay to the Servicing Company a fee (the Buy-Out Fee) by application of the factor set forth in Exhibit A to the Buy-Out Company's total quota of assignments (in premium dollars) under the NAIP for the term of this Agreement. The estimated Buy-Out Fee, which is to be paid on a QUARTERLY basis, is to be paid within 30 days after billing beginning with the effective date of this Agreement and QUARTERLY thereafter, is based on the Buy-Out Company's then current NAIP share of the estimated premium volume as calculated by the NAIP published estimate of premium volume by calendar year. When the NAIP issues the Plan Annual Report the initial fee shall be adjusted to reflect the Buy-Out Company's actual NAIP share and the actual premium volume of the NAIP. This subsequent adjustment may result in an additional charge or refund which shall be calculated and paid to the applicable party within thirty [30] days following the NAIP'S publication of the actual premium volume for the applicable calendar year. If the Buy-Out Company fails to pay the Buy-Out Fee, or any adjustment fee as provided in this paragraph, Servicing Company may charge Buy-Out Company a late fee of 1% per month.

Representations and Warranties

3.1 The Servicing Company hereby warrants and represents that it has been approved by the Nevada Automobile Insurance Plan Governing Committee to act as a Servicing Company under the LAD Program.

3.2 The Buy-Out Company hereby warrants and represents that it is eligible for participation in the LAD Program as a Buy-Out Company.

Duration of Agreement: Cancellation

4.1 This Agreement shall become effective on the date set forth at the beginning of this Agreement, or on the date this Agreement is approved by the Nevada Automobile Insurance Plan Governing Committee, whichever is later, and shall continue in force and effect until December 31st, 2009.

4.2 Beginning on January 1, 2010, the Agreement shall be automatically renewed for successive one-year terms unless either party sends the other written notice of non-renewal at least ninety [90] days prior to the renewal effective date. Such renewal is subject to negotiation at least every three (3) years.

4.3 Notwithstanding the foregoing provision, the Agreement shall terminate at such earlier date as may be required by law, including, without limitation, any provisions of the Nevada Insurance Law, the regulations of the Nevada Insurance Department, the rules of NAIP, or the lawful order or decree of the Nevada Insurance Department or the NAIP, provided, however, that the period within which either party hereto may object to or appeal from any such order or decree shall have expired..

4.4 Buy-Out Company may terminate this Agreement in the event of a material breach by Servicing Company which is not cured within ten (10) days after written notice thereof. The termination will be effective as of the end of the ten (10) day cure period. Further, Buy-Out Company may terminate this Agreement if (i) a petition for involuntary bankruptcy is filed against the Servicing

Company and is not dismissed within thirty (30) days or (ii) the Servicing Company becomes insolvent or files or has filed any action related to protection under the bankruptcy laws, including without limitation, reorganization or appointment of a receiver.

4.5 The termination provisions hereof shall not be construed to affect the period for which the Servicing Company must write insurance for assureds assigned to it under this Agreement, it being understood that the rules of the NAIP, presently require that the Servicing Company issue policies to each assured assigned to it under this Agreement for a period of three [3] years.

Notice

5.1 Any notice required or permitted to be given hereunder shall be given in writing, shall be signed by the party giving notice and shall be delivered by certified or registered mail, return receipt requested, to the address of the party to whom the notice is directed as set forth below, or to such other person or address of whom such party shall have given notice.

If to Servicing Company:
Fabian Burstyn, Senior Vice-President
Praetorian Insurance Company
88 Pine Street, Wall Street Plaza
New York, New York 10005

If to Buy-Out Company:
Mr. John Hagen
Unigard Insurance Company
1 General Drive
Sun Prairie, Wisconsin 53596

5.2 Notwithstanding the provisions of Section 5.1 above, a notice will be deemed to have been properly given if the party to whom it is directed signs a copy of such notice and returns it to the party giving notice.

Successors and Assigns

6. This Agreement and any rights pursuant hereto shall not be assignable by any party hereto, except by operation of law. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto, or their respective legal successors, any rights, remedies, obligations or liabilities, or to relieve any person other than the parties hereto, or their respective legal successors, from any obligations or liabilities that would otherwise be applicable.

Entire Agreement, Amendment

7.1 This Agreement, together with Exhibit A attached hereto, constitutes the entire Agreement among the parties hereto with respect to the rights established herein.

7.2 This Agreement may not be changed orally, and any modification, amendment or repeal of this Agreement must be in writing and shall be signed by the party against whom such amendment or modification is to be enforced.

7.3 This Agreement supercedes all prior agreements among the parties with respect to the subject matter hereof, and all prior agreements are of no further force or effect.

Arbitration

8.1 All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two (2) arbitrators, one to be chosen by each party, and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one (1) month after being required by the other party in writing to do so, or if the arbitrators fail to appoint an umpire within one (1) month of a request in writing by either of them to do so, such arbitrators or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

8.2 The arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one (1) month after the appointment of the court of arbitration, and the respondent shall submit its reply within one (1) month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under this agreement according to an equitable rather than a strictly legal interpretation of its terms.

8.3 The written decision shall be provided to both parties and shall be final and shall not be subject to appeal.

8.4 Each party shall bear the expenses of his arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

8.5 This article shall survive the termination of this Agreement.

Gender, Singular and Plural

9. The use of any one or more genders shall be construed to include all other genders, unless the context clearly indicates that less than all the genders is intended. The use of the singular or of the plural shall be construed to include both the singular and the plural unless the context clearly indicates that only the singular or the plural is intended.

Captions

10. Captions in this Agreement are inserted for ease of reference only and shall not be used in construing the terms of this Agreement.

Severability

11. If any part of this Agreement is determined to be invalid, the validity of this Agreement shall not be affected and the parties agree that all remaining parts shall remain in full force and effect.

Governing Law

12. This Agreement shall be governed and construed in accordance with the laws of the State of New York, except all obligations of the Buy-Out Company and the Servicing Company to the NAIP will be governed and construed by Nevada law.

IN WITNESS WHEREOF, we have executed this instrument on the date first written above.

Praetorian Insurance Company

BY: Fabian Bursztyn
TITLE: Senior Vice President

Unigard Insurance Company

BY: _____
TITLE: VP

LIMITED ASSIGNMENT DISTRIBUTION PROGRAM AGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY, SERVICING COMPANY
AND
UNIGARD INSURANCE COMPANY, BUY-OUT COMPANY

NEVADA

EXHIBIT A – BUY-OUT FEE

a. The percentage to be used in calculating the Buy-Out Fee for 2009 shall be **20.0** Percent.
b. In the event, however, the application of this percentage, inclusive of any subsequent adjustments to the estimated premium volume, produces a total Buy-Out Fee of less than $1,500, the above percentage will be increased such that the annual Buy-Out Fee will equal $1,500.
c. The estimated Buy-Out Fee shall be billed in quarterly installments, to be paid within 30 days of billing.

Servicing Company:

Praetorian Insurance Company

By: _____

Name: Fabian Burstyn

Title: Senior Vice President

Date: 1/12/09

Buy-Out Company:

Unigard Insurance Company

By: _____

Name: JENNIFER S. VERNON

Title: VP

Date: 1/7/2009

WESTERN ASSOCIATION OF AUTOMOBILE INSURANCE PLANS

P.O. Box 7917, 94120-7917 595 Market Street, Suite 1250 San Francisco, CA 94105
Phone (415) 765-6767 Countrywide (800) 227-4659 California (800) 622-0954
Fax (415) 421-4013 E-mail waaip@aipso.com www.aipso.com/western

Richard J. Manning, *Regional Director*
richard.manning@aipso.com

Karen Borawski, *Administrative Manager*
karen.borawski@aipso.com

January 21, 2009

Mr. Jonathan Sachs
Associate Director of Marketing
Praetorian Insurance Company
Park 80 West Plaza II
Saddle Brook, NJ 07663

RE: WAAIP LAD Approvals for:

LAD Carrier:	**Praetorian Insurance Company**
Buy-Out Company:	**Unigard Insurance Company**
State(s) Approved:	**Arizona, Idaho, Nevada, Oregon, Utah, and Washington**

Dear Mr. Sachs:

The above-referenced WAAIP LAD contract(s) between Praetorian Insurance Company as the LAD Carrier, and the above-referenced insurance company as the buy-out company, complies with the necessary provisions of Section. 40.C of the Automobile Insurance Plan pending receipt of the addendums.

The contracts are effective as of January 1, 2009.

If you have any questions regarding the above, please feel free to contact me.

Sincerely,

R. J. Manning

Richard J. Manning
WAAIP Regional Director

cc: J. Hagen, Unigard Ins Co
K. Murtagh, AIPSO
File

PRAETORIAN INSURANCE COMPANY
Park 80 West Plaza II
P.O. Box 6579
Saddle Brook, N.J. 07663
(201) 368-8055 Fax (201) 368-8649

January 22, 2009

Ms. Judy Zelhofer
Corporate Counsel
QBE Regional Insurance
One General Drive
Sun Prairie, WI 53596

Dear Judy,

Enclosed for your records is a copy of the letter from the Western Association of Automobile Insurance Plans regarding the Agreements to have Praetorian Insurance Company provide LAD Carrier services to your company, for your quota of WAAIP State private passenger automobile assigned risk business for calendar year 2009.

The letter confirms that the Agreements have been approved based on receipt of an addendum as required by the WAAIP State Plans. The addendum, cited as Paragraph 1.5 below, should be included with each WAAIP State LAD Agreement to comply with Plan requirements.

1.5 The parties agree that during the term of this Agreement, any Plan policies, which have been previously assigned to the Buy-Out Company by the Plan and which are in-force will be non-renewed on their anniversary date.

Please indicate your acceptance of this addendum, which is required by each WAAIP State Plan, by signing in the space below and returning a signed copy to me at the address shown above. Praetorian, upon receipt, will provide a signed copy to the California Low Cost Plan.

Also enclosed for your record is a copy of the signed Agreements, along with a copy of the WAAIP approval letter.

Judy, we appreciate your business; and we look forward to providing you with our services. Please do not hesitate to call me if you have any questions.

Respectfully,

Jonathan Sachs
Associate Director of Marketing

Accepted by:

For Unigard Insurance Company
Printed Name CHARLES VALMOTH

Cc: Mr. Richard Manning, WAAIP Plan Manager

LIMITED ASSIGNMENT DISTRIBUTIONAGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY (SERVICING COMPANY)
AND
UNIGARD INSURANCE COMPANY (BUY-OUT COMPANY)

OREGON

AGREEMENT, made effective as of the 1st day of January, 2009, between Praetorian Insurance Company (hereinafter called "Servicing Company"), an insurance company authorized to write motor vehicle insurance in Oregon, having offices at 88 Pine Street, Wall Street Plaza, New York, NY 10005 and Unigard Insurance Company (hereafter called the "Buy-Out Company"), an insurance company authorized to write motor vehicle insurance in Oregon having offices at 1 General Drive, Sun Prairie, Wisconsin 53596.

Preamble

I. The Servicing Company has been approved by the Automobile Insurance Plan of Oregon Governing Committee as a Servicing Company under the Limited Assignment Distribution Program [hereinafter called the "LAD Program"].

II. The Buy-Out Company is eligible and elects to be excused from its obligations to accept certain new assignments under the Automobile Insurance Plan of Oregon (hereinafter called "AIPO"), and the Buy-Out Company desires to enter into this Agreement with the Servicing Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Transfer of AIPO Assignments

1.1 The Servicing Company hereby agrees to accept assignments from the AIPO which would otherwise be made to the Buy-Out Company during the term of this Agreement, on the class of business covered by this Agreement, subject to the limitation set forth in this Agreement and as required by law.

1.2 The class of business covered by this Agreement is private passenger non-fleet Oregon motor vehicle risks submitted to the AIPO on or after January 1, 2009.

1.3 The amount of assignments which the Servicing Company will accept under the terms hereof shall be the quota of assignments during the term of this Agreement which the Buy-Out Company is required by law to write on account of its own private passenger non-fleet motor vehicle insurance written on a voluntary basis in the State of Oregon.

1.4 The Servicing Company hereby agrees to defend, indemnify and hold harmless Buy-Out Company, its agents, employees, successors, and assigns from any and all claims, regulatory compliance actions, or other causes of action, including but not limited to reasonable attorney's fees and litigation expenses, brought against the Buy-Out Company by any third party based upon an act or failure to act on the part of the Servicing Company in connection with its responsibilities under and for the term of this Buy-Out Agreement.

Buy-Out Fee and Terms of Payment

2.1 The Buy-Out Company shall pay to the Servicing Company a fee (the Buy-Out Fee) by application of the factor set forth in Exhibit A to the Buy-Out Company's total quota of assignments (in premium dollars) under the AIPO for the term of this Agreement. The estimated Buy-Out Fee, which is to be paid on a QUARTERLY basis, is to be paid within 30 days after billing beginning with the effective date of this Agreement and QUARTERLY thereafter, is based on the Buy-Out Company's then current AIPO share of the estimated premium volume as calculated by the AIPO published estimate of premium volume by calendar year. When the AIPO issues the Plan Annual Report the initial fee shall be adjusted to reflect the Buy-Out Company's actual AIPO share and the actual premium volume of the AIPO. This subsequent adjustment may result in an additional charge or refund which shall be calculated and paid to the applicable party within thirty [30] days following the AIPO'S publication of the actual premium volume for the applicable calendar year. If the Buy-Out Company fails to pay the Buy-Out Fee, or any adjustment fee as provided in this paragraph, Servicing Company may charge Buy-Out Company a late fee of 1% per month.

Representations and Warranties

3.1 The Servicing Company hereby warrants and represents that it has been approved by the Automobile Insurance Plan of Oregon Governing Committee to act as a Servicing Company under the LAD Program.

3.2 The Buy-Out Company hereby warrants and represents that it is eligible for participation in the LAD Program as a Buy-Out Company.

Duration of Agreement: Cancellation

4.1 This Agreement shall become effective on the date set forth at the beginning of this Agreement, or on the date this Agreement is approved by the Automobile Insurance Plan of Oregon Governing Committee, whichever is later, and shall continue in force and effect until December 31st, 2009.

4.2 Beginning on January 1, 2010, the Agreement shall be automatically renewed for successive one-year terms unless either party sends the other written notice of non-renewal at least ninety [90] days prior to the renewal effective date. Such renewal is subject to negotiation at least every three (3) years.

4.3 Notwithstanding the foregoing provision, the Agreement shall terminate at such earlier date as may be required by law, including, without limitation, any provisions of the Oregon Insurance Law, the regulations of the Oregon Insurance Department, the rules of AIPO, or the lawful order or decree of the Oregon Insurance Department or the AIPO, provided, however, that the period within which either party hereto may object to or appeal from any such order or decree shall have expired.

4.4 Buy-Out Company may terminate this Agreement in the event of a material breach by Servicing Company which is not cured within ten (10) days after written notice thereof. The termination will be effective as of the end of the ten (10) day cure period. Further, Buy-Out Company may terminate this Agreement if (i) a petition for involuntary bankruptcy is filed against the Servicing

Company and is not dismissed within thirty (30) days or (ii) the Servicing Company becomes insolvent or files or has filed any action related to protection under the bankruptcy laws, including without limitation, reorganization or appointment of a receiver.

4.5 The termination provisions hereof shall not be construed to affect the period for which the Servicing Company must write insurance for assureds assigned to it under this Agreement, it being understood that the rules of the AIPO, presently require that the Servicing Company issue policies to each assured assigned to it under this Agreement for a period of three [3] years.

Notice

5.1 Any notice required or permitted to be given hereunder shall be given in writing, shall be signed by the party giving notice and shall be delivered by certified or registered mail, return receipt requested, to the address of the party to whom the notice is directed as set forth below, or to such other person or address of whom such party shall have given notice.

If to Servicing Company:
Fabian Burstyn, Senior Vice-President
Praetorian Insurance Company
88 Pine Street, Wall Street Plaza
New York, New York 10005

If to Buy-Out Company:
Mr. John Hagen
Unigard Insurance Company
1 General Drive
Sun Prairie, Wisconsin 53596

5.2 Notwithstanding the provisions of Section 5.1 above, a notice will be deemed to have been properly given if the party to whom it is directed signs a copy of such notice and returns it to the party giving notice.

Successors and Assigns

6. This Agreement and any rights pursuant hereto shall not be assignable by any party hereto, except by operation of law. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto, or their respective legal successors, any rights, remedies, obligations or liabilities, or to relieve any person other than the parties hereto, or their respective legal successors, from any obligations or liabilities that would otherwise be applicable.

Entire Agreement, Amendment

7.1 This Agreement, together with Exhibit A attached hereto, constitutes the entire Agreement among the parties hereto with respect to the rights established herein.

7.2 This Agreement may not be changed orally, and any modification, amendment or repeal of this Agreement must be in writing and shall be signed by the party against whom such amendment or modification is to be enforced.

7.3 This Agreement supercedes all prior agreements among the parties with respect to the subject matter hereof, and all prior agreements are of no further force or effect.

Arbitration

8.1 All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two (2) arbitrators, one to be chosen by each party, and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one (1) month after being required by the other party in writing to do so, or if the arbitrators fail to appoint an umpire within one (1) month of a request in writing by either of them to do so, such arbitrators or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

8.2 The arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one (1) month after the appointment of the court of arbitration, and the respondent shall submit its reply within one (1) month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under this agreement according to an equitable rather than a strictly legal interpretation of its terms.

8.3 The written decision shall be provided to both parties and shall be final and shall not be subject to appeal.

8.4 Each party shall bear the expenses of his arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

8.5 This article shall survive the termination of this Agreement.

Gender, Singular and Plural

9. The use of any one or more genders shall be construed to include all other genders, unless the context clearly indicates that less than all the genders is intended. The use of the singular or of the plural shall be construed to include both the singular and the plural unless the context clearly indicates that only the singular or the plural is intended.

Captions

10. Captions in this Agreement are inserted for ease of reference only and shall not be used in construing the terms of this Agreement.

Severability

11. If any part of this Agreement is determined to be invalid, the validity of this Agreement shall not be affected and the parties agree that all remaining parts shall remain in full force and effect.

Governing Law

12. This Agreement shall be governed and construed in accordance with the laws of the State of New York, except all obligations of the Buy-Out Company and the Servicing Company to the AIPO will be governed and construed by Oregon law.

IN WITNESS WHEREOF, we have executed this instrument on the date first written above.

Praetorian Insurance Company

BY: Fabian Burstyn
TITLE: Senior Vice President

Unigard Insurance Company

BY: _____
TITLE: VP

Objection Letter for QBEC-126583201

SERFF Tracking Number:	QBEC-126583201	**State:**	Missouri
Filing Company:	QBE Insurance Corporation	**State Tracking Number:**	
Company Tracking Number:	10-107-012-FR-MO-IRPM RULE CHANGE		
TOI:	03.0 Personal Farmowners	**Sub-TOI:**	03.0000 Personal Farmowners
Product Name:	Agri Farm Package		
Project Name:	Revision in IRPM Plans		

Objection Letter Status	PENDING INDUSTRY RESPONSE
Objection Letter Date	05/24/2010
Respond By Date	06/24/2010
Submitted Date	05/24/2010 09:11 AM

Dear Barbara Harper,

Introduction: Thank you for your response to our previous inquiry. Upon review of the information provided, the following concerns remain:

Objection 1

Comment: There is some confusion regarding this product. You say that this is a "hybrid" product that contains both personal and commercial coverages. There are different laws that apply to commercial lines, and different ones that apply to personal lines. Therefore, when filing, these can not be combined into the same filing that shoudl only be Personal. Otherwise, how would one know which laws/procedures apply to this particular filing? For instance, personal coverages are not allowed to use Individual Risk Premium Modification, which in turn, means there should not be this type of plan in a personal filing with personal coverage. The concern is that since this is a personal farmowners type filing, everything in it should only apply to personal lines, in order to fully comply. Any information that applies to commercial should not be contained in this filing, to be eventually "Reviewed."

(Please note:The Insurance Product Analysts of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) do their best to identify discrepancies in policy forms, rules and rates that insurance companies file. However, there may be times when issues are overlooked. The Department's Consumer Services Section is in place to further regulate the insurance industry by assisting consumers with any disputes they may have regarding their insurance. To further monitor the conduct of the insurance industry, there is the Market Conduct Section.

Please refer to Halpin v. American Family Mutual Insurance Company, 823 S.W.2d 479 (1992), where the Supreme Court held that even if an insurance contract is "approved" by the DIFP, it still must comply with the law. Therefore, even though the issues raised may have been inadvertently overlooked previously; that does not relieve me of my obligation to review this filing for compliance with the insurance laws of Missouri.)

Conclusion:
Please return the requested information within thirty (30) days. This submission will be held in suspense pending your response. Please contact me should you have any questions or concerns.

Sincerely, Rebecca Helton

Response Letter for QBEC-126583201

SERFF Tracking Number:	QBEC-126583201	**State:**	Missouri
Filing Company:	QBE Insurance Corporation	**State Tracking Number:**	
Company Tracking Number:	10-107-012-FR-MO-IRPM RULE CHANGE		
TOI:	03.0 Personal Farmowners	**Sub-TOI:**	03.0000 Personal Farmowners
Product Name:	Agri Farm Package		
Project Name:	Revision in IRPM Plans		

Status : Submitted to State

Submitted Date: 05/07/2010 12:18 PM

Dear Rebecca Helton,

Introduction: In response to your 04/28/2010 Objection Letter we offer the following:

Objection 1

Applies To:

- Misouri State Rate Page, R-C9 (Rate)

Comment: I apologize for the following oversight previously:

20 CSR 500-4.100 (http://sos.mo.gov/adrules/csr/current/20csr/20c500-4.pdf) also says:
"'Individual risk premium modification plan'or 'RPM plan' means any rating plan or system whereby a base rate for COMMERCIAL insurance is adjusted or modified based upon a schedule of debits and credits reflecting observable rating characteristics, not reflected in the base rate itself, expected to affect an individual insured's future loss exposure."

This means rating plans like the Individual Risk Premium Modification are only allowed for commercial lines. Since this is a Personal Farmowners filing, this rating plan would not

fully comply.

Again, I apologize for the inconvenience. Please advise of actions you wish to take. (withdraw, or revise to comply.)

Response 1:

Comments: *
Regarding the issue of the Personal Farmowners filing and the IRPM Plan.

The Agri Package program is unique in that it is a "hybrid" product as it contains both Personal and Commerial Coverages under one package. It was filed under the Personal Lines of Business as most policies have more than 50% of personal lines coverage.

This IRPM Plan is not newly added, as it was previously filed and approved under SERFF Tracking Number PERR-125528659.

Changed Items:

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

No Supporting Documents changed.

Conclusion: We respectfully request your re-consideration of this rule change.

Thank you.

Sincerely, Barbara Harper

WESTERN ASSOCIATION OF AUTOMOBILE INSURANCE PLANS

P.O. Box 7917, 94120-7917 595 Market Street, Suite 1250 San Francisco, CA 94105
Phone (415) 765-6767 Countrywide (800) 227-4659 California (800) 622-0954
Fax (415) 421-4013 E-mail waaip@aipso.com www.aipso.com/western

Richard J. Manning, *Regional Director*
richard.manning@aipso.com

Karen Borawski, *Administrative Manager*
karen.borawski@aipso.com

January 21, 2009

Mr. Jonathan Sachs
Associate Director of Marketing
Praetorian Insurance Company
Park 80 West Plaza II
Saddle Brook, NJ 07663

RE: WAAIP LAD Approvals for:

LAD Carrier:	**Praetorian Insurance Company**
Buy-Out Company:	**Unigard Insurance Company**
State(s) Approved:	**Arizona, Idaho, Nevada, Oregon, Utah, and Washington**

Dear Mr. Sachs:

The above-referenced WAAIP LAD contract(s) between Praetorian Insurance Company as the LAD Carrier, and the above-referenced insurance company as the buy-out company, complies with the necessary provisions of Section. 40.C of the Automobile Insurance Plan pending receipt of the addendums.

The contracts are effective as of January 1, 2009.

If you have any questions regarding the above, please feel free to contact me.

Sincerely,

R. J. Manning

Richard J. Manning
WAAIP Regional Director

cc: J. Hagen, Unigard Ins Co
K. Murtagh, AIPSO
File

PRAETORIAN INSURANCE COMPANY
Park 80 West Plaza II
P.O. Box 6579
Saddle Brook, N.J. 07663
(201) 368-8055 Fax (201) 368-8649

January 22, 2009

Ms. Judy Zelhofer
Corporate Counsel
QBE Regional Insurance
One General Drive
Sun Prairie, WI 53596

Dear Judy,

Enclosed for your records is a copy of the letter from the Western Association of Automobile Insurance Plans regarding the Agreements to have Praetorian Insurance Company provide LAD Carrier services to your company, for your quota of WAAIP State private passenger automobile assigned risk business for calendar year 2009.

The letter confirms that the Agreements have been approved based on receipt of an addendum as required by the WAAIP State Plans. The addendum, cited as Paragraph 1.5 below, should be included with each WAAIP State LAD Agreement to comply with Plan requirements.

1.5 The parties agree that during the term of this Agreement, any Plan policies, which have been previously assigned to the Buy-Out Company by the Plan and which are in-force will be non-renewed on their anniversary date.

Please indicate your acceptance of this addendum, which is required by each WAAIP State Plan, by signing in the space below and returning a signed copy to me at the address shown above. Praetorian, upon receipt, will provide a signed copy to the California Low Cost Plan.

Also enclosed for your record is a copy of the signed Agreements, along with a copy of the WAAIP approval letter.

Judy, we appreciate your business; and we look forward to providing you with our services. Please do not hesitate to call me if you have any questions.

Respectfully,

Jonathan Sachs
Associate Director of Marketing

Accepted by:

For Unigard Insurance Company
Printed Name CHARLES VALINOTTI

Cc: Mr. Richard Manning, WAAIP Plan Manager

LIMITED ASSIGNMENT DISTRIBUTIONAGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY (SERVICING COMPANY)
AND
UNIGARD INSURANCE COMPANY (BUY-OUT COMPANY)

UTAH

AGREEMENT, made effective as of the 1st day of January, 2009, between Praetorian Insurance Company (hereinafter called "Servicing Company"), an insurance company authorized to write motor vehicle insurance in Utah, having offices at 88 Pine Street, Wall Street Plaza, New York, NY 10005 and Unigard Insurance Company (hereafter called the "Buy-Out Company"), an insurance company authorized to write motor vehicle insurance in Utah having offices at 1 General Drive, Sun Prairie, Wisconsin 53596.

Preamble

I. The Servicing Company has been approved by the Utah Automobile Insurance Plan Governing Committee as a Servicing Company under the Limited Assignment Distribution Program [hereinafter called the "LAD Program"].

II. The Buy-Out Company is eligible and elects to be excused from its obligations to accept certain new assignments under the Utah Automobile Insurance Plan (hereinafter called "UAIP"), and the Buy-Out Company desires to enter into this Agreement with the Servicing Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Transfer of UAIP Assignments

1.1 The Servicing Company hereby agrees to accept assignments from the UAIP which would otherwise be made to the Buy-Out Company during the term of this Agreement, on the class of business covered by this Agreement, subject to the limitation set forth in this Agreement and as required by law.

1.2 The class of business covered by this Agreement is private passenger non-fleet Utah motor vehicle risks submitted to the UAIP on or after January 1, 2009.

1.3 The amount of assignments which the Servicing Company will accept under the terms hereof shall be the quota of assignments during the term of this Agreement which the Buy-Out Company is required by law to write on account of its own private passenger non-fleet motor vehicle insurance written on a voluntary basis in the State of Utah.

1.4 The Servicing Company hereby agrees to defend, indemnify and hold harmless Buy-Out Company, its agents, employees, successors, and assigns from any and all claims, regulatory compliance actions, or other causes of action, including but not limited to reasonable attorney's fees and litigation expenses, brought against the Buy-Out Company by any third party based upon an act or failure to act on the part of the Servicing Company in connection with its responsibilities under and for the term of this Buy-Out Agreement.

Buy-Out Fee and Terms of Payment

2.1 The Buy-Out Company shall pay to the Servicing Company a fee (the Buy-Out Fee) by application of the factor set forth in Exhibit A to the Buy-Out Company's total quota of assignments (in premium dollars) under the UAIP for the term of this Agreement. The estimated Buy-Out Fee, which is to be paid on a QUARTERLY basis, is to be paid within 30 days after billing beginning with the effective date of this Agreement and QUARTERLY thereafter, is based on the Buy-Out Company's then current UAIP share of the estimated premium volume as calculated by the UAIP published estimate of premium volume by calendar year. When the UAIP issues the Plan Annual Report the initial fee shall be adjusted to reflect the Buy-Out Company's actual UAIP share and the actual premium volume of the UAIP. This subsequent adjustment may result in an additional charge or refund which shall be calculated and paid to the applicable party within thirty [30] days following the UAIP'S publication of the actual premium volume for the applicable calendar year. If the Buy-Out Company fails to pay the Buy-Out Fee, or any adjustment fee as provided in this paragraph, Servicing Company may charge Buy-Out Company a late fee of 1% per month.

Representations and Warranties

3.1 The Servicing Company hereby warrants and represents that it has been approved by the Utah Automobile Insurance Plan Governing Committee to act as a Servicing Company under the LAD Program.

3.2 The Buy-Out Company hereby warrants and represents that it is eligible for participation in the LAD Program as a Buy-Out Company.

Duration of Agreement: Cancellation

4.1 This Agreement shall become effective on the date set forth at the beginning of this Agreement, or on the date this Agreement is approved by the Utah Automobile Insurance Plan Governing Committee, whichever is later, and shall continue in force and effect until December 31st, 2009.

4.2 Beginning on January 1, 2010, the Agreement shall be automatically renewed for successive one-year terms unless either party sends the other written notice of non-renewal at least ninety [90] days prior to the renewal effective date. Such renewal is subject to negotiation at least every three (3) years.

4.3 Notwithstanding the foregoing provision, the Agreement shall terminate at such earlier date as may be required by law, including, without limitation, any provisions of the Utah Insurance Law, the regulations of the Utah Insurance Department, the rules of the UAIP, or the lawful order or decree of the Utah Insurance Department or the UAIP, provided, however, that the period within which either party hereto may object to or appeal from any such order or decree shall have expired.

4.4 Buy-Out Company may terminate this Agreement in the event of a material breach by Servicing Company which is not cured within ten (10) days after written notice thereof. The termination will be effective as of the end of the ten (10) day cure period. Further, Buy-Out Company may terminate this Agreement if (i) a petition for involuntary bankruptcy is filed against the Servicing Company and is not dismissed within thirty (30) days or (ii)

the Servicing Company becomes insolvent or files or has filed any action related to protection under the bankruptcy laws, including without limitation, reorganization or appointment of a receiver.

4.5 The termination provisions hereof shall not be construed to affect the period for which the Servicing Company must write insurance for assureds assigned to it under this Agreement, it being understood that the rules of the UAIP, presently require that the Servicing Company issue policies to each assured assigned to it under this Agreement for a period of three [3] years.

Notice

5.1 Any notice required or permitted to be given hereunder shall be given in writing, shall be signed by the party giving notice and shall be delivered by certified or registered mail, return receipt requested, to the address of the party to whom the notice is directed as set forth below, or to such other person or address of whom such party shall have given notice.

If to Servicing Company:
Fabian Burstyn, Senior Vice-President
Praetorian Insurance Company
88 Pine Street, Wall Street Plaza
New York, New York 10005

If to Buy-Out Company:
Mr. John Hagen
Unigard Insurance Company
1 General Drive
Sun Prairie, Wisconsin 53596

5.2 Notwithstanding the provisions of Section 5.1 above, a notice will be deemed to have been properly given if the party to whom it is directed signs a copy of such notice and returns it to the party giving notice.

Successors and Assigns

6. This Agreement and any rights pursuant hereto shall not be assignable by any party hereto, except by operation of law. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto, or their respective legal successors, any rights, remedies, obligations or liabilities, or to relieve any person other than the parties hereto, or their respective legal successors, from any obligations or liabilities that would otherwise be applicable.

Entire Agreement; Amendment

7.1 This Agreement, together with Exhibit A attached hereto, constitutes the entire Agreement among the parties hereto with respect to the rights established herein.

7.2 This Agreement may not be changed orally, and any modification, amendment or repeal of this Agreement must be in writing and shall be signed by the party against whom such amendment or modification is to be enforced.

7.3 This Agreement supercedes all prior agreements among the parties with respect to the subject matter hereof, and all prior agreements are of no further force or effect.

Arbitration

8.1 All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two (2) arbitrators, one to be chosen by each party, and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one (1) month after being required by the other party in writing to do so, or if the arbitrators fail to appoint an umpire within one (1) month of a request in writing by either of them to do so, such arbitrators or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

8.2 The arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one (1) month after the appointment of the court of arbitration, and the respondent shall submit its reply within one (1) month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under this agreement according to an equitable rather than a strictly legal interpretation of its terms.

8.3 The written decision shall be provided to both parties and shall be final and shall not be subject to appeal.

8.4 Each party shall bear the expenses of his arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

8.5 This article shall survive the termination of this Agreement.

Gender, Singular and Plural

9. The use of any one or more genders shall be construed to include all other genders, unless the context clearly indicates that less than all the genders is intended. The use of the singular or of the plural shall be construed to include both the singular and the plural unless the context clearly indicates that only the singular or the plural is intended.

Captions

10. Captions in this Agreement are inserted for ease of reference only and shall not be used in construing the terms of this Agreement.

Severability

11. If any part of this Agreement is determined to be invalid, the validity of this Agreement shall not be affected and the parties agree that all remaining parts shall remain in full force and effect.

Governing Law

12. This Agreement shall be governed and construed in accordance with the laws of the State of New York, except all obligations of the Buy-Out Company and the Servicing Company to the UAIP will be governed and construed by Utah law.

IN WITNESS WHEREOF, we have executed this instrument on the date first written above.

Praetorian Insurance Company

BY: Fabian Blurstyn
TITLE: Senior Vice President

Unigard Insurance Company

BY: _____
TITLE: VP

LIMITED ASSIGNMENT DISTRIBUTION PROGRAM AGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY, SERVICING COMPANY
AND
UNIGARD INSURANCE COMPANY, BUY-OUT COMPANY

UTAH

EXHIBIT A – BUY-OUT FEE

a. The percentage to be used in calculating the Buy-Out Fee for 2009 shall be **20.0** Percent.
b. In the event, however, the application of this percentage, inclusive of any subsequent adjustments to the estimated premium volume, produces a total Buy-Out Fee of less than $1,500, the above percentage will be increased such that the annual Buy-Out Fee will equal $1,500.
c. The estimated Buy-Out Fee shall be billed in quarterly installments, to be paid within 30 days of billing.

Servicing Company:

Praetorian Insurance Company

By: _____

Name: Fabian Burstyn

Title: Senior Vice President

Date: 1/13/09

Buy-Out Company:

Unigard Insurance Company

By: _____

Name: JENNIFER J. VERNON

Title: VP

Date: 1/7/2009

WESTERN ASSOCIATION OF AUTOMOBILE INSURANCE PLANS

P.O. Box 7917, 94120-7917 595 Market Street, Suite 1250 San Francisco, CA 94105
Phone (415) 765-6767 Countrywide (800) 227-4659 California (800) 622-0954
Fax (415) 421-4013 E-mail waaip@aipso.com www.aipso.com/western

Richard J. Manning, *Regional Director*
richard.manning@aipso.com

Karen Borawski, *Administrative Manager*
karen.borawski@aipso.com

January 21, 2009

Mr. Jonathan Sachs
Associate Director of Marketing
Praetorian Insurance Company
Park 80 West Plaza II
Saddle Brook, NJ 07663

RE: WAAIP LAD Approvals for:

LAD Carrier:	**Praetorian Insurance Company**
Buy-Out Company:	**Unigard Insurance Company**
State(s) Approved:	**Arizona, Idaho, Nevada, Oregon, Utah, and Washington**

Dear Mr. Sachs:

The above-referenced WAAIP LAD contract(s) between Praetorian Insurance Company as the LAD Carrier, and the above-referenced insurance company as the buy-out company, complies with the necessary provisions of Section. 40.C of the Automobile Insurance Plan pending receipt of the addendums.

The contracts are effective as of January 1, 2009.

If you have any questions regarding the above, please feel free to contact me.

Sincerely,

R. J. Manning

Richard J. Manning
WAAIP Regional Director

cc: J. Hagen, Unigard Ins Co
K. Murtagh, AIPSO
File

PRAETORIAN INSURANCE COMPANY
Park 80 West Plaza II
P.O. Box 6579
Saddle Brook, N.J. 07663
(201) 368-8055 Fax (201) 368-8649

January 22, 2009

Ms. Judy Zelhofer
Corporate Counsel
QBE Regional Insurance
One General Drive
Sun Prairie, WI 53596

Dear Judy,

Enclosed for your records is a copy of the letter from the Western Association of Automobile Insurance Plans regarding the Agreements to have Praetorian Insurance Company provide LAD Carrier services to your company, for your quota of WAAIP State private passenger automobile assigned risk business for calendar year 2009.

The letter confirms that the Agreements have been approved based on receipt of an addendum as required by the WAAIP State Plans. The addendum, cited as Paragraph 1.5 below, should be included with each WAAIP State LAD Agreement to comply with Plan requirements.

1.5 The parties agree that during the term of this Agreement, any Plan policies, which have been previously assigned to the Buy-Out Company by the Plan and which are in-force will be non-renewed on their anniversary date.

Please indicate your acceptance of this addendum, which is required by each WAAIP State Plan, by signing in the space below and returning a signed copy to me at the address shown above. Praetorian, upon receipt, will provide a signed copy to the California Low Cost Plan.

Also enclosed for your record is a copy of the signed Agreements, along with a copy of the WAAIP approval letter.

Judy, we appreciate your business; and we look forward to providing you with our services. Please do not hesitate to call me if you have any questions.

Respectfully,

Jonathan Sachs
Associate Director of Marketing

Accepted by:

For Unigard Insurance Company
Printed Name CHARLES VALMOTH

Cc: Mr. Richard Manning, WAAIP Plan Manager

LIMITED ASSIGNMENT DISTRIBUTIONAGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY (SERVICING COMPANY)
AND
UNIGARD INSURANCE COMPANY (BUY-OUT COMPANY)

WASHINGTON

AGREEMENT, made effective as of the 1st day of January, 2009, between Praetorian Insurance Company (hereinafter called "Servicing Company"), an insurance company authorized to write motor vehicle insurance in Washington, having offices at 88 Pine Street, Wall Street Plaza, New York, NY 10005 and Unigard Insurance Company (hereafter called the "Buy-Out Company"), an insurance company authorized to write motor vehicle insurance in Washington having offices at 1 General Drive, Sun Prairie, Wisconsin 53596.

Preamble

I. The Servicing Company has been approved by the Washington Automobile Insurance Plan Governing Committee as a Servicing Company under the Limited Assignment Distribution Program [hereinafter called the "LAD Program"].

II. The Buy-Out Company is eligible and elects to be excused from its obligations to accept certain new assignments under the Washington Automobile Insurance Plan (hereinafter called "WAIP"), and the Buy-Out Company desires to enter into this Agreement with the Servicing Company.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

Transfer of WAIP Assignments

1.1 The Servicing Company hereby agrees to accept assignments from the WAIP which would otherwise be made to the Buy-Out Company during the term of this Agreement, on the class of business covered by this Agreement, subject to the limitation set forth in this Agreement and as required by law.

1.2 The class of business covered by this Agreement is private passenger non-fleet Washington motor vehicle risks submitted to the WAIP on or after January 1, 2009.

1.3 The amount of assignments which the Servicing Company will accept under the terms hereof shall be the quota of assignments during the term of this Agreement which the Buy-Out Company is required by law to write on account of its own private passenger non-fleet motor vehicle insurance written on a voluntary basis in the State of Washington.

1.4 The Servicing Company hereby agrees to defend, indemnify and hold harmless Buy-Out Company, its agents, employees, successors, and assigns from any and all claims, regulatory compliance actions, or other causes of action, including but not limited to reasonable attorney's fees and litigation expenses, brought against the Buy-Out Company by any third party based upon an act or failure to act on the part of the Servicing Company in connection with its responsibilities under and for the term of this Buy-Out Agreement.

Buy-Out Fee and Terms of Payment

2.1 The Buy-Out Company shall pay to the Servicing Company a fee (the Buy-Out Fee) by application of the factor set forth in Exhibit A to the Buy-Out Company's total quota of assignments (in premium dollars) under the WAIP for the term of this Agreement. The estimated Buy-Out Fee, which is to be paid on a QUARTERLY basis, is to be paid within 30 days after billing beginning with the effective date of this Agreement and QUARTERLY thereafter, is based on the Buy-Out Company's then current WAIP share of the estimated premium volume as calculated by the WAIP published estimate of premium volume by calendar year. When the WAIP issues the Plan Annual Report the initial fee shall be adjusted to reflect the Buy-Out Company's actual WAIP share and the actual premium volume of the WAIP. This subsequent adjustment may result in an additional charge or refund which shall be calculated and paid to the applicable party within thirty [30] days following the WAIP'S publication of the actual premium volume for the applicable calendar year. If the Buy-Out Company fails to pay the Buy-Out Fee, or any adjustment fee as provided in this paragraph, Servicing Company may charge Buy-Out Company a late fee of 1% per month.

Representations and Warranties

3.1 The Servicing Company hereby warrants and represents that it has been approved by the Washington Automobile Insurance Plan Governing Committee to act as a Servicing Company under the LAD Program.

3.2 The Buy-Out Company hereby warrants and represents that it is eligible for participation in the LAD Program as a Buy-Out Company.

Duration of Agreement: Cancellation

4.1 This Agreement shall become effective on the date set forth at the beginning of this Agreement, or on the date this Agreement is approved by the Washington Automobile Insurance Plan Governing Committee, whichever is later, and shall continue in force and effect until December 31st, 2009.

4.2 Beginning on January 1, 2010, the Agreement shall be automatically renewed for successive one-year terms unless either party sends the other written notice of non-renewal at least ninety [90] days prior to the renewal effective date. Such renewal is subject to negotiation at least every three (3) years.

4.3 Notwithstanding the foregoing provision, the Agreement shall terminate at such earlier date as may be required by law, including, without limitation, any provisions of the Washington Insurance Law, the regulations of the Washington Insurance Department, the rules of the WAIP, or the lawful order or decree of the Washington Insurance Department or the WAIP, provided, however, that the period within which either party hereto may object to or appeal from any such order or decree shall have expired.

4.4 Buy-Out Company may terminate this Agreement in the event of a material breach by Servicing Company which is not cured within ten (10) days after written notice thereof. The termination will be effective as of the end of the ten (10) day cure period. Further, Buy-Out Company may terminate this Agreement if (i) a petition for involuntary bankruptcy is filed against the Servicing

Company and is not dismissed within thirty (30) days or (ii) the Servicing Company becomes insolvent or files or has filed any action related to protection under the bankruptcy laws, including without limitation, reorganization or appointment of a receiver.

4.5 The termination provisions hereof shall not be construed to affect the period for which the Servicing Company must write insurance for assureds assigned to it under this Agreement, it being understood that the rules of the WAIP, presently require that the Servicing Company issue policies to each assured assigned to it under this Agreement for a period of three [3] years.

Notice

5.1 Any notice required or permitted to be given hereunder shall be given in writing, shall be signed by the party giving notice and shall be delivered by certified or registered mail, return receipt requested, to the address of the party to whom the notice is directed as set forth below, or to such other person or address of whom such party shall have given notice.

If to Servicing Company:
Fabian Burstyn, Senior Vice-President
Praetorian Insurance Company
88 Pine Street, Wall Street Plaza
New York, New York 10005

If to Buy-Out Company:
Mr. John Hagen
Unigard Insurance Company
1 General Drive
Sun Prairie, Wisconsin 53596

5.2 Notwithstanding the provisions of Section 5.1 above, a notice will be deemed to have been properly given if the party to whom it is directed signs a copy of such notice and returns it to the party giving notice.

Successors and Assigns

6. This Agreement and any rights pursuant hereto shall not be assignable by any party hereto, except by operation of law. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto, or their respective legal successors, any rights, remedies, obligations or liabilities, or to relieve any person other than the parties hereto, or their respective legal successors, from any obligations or liabilities that would otherwise be applicable.

Entire Agreement, Amendment

7.1 This Agreement, together with Exhibit A attached hereto, constitutes the entire Agreement among the parties hereto with respect to the rights established herein.

7.2 This Agreement may not be changed orally, and any modification, amendment or repeal of this Agreement must be in writing and shall be signed by the party against whom such amendment or modification is to be enforced.

7.3 This Agreement supercedes all prior agreements among the parties with respect to the subject matter hereof, and all prior agreements are of no further force or effect.

Arbitration

8.1 All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two (2) arbitrators, one to be chosen by each party, and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be disinterested active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one (1) month after being required by the other party in writing to do so, or if the arbitrators fail to appoint an umpire within one (1) month of a request in writing by either of them to do so, such arbitrators or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

8.2 The arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one (1) month after the appointment of the court of arbitration, and the respondent shall submit its reply within one (1) month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under this agreement according to an equitable rather than a strictly legal interpretation of its terms.

8.3 The written decision shall be provided to both parties and shall be final and shall not be subject to appeal.

8.4 Each party shall bear the expenses of his arbitrator and shall jointly and equally share with the other the expenses of the umpire and of the arbitration.

8.5 This article shall survive the termination of this Agreement.

Gender, Singular and Plural

9. The use of any one or more genders shall be construed to include all other genders, unless the context clearly indicates that less than all the genders is intended. The use of the singular or of the plural shall be construed to include both the singular and the plural unless the context clearly indicates that only the singular or the plural is intended.

Captions

10. Captions in this Agreement are inserted for ease of reference only and shall not be used in construing the terms of this Agreement.

Severability

11. If any part of this Agreement is determined to be invalid, the validity of this Agreement shall not be affected and the parties agree that all remaining parts shall remain in full force and effect.

Governing Law

12. This Agreement shall be governed and construed in accordance with the laws of the State of New York, except all obligations of the Buy-Out Company and the Servicing Company to the WAIP will be governed and construed by Washington law.

IN WITNESS WHEREOF, we have executed this instrument on the date first written above.

Praetorian Insurance Company

BY: Fabian Burstyn
TITLE: Senior Vice President

Unigard Insurance Company

BY: _____
TITLE: VP

LIMITED ASSIGNMENT DISTRIBUTION PROGRAM AGREEMENT
BETWEEN
PRAETORIAN INSURANCE COMPANY, SERVICING COMPANY
AND
UNIGARD INSURANCE COMPANY, BUY-OUT COMPANY

WASHINGTON

EXHIBIT A – BUY-OUT FEE

a. The percentage to be used in calculating the Buy-Out Fee for 2009 shall be **20.0** Percent.
b. In the event, however, the application of this percentage, inclusive of any subsequent adjustments to the estimated premium volume, produces a total Buy-Out Fee of less than $1,500, the above percentage will be increased such that the annual Buy-Out Fee will equal $1,500.
c. The estimated Buy-Out Fee shall be billed in quarterly installments, to be paid within 30 days of billing.

Servicing Company:

Praetorian Insurance Company

By: _____

Name: Fabian Burstyn

Title: Senior Vice President

Date: 1/13/09

Buy-Out Company:

Unigard Insurance Company

By: _____

Name: JENNIFER J. VERNON

Title: VP

Date: 1/7/2009

INTERESTS AND LIABILITIES AGREEMENT
To Addendum No. 1
To the

QUOTA SHARE REINSURANCE AGREEMENT
Originally Effective January 1, 2008
(hereinafter referred to as the "Contract")

between

UNIGARD INSURANCE COMPANY
UNIGARD INDEMNITY COMPANY

(Hereinafter referred to as the "Company")
Originally Effective January 1, 2008

(hereinafter referred to as the "Company")

and

EQUATOR REINSURANCES LIMITED
(hereinafter referred to as the "Reinsurer")

Under the terms of the Contract, which is attached to this Agreement, the Subscribing Reinsurer agrees to participate in a 25% (part of 100%) share of the Interests and Liabilities of the Company described in the Contract and as amended by Addendum No. 1 thereto. The participation of the Reinsurer shall be several and not joint with any other reinsurers participating in the Contract.

Signed in duplicate

in Sun Prairie, WI this 21st day of December, 2009.

UNIGARD INSURANCE COMPANY
UNIGARD INDEMNITY COMPANY

By _____

Title: VP & General Counsel

Signed in duplicate

in Hamilton, Bermuda this 23 day of December, 2009.

EQUATOR REINSURANCES LIMITED

By Eddie Deane

Title: _____

ADDENDUM NO. 1 TO THE
QUOTA SHARE REINSURANCE AGREEMENT
(Hereinafter referred to as the "Contract")
Originally Effective January 1, 2008

Between

UNIGARD INSURANCE COMPANY
UNIGARD INDEMNITY COMPANY
(Hereinafter referred to as the "Company")
And

EQUATOR REINSURANCES LIMITED
(Hereinafter referred to as the "Reinsurer")

ARTICLE V

Effective January 1, 2010, ARTICLE V, PREMIUM, COMMISSIONS AND FEES, shall be amended in its entirety as follows;

The Reinsurer shall be credited with their proportionate share of the Company's net premiums subject of this Contract. As respects policies incepting on or prior to December 31, 2009, the Reinsurer shall allow a ceding commission to the Company in an amount equal to 32% of premium ceded hereunder.

As respects policies incepting on or after January 1, 2010, the Reinsurer shall allow a ceding commission to the Company in an amount equal to 25% of the Net Acquisition Expenses incurred by the Company, and as recorded in the Company's financial records. As respects each underwriting period hereunder (or portion thereof in the event this Contract is terminated), when preparing each quarterly report and remittance, the Company shall include as ceding commission, the Reinsurer's proportionate share, being twenty-five percent (25%), of the Net Acquisition Expenses incurred by the Company, and as recorded in the Company's financial records for that quarter.

Effective January 1, 2010, the following paragraphs E and F are added to ARTICLE VII, DEFINITIONS;

E. "Net Acquisition Expenses" shall mean the gross costs and expenses associated with the underwriting and production of the Business Covered after deducting recoveries, if any, from reinsurance inuring to the benefit of this Contract. Gross costs and expenses shall include, but not be limited to the following;

i. Provisional commission expenses incurred by the Company which are associated with the Producers of the Business Covered;

ii. Profit sharing or commission adjustment expenses, if any, incurred by the Company which are associated with the Producers of the Business Covered;

iii. Premium taxes and assessments incurred by the Company which are associated with the Business Covered;

iv. Management expenses incurred as allocated by the Company for the Business Covered.

F. "Producers" shall mean any agent, howsoever defined for regulatory or statutory purposes, having a contractual relationship with the Company, under which the agent produces and/or underwrites Business Covered for the benefit of the Company.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

INTERESTS AND LIABILITIES AGREEMENT
To the

QUOTA SHARE REINSURANCE AGREEMENT
(hereinafter referred to as the "Contract")

between

UNIGARD INSURANCE COMPANY
UNIGARD INDEMNITY COMPANY
(hereinafter referred to as the "Company")

and

EQUATOR REINSURANCES LIMITED
(hereinafter referred to as the "Reinsurer")

Under the terms of the Contract, which is attached to this Agreement, the Subscribing Reinsurer agrees to participate in a 25% share of the Interests and Liabilities of the Company described on the Contract. The participation of the Reinsurer shall be several and not joint with any other reinsurers participating in the Contract.

Signed in duplicate

in Sun Prairie, WI **this** 29th **day of** October **, 2008**

UNIGARD INSURANCE COMPANY
UNIGARD INDEMNITY COMPANY

By _____

Title: VP & GENERAL COUNSEL

Signed in duplicate

in Hamilton, Bermuda **this** 30th **day of** September **, 2008.**

EQUATOR REINSURANCES LIMITED

By _____

Title: Director

QUOTA SHARE REINSURANCE AGREEMENT
(hereinafter referred to as the "Contract")

between

UNIGARD INSURANCE COMPANY
UNIGARD INDEMNITY COMPANY
(hereinafter referred to as the "Company")

and

EQUATOR REINSURANCES LIMITED
(hereinafter referred to as the "Reinsurer")

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ARTICLE I

COMMENCEMENT AND TERMINATION

A. This Contract shall become effective on January 1, 2008 with respect to losses under Policies allocated to underwriting periods commencing on or after that date, and shall continue in force thereafter until terminated.

B. Either party may terminate this Contract at January 1, 2009, or any subsequent January 1, by giving the other party not less than 180 days prior notice by certified mail.

C. Unless the Company elects to reassume the ceded unearned premium in force on the effective date of termination, and so notifies the Reinsurer prior to or as promptly as possible after the effective date of termination, reinsurance hereunder on business in force on the effective date of termination shall remain in full force and effect until expiration, cancellation or next premium anniversary of such business, whichever first occurs, but in no event beyond 12 months plus odd time not to exceed 18 months in all following the effective date of termination.

D. Notwithstanding the provisions of Paragraph C above, in the event the Company is prohibited or precluded by the appropriate regulatory authorities, or by law (in those states where applicable and enforced), from arranging mid-term cancellation or non-renewal of any Policies subject to this Contract beyond their natural expiry, the Reinsurer agrees to extend reinsurance coverage until such Policies may be terminated by the Company.

ARTICLE II

BUSINESS COVERED

This Contract applies to all direct business of the Company written or renewed on or after the effective date.

ARTICLE III

TERRITORY

The territorial limits of this Contract shall be identical with those of the Company's Policies.

ARTICLE IV

REINSURING CLAUSE

By this Contract the Company obligates itself to cede to the Reinsurer and the Reinsurer obligates itself to accept a 25% part of a 100% quota share reinsurance of the Company's Net Liability under its direct Policies.

The liability of the Reinsurer with respect to each cession hereunder shall commence obligatorily and simultaneously with that of the Company, subject to the terms, conditions and limitations hereinafter set forth. The maximum limits of liability shall be as stated in the Company's Policies.

ARTICLE V

PREMIUM, COMMISSIONS AND FEES

The Reinsurer shall be credited with their proportionate share of the Company's net premiums subject of this Contract. The Reinsurer shall allow a ceding commission to the Company in an amount equal to 32% of premium ceded hereunder.

ARTICLE VI

REPORTS AND REMITTANCES

Within 60 days after the close of each calendar quarter, the Company will furnish the Reinsurer with a report summarizing the written premium ceded less return premium and commission, losses paid, loss adjustment expense paid, monies recovered, and net balance due either party. In addition, the Company will furnish the Reinsurer a summarizing statement showing the unearned premium, the total reserves for outstanding losses including loss adjustment expense, a breakdown by Property Claim Services (PCS) catastrophic code numbers for paid and outstanding catastrophe losses and loss adjustment expense, and such other information as may be required by the Reinsurer for completion of its annual statements. The balance shown to be due by each account shall be payable by the debtor party within 15 days after the Company has sent its report to the Reinsurer.

ARTICLE VII

DEFINITIONS

A. "Policies" will mean all policies, binders, contracts, or agreements of insurance or reinsurance, whether written or oral.
B. "Risk" will be subject to definition solely by the Company.
C. "Underwriter" or "Underwriters" shall mean the underwriter or underwriters of the Reinsurer(s).
D. "Net Liability" shall mean the Company's liability under its direct Policies after deducting all other reinsurance, but prior to any intercompany pooling arrangements.

ARTICLE VIII

EXCLUSIONS

Notwithstanding anything to the contrary contained herein, this Contract does not apply to and specifically excludes:

1. Financial and Insolvency Guaranty.
2. War risks as excluded under a standard policy containing a standard War Exclusion Clause.
3. Loss or liability resulting from nuclear incident as per Nuclear Incident Exclusion Clause (Liability) and (Physical Damage) as stated in Article XXI and XXII.
4. All liability of the Company for assignments or assessments.

ARTICLE IX

EXTRA CONTRACTUAL OBLIGATIONS

This Contract shall protect the Company for any Extra Contractual Obligations in addition to the limits hereof. The term "Extra Contractual Obligations" is defined as those liabilities not covered under any other provision of this Contract and which arise from the handling of any claim on business covered hereunder, such liabilities arising because of, but not limited to, the following: failure by the Company to settle within the Policy Limit, or by reason of alleged or actual negligence, fraud, or bad faith in rejecting an offer of settlement or in the preparation of the defense or in the trial of any action against its insured or reinsured or in the preparation or prosecution of an appeal consequent upon such action.

The date on which any Extra Contractual Obligation is incurred by the Company shall be deemed, in all circumstances, to be the date of the original disaster and/or casualty.

However, this Article shall not apply where the loss has been incurred due to fraud by a member of the Board of Directors or a corporate officer of the Company acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim covered hereunder.

If any provisions of this Contract shall be rendered illegal or unenforceable by the laws, regulations or public policy of any state, such provision shall be considered void in such state, but this shall not affect the validity or enforceability of any other provision of this Contract or the enforceability of such provision in any other jurisdiction.

ARTICLE X

EXCESS OF ORIGINAL POLICY LIMITS

This Contract shall protect the Company, in addition to the limits hereof, in connection with loss in excess of the limit of its original Policy, such loss in excess of the limit having been incurred because of failure by it to settle within the Policy limit or by reason of alleged or actual

negligence, fraud, or bad faith in rejecting an offer of settlement or in the preparation of the defense or in the trial of any action against its insured or reinsured or in the preparation or prosecution of an appeal consequent upon such action.

However, this Article shall not apply where the loss has been incurred due to fraud by a member of the Board of Directors or a corporate officer of the Company acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim covered hereunder.

For the purpose of this Article, the word "loss" shall mean any amounts for which the Company would have been contractually liable to pay had it not been for the limit of the original policy.

If any provisions of this contract shall be rendered illegal or unenforceable by the laws, regulations or public policy of any state, such provision shall be considered void is such state, but this shall not affect the validity or enforceability of any other provision of this contract or the enforceability of such provision in any other jurisdiction.

ARTICLE XI

TAXES

In consideration of the terms under which this Contract is issued, the Company undertakes not to claim any deduction of the premium hereon when making Canadian tax returns or when making tax returns, other than income or profits tax returns, to any state or territory of the United States of America or to the District of Columbia.

ARTICLE XII

ERRORS AND OMISSIONS

Any inadvertent delay, or error shall not be held to relieve either party hereto from any liability which would attach to it hereunder if such delay, omission or error had not been made, provided such omission or error is rectified upon discovery.

ARTICLE XIII

SERVICE OF SUIT (U.S.A.)

It is agreed that in the event of the failure of the Underwriters hereon to pay any amount claimed to be due hereunder, the Underwriters hereon, at the request of the Insured (or the Company), will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this Article constitutes or should be understood to constitute a waiver of Underwriter's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Edwards & Angell, LLP, 90 State House Square, Hartford, CT 06103-3702, and that in any suit instituted against any one

of them upon this Contract, Underwriters will abide by the final decision of such court or of any appellate court in the event of an appeal.

The above-named are authorized and directed to accept service of process on behalf of Underwriters in any such suit and/or upon the request of the Insured (or the Company) to give a written undertaking to the Insured (or the Company) that they will enter a general appearance upon Underwriters' behalf in the event such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefore, Underwriters hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Insured (or the Company) or any beneficiary hereunder arising out of this Contract of reinsurance, and hereby designate the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE XIV

INSOLVENCY

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the liquidator, receiver, conservator or statutory successor of the Company has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the Reinsurer of the pendency of a claim against the Company indicating the policy insured which claim would involve a possible liability on the part of the Reinsurer within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim, the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses that it may deem available to the Company or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to the approval of the court, against the Company as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurer.

Where two or more reinsurers are involved in the same claim and a majority in interest elect to interpose defense to such claim, the expense shall be apportioned in accordance with the terms of this Contract as though such expense had been incurred by the insolvent Company.

Should the Company go into liquidation or should a receiver be appointed, all amounts due either the Company or the Reinsurer, whether by reason of premium, losses, or otherwise under this contract, shall be subject to the right of offset at any time and from time to time, and upon the exercise of the same, only the net balance shall be due.

ARTICLE XV

FEDERAL EXCISE TAX

(Applicable to those reinsurers, excepting Underwriters at LLoyd's London and other reinsurers exempt from Federal Excise Tax, who are domiciled outside the United States of America.)

A. The Reinsurer has agreed to allow for the purpose of paying the Federal Excise Tax (one per cent) of the premium payable hereon to the extent such premium is subject to the Federal Excise Tax.

B. In the event of any return of premium becoming due hereunder the Reinsurer will deduct the aforesaid percentage from the return premium payable hereon and the Company or its agent should take steps to recover the tax from the United States Government.

ARTICLE XVI

LOSS SETTLEMENTS

All loss settlements made by the Company, whether under policy terms and conditions or by way of compromise, shall be binding upon the Reinsurer, and the Reinsurer agrees to pay or allow, as the case may be, its share of each such settlement in accordance with this Contract.

The Reinsurer shall also be liable for its proportionate share of loss adjustment expense incurred by the Company under policies subject hereto.

Nothing in this Article shall be construed as meaning that loss and loss adjustment expense are not recoverable hereunder until the final loss to the Company has been ascertained.

The date of loss as defined in the Company's original insurance policies shall apply as respects any losses reported under this Contract.

ARTICLE XVII

ACCESS TO RECORDS

The Reinsurer or its designated representatives shall have free access at any reasonable time to all records of the Company which pertain in any way to this reinsurance.

ARTICLE XVIII

CURRENCY

Whenever the word "Dollars" or the "$" sign appears in this Contract, they shall be construed to mean United States Dollars and all transactions under this Contract shall be in United States Dollars.

Amounts paid or received by the Company in any other currency shall be converted to United States Dollars at the rate of exchange at the date such transaction is entered on the books of the Company.

ARTICLE XIX

OFFSET

The Company and the Reinsurer may offset any balance or amount due from one party to the other under this Contract. This provision shall not be affected by the insolvency of either party to this Contract.

ARTICLE XX

ARBITRATION

As a condition precedent to any right of action hereunder, any dispute arising out of the interpretation, performance or breach of this Contract, including the formation or validity thereof, shall be submitted for decision to a panel of three arbitrators. Notice requesting arbitration will be in writing and sent certified or registered mail, return receipt requested.

One arbitrator shall be chosen by each party and the two arbitrators shall, before instituting the hearing, choose an impartial third arbitrator who shall preside at the hearing. If either party fails to appoint its arbitrator within thirty (30) days after being requested to do so by the other party, the latter, after ten (10) days notice by certified or registered mail of its intention to do so, may appoint the second arbitrator.

If the two arbitrators are unable to agree upon the third arbitrator within thirty (30) days of their appointment, the third arbitrator shall be selected from a list of six individuals (three named by each arbitrator) by a judge of the Federal District Court having jurisdiction over the geographical area in which the arbitration is to take place, or if the Federal Court declines to act, the state court having general jurisdiction in such area.

All arbitrators shall be disinterested active or former executive officers of insurance or reinsurance companies or Underwriters at Lloyd's, London.

Within thirty (30) days after notice of appointment of all arbitrators, the panel shall meet and determine timely periods for briefs, discovery procedures and schedules for hearings.

The panel shall be relieved of all judicial formality and shall not be bound by the strict rules of procedure and evidence. Unless the panel agrees otherwise, arbitration shall take place in New York, NY, but the venue may be changed when deemed by the panel to be in the best interest of the arbitration proceeding. The decision of any two arbitrators when rendered in writing shall be final and binding. The panel is empowered to grant interim relief as it may deem appropriate.

The panel shall interpret this Contract as an honorable engagement rather than as merely a legal obligation and shall make its decision considering the custom and practice of the applicable insurance and reinsurance business as promptly as possible following the termination of the hearings. Judgment upon the award may be entered in any court having jurisdiction thereof.

Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the cost of the third arbitrator. The remaining costs of the arbitration shall be allocated by the panel. The panel may, at its discretion, award such further costs and expenses as it considers appropriate, including but not limited to attorney fees, to the extent permitted by law.

ARTICLE XXI

NUCLEAR INCIDENT EXCLUSION CLAUSE - LIABILITY - REINSURANCE
U.S.A.

(1) This reinsurance does not cover any loss or liability accruing to the Reassured as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

(2) Without in any way restricting the operation of paragraph (1) of this Clause it is understood and agreed that for all purposes of this reinsurance all the original policies of the Reassured (new, renewal and replacement) of the classes specified in Clause II of this paragraph (2) from the time specified in Clause III in this paragraph (2) shall be deemed to include the following provision (specified as the Limited Exclusion Provision):

Limited Exclusion Provision.*

I. It is agreed that the policy does not apply under any liability coverage, to (*injury, sickness, disease, death or destruction* (bodily injury or property damage with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability.

II. Family Automobile Policies (liability only), Special Automobile Policies (private passenger automobiles, liability only), Farmers Comprehensive Personal Liability Policies (liability only), Comprehensive Personal Liability Policies (liability only) or policies of a similar nature; and the liability portion of combination forms related to the four classes of policies stated above, such as the Comprehensive Dwelling Policy and the applicable types of Homeowners Policies.

III. The inception dates and thereafter of all original policies as described in II above, whether new, renewal or replacement, being policies which either
   (a) become effective on or after 1st May, 1960, or
   (b) become effective before that date and contain the Limited Exclusion Provision set out above;

provided this paragraph (2) shall not be applicable to Family Automobile Policies, Special Automobile Policies, or policies or combination policies of a similar nature, issued by the Reassured on New York risks, until 90 days following approval of the Limited Exclusion Provision by the Governmental Authority having jurisdiction thereof.

(3) Except for those classes of policies specified in Clause II of paragraph (2) and without in any way restricting the operation of paragraph (1) of this Clause, it is understood and agreed that for all purposes of this reinsurance the original liability policies of the Reassured (new, renewal and replacement) affording the following coverages:

Owners, Landlords and Tenants Liability, Contractual Liability, Elevator Liability, Owners or Contractors (including railroad) Protective Liability, Manufacturers and Contractors Liability, Product Liability, Professional and Malpractice Liability, Storekeepers Liability, Garage Liability, Automobile Liability (including Massachusetts Motor Vehicle or Garage Liability)

shall be deemed to include, with respect to such coverages, from the time specified in Clause V of this paragraph (3), the following provision (specified as the Broad Exclusion Provision):

Broad Exclusion Provision.*

It is agreed that the policy does not apply:

I. Under any Liability Coverage, to

(*injury, sickness, disease, death or destruction*
(bodily injury or property damage

(a) with respect to which an insured under the policy's also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or

(b) resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

II. Under any Medical Payments Coverage, or under any Supplementary Payments Provision relating to

(*immediate medical or surgical relief*
(first aid,

to expenses incurred with respect to

(*bodily injury, sickness, disease or death*
(bodily injury

resulting from the hazardous properties of nuclear material and arising out of the operation of a nuclear facility by any person or organization.

III. Under any Liability Coverage to
(injury, sickness, disease, death or destruction
(bodily injury or property damage
resulting from the hazardous properties of nuclear material, if

(a) the nuclear material (1) is at any nuclear facility owned by, or operated by or on behalf of, an insured or (2) has been discharged or dispersed therefrom;

(b) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or

(c) the *(injury, sickness, disease, death or destruction*
(bodily injury or property damage
arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories, or possessions or Canada, this exclusion (c) applies only to
(injury to or destruction of property at such nuclear facility
(property damage to such nuclear facility and any property thereat.

IV. As used in this endorsement:
"hazardous properties" include radioactive, toxic or explosive properties; **"nuclear material"** means source material, special nuclear material or byproduct material; **"source material," "special nuclear material,"** and **"byproduct material"** have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof; **"spent fuel"** means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor; **"waste"** means any waste material (1) containing byproduct material and (2) resulting from the operation by any person or

organization of any nuclear facility included within the definition of nuclear facility under paragraph (a) or (b) thereof; **"nuclear facility"** means

(a) any nuclear reactor,

(b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling processing or packaging waste,

(c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235,

(d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste,

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; **"nuclear**

reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

(With respect to injury to or destruction of property, the word "injury" or "destruction"

("property damage" includes all forms of radioactive contamination of property.

(includes all forms of radioactive contamination of property.

V. The inception dates and thereafter of all original policies affording coverages specified in this paragraph (3), whether new, renewal or replacement, being policies which become effective on or after 1st May, 1960, provided this paragraph (3) shall not be applicable to

(I) Garage and Automobile Policies issued by the Reassured on New York risks, or

(ii) statutory liability insurance required under Chapter 90, General Laws of Massachusetts,

until 90 days following approval of the Broad Exclusion Provision by the Governmental Authority having jurisdiction thereof.

(4) Without in any way restricting the operation of paragraph (1) of this Clause, it is understood and agreed that paragraphs (2) and (3) above are not applicable to original liability policies of the Reassured in Canada and that with respect to such policies this Clause shall be deemed to include the Nuclear Energy Liability Exclusion Provisions adopted by the Canadian Underwriters' Association of the Independent Insurance Conference of Canada.

*NOTE: The words printed in italics in the Limited Exclusion Provision and in the Broad Exclusion Provision shall apply only in relation to original liability policies which include a Limited Exclusion Provision or a Broad Exclusion Provision containing those words.

ARTICLE XXII

NUCLEAR INCIDENT EXCLUSION CLAUSE - PHYSICAL DAMAGE REINSURANCE U.S.A.

1. This Reinsurance does not cover any loss or liability accruing to the Reassured, directly or indirectly and whether as Insurer or Reinsurer, from any Pool of Insurers or Reinsurers formed for the purpose of covering Atomic or Nuclear Energy risks.

2. Without in any way restricting the operation of paragraph (1) of this Clause, this Reinsurance does not cover any loss or liability accruing to the Reassured, directly or indirectly and whether as Insurer or Reinsurer, from any insurance against Physical Damage (including business interruption or consequential loss arising out of such Physical Damage) to:

I. Nuclear reactor power plants including all auxiliary property on the site, or

II. Any other nuclear reactor installation, including laboratories handling radioactive materials in connection with reactor installations, and "critical facilities" as such, or

III. Installations for fabricating complete fuel elements or for processing substantial quantities of "special nuclear material", and for reprocessing, salvaging, chemically separating, storing or disposing of "spent" nuclear fuel or waste materials, or

IV. Installations other than those listed in paragraph (2) III above using substantial quantities of radioactive isotopes or other products of nuclear fission.

3. Without in any way restricting the operations of paragraphs (1) and (2) hereof, this Reinsurance does not cover any loss or liability by radioactive contamination accruing to the Reassured, directly or indirectly, and whether as Insurer or Reinsurer, from any insurance on property which is on the same site as a nuclear reactor power plant or other nuclear installation and which normally would be insured there with except that this paragraph (3) shall not operate

   (a) where Reassured does not have knowledge of such nuclear reactor power plant or nuclear installation, or

   (b) where said insurance contains a provision excluding coverage for damage to property caused by or resulting from radioactive contamination, however caused. However on and after 1st January 1960 this sub-paragraph (b) shall only apply provided the said radioactive contamination exclusion provision has been approved by the Governmental Authority having jurisdiction thereof.

4. Without in any way restricting the operations of paragraphs (1), (2) and (3) hereof, this Reinsurance does not cover any loss or liability by radioactive contamination accruing to the Reassured, directly on indirectly, and whether as Insurer or Reinsurer, when such radioactive contamination is a named hazard specifically insured against.

5. It is understood and agreed that this Clause shall not extend to risks using radioactive isotopes in any form where the nuclear exposure is not considered by the Reassured to be the primary hazard.

6. The term "special nuclear material" shall have the meaning given it in the Atomic Energy Act of 1954 or by any law amendatory thereof.

7. Reassured to be sole judge of what constitutes:

   (a) substantial quantities, and

   (b) the extent of installation, plant or site.

Note: Without in any way restricting the operation of paragraph (1) hereof, it is understood and agreed that

(a) all policies issued by the Reassured on or before 31st December 1957 shall be free from the application of the other provisions of this Clause until expiry date or 31st December 1960 whichever first occurs whereupon all the provisions of this Clause shall apply,

(b) with respect to any risk located in Canada policies issued by the Reassured on or before 31st December 1958 shall be free from the application of the other provisions of this Clause until expiry date or 31st December 1960 whichever first occurs whereupon all the provisions of this Clause shall apply.

ARTICLE XXIII

UNAUTHORIZED REINSURANCE

(Applies only to a Reinsurer who does not qualify for full credit with any insurance regulatory authority having jurisdiction over the Company's reserves.)

As regards policies or bonds issued by the Company coming within the scope of this Contract, the Company agrees that when it shall file with the insurance regulatory authority or set up on its books reserves for unearned premium and losses covered hereunder which it shall be required by law to set up, it will forward to the Reinsurer a statement showing the proportion of such reserves which is applicable to the Reinsurer. The Reinsurer hereby agrees to fund such reserves in respect of unearned premium, known outstanding losses that have been reported to the Reinsurer and allocated loss adjustment expense relating thereto, losses and allocated loss adjustment expense paid by the Company but not recovered from the Reinsurer, plus reserves for losses incurred but not reported, as shown in the statement prepared by the Company (hereinafter referred to as "Reinsurer's Obligations") by funds withheld, funds held in trust for benefit of the Company, cash advances or a Letter of Credit. Both the Company and the Reinsurer shall, by mutual agreement determine the method of funding provided it is acceptable to the insurance regulatory authorities having jurisdiction over the Company's reserves.

When funding by a Letter of Credit, the Reinsurer agrees to apply for and secure timely delivery to the Company of a clean, irrevocable, unconditional, and evergreen Letter of Credit issued by a qualified United States institution in an amount equal to the Reinsurer's proportion of reserves. The funds under such Letter of Credit shall be subject to withdrawal solely by the Company and shall be under the exclusive control of Company. Such Letter of Credit shall contain provisions acceptable to the insurance regulatory authorities having jurisdiction over the Company's reserves. Such Letter of Credit shall be issued for a period of not less than one year, and shall be automatically extended for one year from its date of expiration or any future expiration date unless thirty (30) days (sixty (60) days where required by insurance regulatory authorities) prior to any expiration date the issuing bank shall notify the Company by certified or registered mail that the issuing bank elects not to consider the Letter of Credit extended for any additional period.

The Reinsurer and Company agree that the Letters of Credit provided by the Reinsurer pursuant to the provisions of this Contract may be drawn upon at any time, notwithstanding any other provision of this Contract, and be utilized by the Company or any successor, by operation of law, of the Company including, without limitation, any liquidator, rehabilitator, receiver or

conservator of the Company for the following purposes, unless otherwise provided for in a separate Trust Agreement:

(a) to reimburse the Company for the Reinsurer's Obligations, the payment of which is due under the terms of this Contract and which has not been otherwise paid;

(b) to make refund of any sum which is in excess of the actual amount required to pay the Reinsurer's Obligations under this Contract;

(c) to fund an account with the Company for the Reinsurer's Obligations. Such cash deposit shall be held in an interest bearing account separate from the Company's other assets, and interest thereon not in excess of the prime rate shall accrue to the benefit of the Reinsurer;

(d) to pay the Reinsurer's share of any other amounts the Company claims are due under this Contract.

In the event the amount drawn by the Company on any Letter of Credit is in excess of the actual amount required for (a) or (c), or in the case of (d), the actual amount determined to be due, the Company shall promptly return to the Reinsurer the excess amount so drawn. All of the foregoing shall be applied without diminution because of insolvency on the part of the Company or the Reinsurer.

The issuing bank shall have no responsibility whatsoever in connection with the propriety of withdrawals made by the Company or the disposition of funds withdrawn, except to ensure that withdrawals are made only upon the order of properly authorized representatives of the Company.

At annual intervals, or more frequently as agreed but never more frequently than quarterly, the Company shall prepare a specific statement of the Reinsurer's Obligations, for the sole purpose of amending the Letter of Credit, in the following manner:

If the statement shows that the Reinsurer's Obligations exceed the balance of credit as of the statement date, the Reinsurer shall, within thirty (30) days after receipt of notice of such excess, secure delivery to the Company of an amendment to the Letter of Credit increasing the amount of credit by the amount of such difference.
If, however, the statement shows that the Reinsurer's Obligations are less than the balance of credit as of the statement date, the Company shall, within thirty (30) days after receipt of written request from the Reinsurer, release such excess credit by agreeing to secure an amendment to the Letter of Credit reducing the amount of credit available by the amount of such excess credit.

ARTICLE XXIV

ENTIRE AGREEMENT/AMENDMENTS

This Contract constitutes the entire agreement between the Company and Reinsurer with respect to the business being reinsured hereunder, and the obligations of the Company and the Reinsurer are determined solely by the terms of this Contract. Any change or modification to this Contract will be made by written amendment to this Contract and signed by both the Company and Reinsurer.

ARTICLE XXV

GOVERNING LAW

This Contract shall be governed in its interpretation, construction, and administration by the proper laws of the domiciliary state of each individual company comprising the Reinsured hereunder (as regards business underwritten by that company).

REINSURANCE TRUST AGREEMENT

THIS REINSURANCE TRUST AGREEMENT, (the "Agreement") dated as of January 1, 2008 is among **UNIGARD INSURANCE COMPANY, UNIGARD INDEMNITY (together the "Beneficiary"), EQUATOR REINSURANCES LIMITED** (the "Grantor"), and **BROWN BROTHERS HARRIMAN TRUST COMPANY, N.A.,** (the "Trustee").

Background

The Beneficiary and the Grantor have entered into the Reinsurance Agreement(s) listed in Exhibit A (the "Reinsurance Agreements") pursuant to which the Grantor has agreed to reinsure certain risks under policies of insurance issued by the Beneficiary;

In order to secure its obligation to the Beneficiary, the Grantor is required, pursuant to the Reinsurance Agreements, to deposit certain assets in trust; and

The Beneficiary and the Grantor intend that the Beneficiary be permitted to take full credit on its records for the portion of the reserves ceded the Grantor under the Reinsurance Agreements.

1. Trust Account.

(a) The Grantor hereby establishes with the Trustee a trust account (the "Trust" or "Account") in which the Grantor shall deposit the property shown on the attached Exhibit B (such assets being collectively referred to herein as the "Assets"), such Assets to be held in trust by the Trustee or its successor in trust, for the sole benefit of the Beneficiary until such time as this Agreement is terminated. Notwithstanding any other provision hereof, "Assets" as used herein shall not include any direct interest in real property, leaseholds or mineral interests and shall not include any securities principally traded or safekept outside of the United States.

(b) The Trustee hereby accepts its appointment as trustee and agrees to accept such future contributions to the Trust as are acceptable to the Trustee, and the Trustee shall hold all of the Assets in trust subject to and in accordance with the terms hereof. The Trustee shall have no duty to determine or collect contributions under the Reinsurance Agreements; shall have no responsibility for any property until it is actually received and accepted by the Trustee; and shall not be responsible for the adequacy of the Account or any Assets therein to meet and discharge any liabilities under the Reinsurance Agreements or any applicable law. The Grantor and the Beneficiary shall have the sole duty and responsibility for the determination of the accuracy or sufficiency of the contributions to be made to the Account under the Reinsurance Agreements, the transmittal of the same to the Trustee, and compliance with any statute, regulation, or rule applicable to such contributions.

2. Authorized Parties/Instructions.

(a) The Grantor and the Beneficiary shall furnish the Trustee with a written list of the names, signatures, and extent of authority of all persons authorized to direct the Trustee and otherwise act on their respective behalves under the terms of this Agreement (each an

"Authorized Party"). The Trustee shall be entitled to rely on and shall be fully protected in acting in good faith upon direction from an Authorized Party until notified in writing by the Grantor or the Beneficiary, as appropriate, of a change in the identity of an Authorized Party, and the Trustee shall not be responsible or liable for any diminution of value of any securities or other property held by the Trustee (or its subcustodians), except to the extent that the Trustee is obligated to indemnify the Trust pursuant to Section 14(b) of this Agreement.

(b) All directions and instructions to the Trustee from an Authorized Party shall be in writing, transmitted by mail or by facsimile or electronic transmission subject to the Trustee's practices; provided, that the Trustee may, in its discretion, accept oral directions and instructions and may require confirmation in writing. The Trustee shall be entitled to rely on and shall be fully protected in acting in accordance with all such directions and instructions which it reasonably believes to have been given by an Authorized Party and in failing to act in the absence thereof.

3. **General Powers and Duties of Trustee.** In administering the Trust, the Trustee shall be specifically authorized to:

(a) Appoint custodians, subcustodians, or subtrustees, including affiliates of the Trustee, as to part or all of the Account;

(b) Hold Assets in nominee name, in bearer form, or in book entry form, in a clearinghouse corporation or in a depository, so long as the Trustee's records clearly indicate that the assets held are a part of the Account; provided that the Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized domestic clearing facility, book-entry system, centralized custodial depository, or similar organization;

(c) Collect income payable, and distributions due, to the Account and sign on behalf of the Trust any declarations, affidavits, certificates of ownership, and other documents required to collect income and principal payments, including but not limited to, tax reclamations, rebates, and other withheld amounts;

(d) All dividends, interest and other income resulting from the investment of the Assets shall be the property of the Grantor. At the discretion of the Grantor, all payments of interest and dividends actually received in respect of Assets in the Trust Account may be promptly deposited by the Trustee, subject to deduction of the Trustee's compensation and expenses as provided herein, in a separate account (the "Income Account") established and maintained by the Grantor at an office of the Trustee. The Grantor shall have the right to withdraw funds from the Income Account at any time.

(e) Subject to the timely receipt of notice from an issuer or an Authorized Party, collect proceeds from securities, certificates of deposit, or other investments which may mature or be called;

(f) Submit or cause to be submitted to the Grantor or the party designated by the

Grantor, on a best efforts basis, all information actually received by the Trustee regarding ownership rights pertaining to Assets held in the Account;

(g) Determine the fair market value of the Account monthly, or for such other period as may be mutually agreed upon, utilizing the reporting services described on the attached Exhibit C and Grantor and Beneficiary shall accept and agree to such value. The Trustee shall not be liable for any loss, damage, or expense (direct, indirect, consequential or special) caused by any inaccuracy of an pricing information supplied by such reporting services;

(h) Within 10 days after the occurrence of any deposits to or withdrawals from the Account, notify the Beneficiary and the Grantor thereof;

(i) Render statements for Assets held hereunder upon the inception of the Account and after the end of each calendar quarter, provided that the Trustee shall have no responsibility to amortize, accrete or otherwise report to the Grantor or the Beneficiary the cost basis of or interest accrued on any Asset;

(j) Employ suitable agents, including agents who are affiliated with the Trustee, and legal counsel and, as a part of its reimbursable expenses under this Agreement, pay their reasonable compensation and expenses. The Trustee shall have full and complete authorization from the Grantor and Beneficiary for any action taken or omitted by it under this Agreement or under any transaction contemplated hereby in good faith and in accordance with opinion of its legal counsel, other than with respect to withdrawals of Assets by the Beneficiary;

(k) Take all action necessary to pay for authorized transactions or make authorized distributions, including exercising the power to borrow or raise monies from any lender, which may be the Trustee in its corporate capacity or any affiliate or agent of the Trustee, upon such terms and conditions as are necessary to settle such transactions or distributions;

(l) Determine that all of the Account assets are in such form that the Beneficiary or the Trustee, upon direction of the Beneficiary, may, whenever necessary, negotiate any such assets without consent or signature from the Grantor or any other person or entity, and any assets received by the Trustee which are not in such properly negotiable form shall not be accepted by the Trustee and shall be returned to the Grantor as unacceptable; and

(m) Generally take all action, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the fulfillment of its duties hereunder.

The powers described in this Section may be exercised by the Trustee with or without instructions from an Authorized Party, but where the Trustee acts on non-written instructions from an Authorized Party in good faith, the Trustee shall be fully protected.

4. <u>Directed Powers of Trustee</u>. In addition to the general powers enumerated previously, the Trustee shall have and exercise the following powers and authority in the administration of the Account:

(a) Upon the written direction of the Grantor or an Authorized Party of the Grantor, settle purchases and sales and engage in other transactions, including free receipts and deliveries, exchanges, and other voluntary corporate actions, with respect to securities or other property received by the Trustee;

(b) The Trustee shall forward all proxy and proxy materials relating to Assets in the Account to the Grantor or an Authorized Party of the Grantor. The Grantor or an Authorized Party of the Grantor shall have the full and unqualified right to vote any Assets in the Account; and

(c) Upon the written direction of the of the Beneficiary, immediately take any and all steps necessary to transfer absolutely and unequivocally all right, title and interest in the Account assets to the Beneficiary and deliver physical custody of such assets to the Beneficiary.

Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Beneficiary and the Grantor acknowledge that this may, in certain circumstances, require the delivery of cash, securities, or other property without the concurrent receipt of securities, other property or cash. In such circumstances, the Trustee shall have no responsibility for nonreceipt of payment, late payment or nondelivery of securities or other property, or late delivery by the counterparty.

5. **Character of Assets.**

(a) The Grantor shall ensure that only Eligible Assets (as hereinafter defined) are deposited or retained as Assets in the Account. The Trustee shall have no duty to (i) determine whether any assets deposited to or held in the Account are Eligible Assets; (ii) ensure that only Eligible Assets are deposited or retained in the Account or (iii) to monitor compliance by any party with the provisions of the Reinsurance Agreement. An "Eligible Asset" shall be valued according to its current fair market value and shall consist of only one or more of the following:

(1) cash in United States dollars;

(2) a certificate of deposit payable in United States dollars and issued by a bank organized under the laws of the United States or any state thereof; or

(3) an investment of a type specified in Exhibit D hereto and made a part hereof, provided, however, that such investment must also be of a type approved by the applicable regulatory authorities of the state of Wisconsin and provided, further, however, that such investment must also be issued by an institution which is not the parent, subsidiary or affiliate of either the Beneficiary or the Grantor. Only those investments that are safekept or principally traded in the United States shall be Eligible Assets.

(b) The Grantor shall, prior to depositing assets with the Trustee, execute assignments or endorsements in blank or shall otherwise transfer legal title to the Trustee of all shares, obligations or other assets requiring assignments, in order that the Beneficiary, or the Trustee

upon direction by the Beneficiary, may, whenever necessary, negotiate any such assets without consent or signature from the Grantor or any other person or entity, and the Trustee shall not be required to accept deposit of any assets with respect to which the Trustee is not satisfied such steps have been adequately taken.

6. **Investment of Account Assets.**

The Trustee shall invest and reinvest the cash held in the Account as directed in writing by the Grantor from time to time, subject in all cases to the terms of this Agreement. The Trustee shall be under no duty to give any investment advice to any person in connection with the Account.

7. **Release of Excess Assets to Grantor.**

The Beneficiary may direct the Trustee in writing to, and upon such written direction the Trustee, as promptly as is reasonably practicable, shall, release to the Grantor assets held in the Account to the extent that the value of the Assets in the Account exceeds 102% of the Obligation Amount (as hereinafter defined) as specified in such written direction to the Trustee. As used herein, the "Obligation Amount" shall be the actual amount required under the Reinsurance Agreements to fund the Grantor's Obligations (as hereinafter defined), as such actual amount required is determined by the Beneficiary. As used herein, the Grantor's "Obligations" shall include:

(a) losses and defense and cost containment expenses paid by the Beneficiary, but not recovered from the Grantor;

(b) reserves for losses reported and outstanding;

(c) reserves for losses incurred but not reported;

(d) reserves for defense and cost containment expenses; and

(e) reserves for unearned premiums to the extent the Beneficiary has paid the relevant premiums.

The Trustee shall follow the directions of the Beneficiary and shall have no other responsibility under this Section.

8. **Adjustments to Assets in Account.**

Within forty-five (45) days after the end of each calendar quarter, the Grantor shall deposit with the Trustee assets constituting Eligible Assets in an amount sufficient to maintain the value of the assets in the Account at least equal to the minimum amount required by the Beneficiary pursuant to the Reinsurance Agreements. The Trustee shall have no duty to monitor the value of the Assets, except to the extent necessary to determine the fair market value of the assets of the Account monthly pursuant to Section 3(g) of this Agreement.

9. Withdrawal and Substitution by Grantor of Assets in Account.

The Grantor shall have the right, with the prior written consent of the Beneficiary, which consent shall not be arbitrarily withheld, to withdraw from the Account and transfer to the Grantor all or any part of the Assets in the Account, provided, that the Grantor shall, at the time of such withdrawal, replace the withdrawn Assets with other Eligible Assets having a fair market value, as determined by the Beneficiary equal to the value of the Assets withdrawn. Prior to any such withdrawal and replacement, the Grantor shall deliver to the Beneficiary and the Trustee a detailed written description of the proposed withdrawal and replacement and the character and amount of the Assets proposed to be withdrawn and the Eligible Assets proposed to be used to replace such withdrawn Assets.

10. Trustee and Beneficiary Not Liable for Losses.

The Trustee and the Beneficiary shall not be responsible or liable to any other party for any loss or decline in value of any of the Assets held in the Account, including any investments thereof, or any loss or penalties incurred in the liquidation or sale of any thereof. The Trustee may liquidate investments prior to maturity to make any distribution pursuant to the terms hereof.

11. Withdrawal by Beneficiary of Assets.

The Beneficiary shall have the right to withdraw Assets from the Account at any time, without notice to the Grantor, subject only to written direction by the Beneficiary to the Trustee (the "Withdrawal Notice"), such Assets as are specified in such Withdrawal Notice. The Beneficiary need present no statement or document in addition to a Withdrawal Notice in order to withdraw any assets; nor is said right of withdrawal or any other provision of this Agreement subject to any conditions or qualifications not contained in this Agreement. The Trustee shall, upon receipt of such direction, deliver such Assets to the Beneficiary as promptly as reasonably practicable.

12. Use and Application of Withdrawn Assets.

The Beneficiary undertakes to use and apply any amounts withdrawn from the Account, without diminution because of the insolvency of the Beneficiary or the Grantor, for the following purposes:

(a) to pay or reimburse the Beneficiary for the Grantor's share under the Reinsurance Agreements regarding any losses and defense and cost containment expenses paid by the Beneficiary but not recovered from the Grantor or for unearned premiums due to the Beneficiary, if not otherwise paid by the Grantor in accordance with the terms of the Reinsurance Agreements;

(b) to make payment to or for the account of the Grantor of any amounts held in the Account that exceed 102% of the Obligation Amount; and

(c) where the Beneficiary has received notification of the termination of the Account,

and where the Grantor's entire Obligations remain unliquidated and undischarged 10 days prior to the termination date of the Account, to withdraw amounts equal to the Obligation Amount and deposit such amounts in a separate account, in the name of the Beneficiary, in any bank or trust company organized under the laws of the United States or any state thereof, apart from the Beneficiary's general assets, in trust for such uses and purposes specified in clauses (a) and (b) of this Section as may remain executory after such withdrawal and for any period after such termination date.

The Trustee shall have no responsibility for the use or application of any funds under this Section or otherwise distributed or withdrawn pursuant to the provisions of this Agreement.

13. Taxes and Liens.

The Grantor shall pay, prior to delinquency, all taxes, assessments and other charges levied upon the Assets, the Account or this Agreement and shall discharge all liens against the Assets or the Account, provided, however, that unless and until foreclosure, distraint, levy, sale or similar proceedings shall have been commenced, the Grantor need not pay any such tax, assessment or other charge so long as the validity thereof is contested in good faith and by appropriate proceedings diligently conducted and so long as security sufficient to pay such tax, assessment or other charge (and any interest and penalties which may be applicable thereon) has been provided to the Trustee to protect the Beneficiary and the Trustee. In the event that the Grantor shall fail so to pay any such tax, assessment or other charge (and shall not be so contesting it) or to discharge any such lien, the Beneficiary may, at its option, but shall not be required to, make any payments necessary to pay such tax, assessment or other charge and/or to discharge such lien, and the Grantor shall, upon demand, reimburse the Beneficiary for the full amount of such payments (together with interest from the date paid to, but not including the date reimbursed at, a fluctuating rate per annum equal to the prime rate as announced by the Trustee from time to time). The Trustee shall not be responsible for paying any taxes, assessments or other charges or discharging liens of any of the Assets or the Account.

14. Trustee's Fees and Expenses.

(a) Compensation and Expenses. The Trustee shall be entitled to compensation for services under this Agreement as mutually agreed ("Fees"). The Beneficiary and the Grantor acknowledge that, as part of the Trustee's compensation, the Trustee may earn interest on balances, including balances arising from purchase and sale transactions. The Trustee shall also be entitled to reimbursement for reasonable expenses incurred by it in the discharge of its duties under this Agreement including, without limitation, any taxes, interest, charges, expenses, assessments, or other liabilities incurred by the Trustee in connection with the performance of this Agreement ("Expenses"), except such as may arise from the negligence, dishonesty, willful misconduct or lack of good faith of itself and its officers, employees, agents, custodians, subcustodians, and subtrustees. All such Fees and Expenses shall be charged to, and payable by, the Grantor on demand.

If the Trustee advances cash or securities to the Account for the purpose of facilitating any disbursement or other transaction authorized pursuant to the terms of this Agreement

("Advances"), any Assets at any time held for the Account shall be security therefor and the Trustee shall, be entitled to collect from the Account sufficient cash for reimbursement of such Advances provided that the value of the Account immediately prior to any such advance is not diminished by such reimbursement, and if such cash is insufficient, upon prior notice to the Beneficiary and the Grantor, dispose of the Assets of the Account to the extent necessary to obtain such reimbursement, again provided that, the value of the Account immediately prior to any such advance is not diminished by such reimbursement. In addition, to the extent that the Trustee advances funds to the Account for disbursements or to effect the settlement of authorized purchase transactions, the Trustee shall be entitled to collect from the Grantor, and the Grantor agrees to pay to the Trustee, an amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate).

Notwithstanding the foregoing, it is acknowledged and agreed that the Account Assets shall not be, or constitute security for, the payment of any Fees or Expenses for which the Grantor is responsible hereunder.

In the event that the Grantor fails to pay any Fees, Expenses or any other amount payable by it to the Trustee hereunder as and when required, the Grantor agrees that the Trustee shall have the right, without further notice or demand, to set off against, and to appropriate and apply to such amount owing, any indebtedness, liability or obligation of any nature owing to the Grantor by the Trustee in its capacity as a national banking association (except for any such indebtedness, liability or obligation owing pursuant to this Agreement) including, but not limited to, all deposits, and/or custodial accounts now or hereafter maintained by the Grantor with the Trustee. The rights of the Trustee provided herein are in addition to all other rights of set-off and all other rights and remedies which the Trustee may otherwise have against the Grantor at law, in equity or otherwise, and nothing in this Agreement shall be deemed a waiver or prohibition of, or restriction upon, the Trustee's rights of set-off against the Grantor.

15. <u>Additional Provisions Relating to the Trustee.</u>

(a) In performing its duties under this Agreement, the Trustee shall exercise the same care and diligence that it would devote to its own property in like circumstances. The Trustee is obligated to indemnify the Trust for any loss of securities of the Trust in its custody occasioned by the negligence, dishonesty, willful misconduct or lack of good faith of itself and its officers, employees, agents, custodians, subcustodians, and subtrustees arising out of or in connection with the performance of its obligations under the provisions of this Agreement, or burglary, robbery, holdup, theft, or mysterious disappearance, including loss by damage or destruction. In the event of a loss of the securities for which the Trustee is obligated to indemnify the Trust, the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced. Trustee shall not be liable for any incidental, consequential or punitive damages regardless of their cause or whether Trustee was aware of the possibility of those damages. The Beneficiary and the Grantor shall indemnify and hold harmless the Trustee from all claims, liabilities, losses, damages, and expenses, including reasonable attorneys' fees and expenses incurred by the Trustee in connection with this Agreement, except as a result of the negligence, dishonesty, willful misconduct or lack of good faith of itself and its officers, employees, agents, custodians,

subcustodians, and subtrustees arising out of or in connection with the performance of its obligations in accordance with the provisions of this Agreement. This indemnification shall survive the termination of this Agreement.

(b) Nothwithstanding anything to the contrary in this Agreement, the Trustee is entering into this Agreement, and in its capacity as Trustee performing the obligations and exercising the rights hereunder, solely as Trustee under this Agreement, and pursuant to instructions in this Agreement and not in its corporate capacity. Nothing in this Agreement shall be deemed to impose obligations on the Trustee other than those expressly set forth in this Agreement. The Trustee shall not be liable for any act or omission of any other person, including, without limitation, the Grantor and the Beneficiary, in carrying out any responsibility imposed upon such person, except for the Trustee's officers, employees, agents, custodians, subcustodians, and subtrustees, and under no circumstances shall the Trustee be liable for any indirect, consequential, or special damages with respect to its role as Trustee.

(c) The Trustee shall not be responsible for the title, validity, or genuineness of any Assets or evidence of title thereto received by it or delivered by it pursuant to this Agreement and shall be held harmless in acting upon any notice, request, direction, instruction, consent, certification, or other instrument believed by it to be genuine and delivered by the proper party or parties. Notwithstanding anything to the contrary in this Agreement, the Trustee shall not be responsible or liable for any losses or damages suffered by the Account arising as a result of the insolvency of any custodian, subtrustee, or subcustodian, except to the extent that the Trustee was negligent in its selection or continued retention of such entity.

(d) The Trustee shall be entitled to rely upon any notice, consent, certificate, affidavit, letter, electronic mail, statement, paper, document, telephone conversation, facsimile transmission or other communication believed by it to be genuine and correct and to have been signed, sent or made by the proper person or persons (whether or not made in the manner specified herein). The Trustee may conclusively rely upon the truth of the statements and the correctness of the opinions expressed therein.

(e) The Trustee may consult with legal counsel, including in-house counsel, independent public accountants and any other experts selected by it concerning all matters pertaining to its duties hereunder, and the Trustee shall not be liable for any action taken or omitted to be taken in reliance in good faith on advice of such counsel, accountants or other experts, other than with respect to withdrawals of Assets by the Beneficiary.

16. <u>Force Majeure</u>.

Notwithstanding anything contained in this Agreement to the contrary, the Trustee shall not be responsible or liable for its failure to perform under this Agreement or for any losses to the Account resulting from any event beyond the reasonable control of the Trustee, its agents, or its subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition, or enforcement by any such governmental authority of currency restrictions, exchange controls, levies, or other charges affecting the Assets; or the breakdown,

failure, or malfunction of any external utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection, or revolution; or acts of God; or any other similar event. This Section shall survive the termination of this Agreement.

17. Review of Reports.

The Trustee shall keep full and complete records of the administration of the Trust. The Grantor, the Beneficiary, the Insurance Department of the Beneficiary's domiciliary jurisdiction, or their respective agents shall have the right, at the expense of the entity asserting such right, to examine the Trustee's books and records directly relating to the Account during the Trustee's business hours, upon reasonable request.

18. Term and Termination; Successor Trustees; Etc.

(a) This Agreement shall take effect upon execution by all of the parties hereto, and shall continue in effect until terminated as set forth in this Section.

(b) The Beneficiary may terminate this Agreement by at least 45 days' and not more than 60 days' written notice to the Grantor and the Trustee, and the Grantor may terminate this Agreement by at least 45 days, and not more than 60 days' written notice to the Beneficiary and the Trustee. The Trustee shall, upon the effectiveness of such termination, deliver the Assets then held in the trust account as directed in writing by the Beneficiary and the Grantor acting together or, absent such direction, to the Beneficiary.

(c) The Trustee may resign upon delivery to the Beneficiary and the Grantor of a written notice of resignation, effective not less than 90 days after receipt by the Beneficiary and the Grantor of such notice, and the Trustee may be removed by the Grantor upon delivery to the Trustee and the Beneficiary of a written notice of removal, effective not less than 90 days after receipt by the Beneficiary and the Trustee of such notice, provided that no such resignation (or removal) shall be effective until a successor Trustee satisfying the conditions set forth in subsection (d) hereof has been duly appointed and approved by the Beneficiary and the Grantor and the Assets in the Account have been duly transferred to the successor Trustee. In the event that the Trustee shall have given such written notice of resignation and the Beneficiary and the Grantor shall not have appointed and approved such a successor Trustee at least 30 days prior to the scheduled effective date of such resignation, the Trustee may terminate this Agreement by at least 30 days', and not more than 45 days', written notice to the Beneficiary and the Grantor, except that if the Beneficiary and the Grantor shall appoint and approve such a successor Trustee prior to the scheduled effective date of such termination, such termination shall not take effect and the Trustee's resignation shall take effect on the later of its scheduled effective date or the date of such appointment and approval. The Trustee shall, upon the effectiveness of any such termination, deliver the Assets then held in the Account as directed in writing by the Beneficiary and the Grantor acting together or, absent such direction, to the Beneficiary.

(d) Each successor Trustee shall be either a member of the Federal Reserve System or

a New York State-chartered bank. Upon the acceptance by a successor Trustee of its appointment as Trustee hereunder, such successor Trustee shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Trustee. Upon the effective date of resignation (or removal) of the retiring Trustee and the appointment of a successor Trustee, the retiring (or removed) Trustee shall be discharged from its duties under this Agreement. After any retiring Trustee's resignation (or removal) hereunder as Trustee, the provisions of this Agreement shall nevertheless continue to inure to its benefit as to any actions taken or omitted by it while it was Trustee hereunder.

19. Nature of Trustee's Duties.

The Trustee shall have no duties or responsibilities except those expressly set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement with respect to the Trustee and its officers, employees, agents, custodians, subcustodians, and subtrustees. The duties of the Trustee shall be mechanical and administrative in nature. The Trustee shall not be responsible for (a) any recital, report, statement, warranty or representation made by or on behalf of any person other than the Trustee and its officers, employees, agents, custodians, subcustodians, and subtrustees contained herein or given or made in connection herewith, (b) the validity, enforceability, priority, adequacy or value, now or at any time in the future, of any of the Assets, or (c) insuring any of the Assets. The Trustee shall be under no obligation to ascertain, inquire or give any notice relating to the performance or observance by the Beneficiary or the Grantor of the terms or conditions of this Agreement, the Reinsurance Agreements, or any other agreement. The Trustee shall have no duty to inquire as to the application by any party of any amounts distributed to it. The Trustee shall be under no obligation or duty to take any action hereunder if taking such action (1) would subject the Trustee to a tax in any jurisdiction where it is not then subject to a tax, unless it is first fully indemnified to its satisfaction against such tax, (2) would require the Trustee to qualify to do business in any jurisdiction where it is not then so qualified, or (3) would conflict with any provision of law or of this Agreement.

20. Notices.

Any notice, consent, request, demand, instruction or communication (any of which being referred to as a "notice") given or made under this Agreement shall be given in writing by first class certified mail (return receipt requested), personal delivery, courier, telex or facsimile transmission, in all cases with postage or charges prepaid, addressed to the applicable party as set forth under its signature hereto, or at such other address as any party may notify to the other in writing. Any notice shall be effective when received.

21. Severability.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

22. Governing Law.

This Agreement shall be governed by and interpreted under the substantive laws of the state of Washington. It is the intent of the parties that all the Assets be held by the Trustee in its office in New York regardless of where the Assets are deposited or located.

23. Entire Agreement; Amendment.

This Agreement represents the entire agreement among the parties hereto with respect to the transactions provided for herein, and this Agreement is not subject to any conditions or qualifications outside of this Agreement. This Agreement may be amended only by a written instrument executed by all of the parties to this Agreement.

24. Headings for Convenience Only.

The headings in this Agreement are for convenience only and shall not be used in interpreting this Agreement.

25. Counterparts.

This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

26. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Beneficiary, the Grantor, the Trustee and their respective successors and assigns, except that the parties hereto may not assign or transfer any of their rights or obligations hereunder or any interest therein except as provided herein. As used in this Agreement, the term "Beneficiary" shall include any successor of the Beneficiary by operation of law, including but not limited to any liquidator, rehabilitator, receiver or conservator of the Beneficiary. The term "Trustee" shall include any successor by merger, conversion or consolidation.

27. Representations.

The parties hereby each represent and warrant to the others that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on its behalf has the requisite authority to bind such party to this Agreement.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement as of the date first above written.

BROWN BROTHERS HARRIMAN TRUST COMPANY, N.A.
as the Trustee

By: Aileen Denne Bolton
Title: **Aileen C. Denne-Bolton**
Senior Vice President

Address for Notices: 140 Broadway
New York, NY 10005-1101
Attn: Aileen Denne-Bolton
Telephone: (212) 493-6837
Facsimile: (212) 493-7200

with a copy to: Brown Brothers Harriman & Co.
140 Broadway
New York, NY 10005-1101
Attn: Diane Wiley
Telephone: (212) 493-8247
Facsimile: (212) 493-8972

UNIGARD INSURANCE COMPANY and UNIGARD INDEMNITY COMPANY
as the Beneficiary

By: [illegible]
Title: Vice President

Address for Notices: One General Drive, Sun Prairie, WI 53596
Telephone: (608) 825-5827
Facsimile: (608) 837-2051

EQUATOR REINSURANCES LIMITED
as the Grantor

By: [illegible]
Title: Director

Address for Notices: Clarendon House
2 Church Street, Hamilton HM 11,
P.O. Box HM 1022, Hamilton HM DX,
Bermuda
Telephone: (441) 278-7922
Facsimile: (441) 299-4988

EXHIBIT A

REINSURANCE AGREEMENTS

1.) QUOTA SHARE REINSURANCE AGREEMENT effective January 1, 2008
2.) Any existing or future reinsurance agreement(s) entered into by the Beneficiary and the Grantor which are not otherwise secured through a letter of credit (LOC) or funds held arrangement.

EXHIBIT B

INITIAL ASSETS

$38,347,695 USD in cash and eligible securities.

EXHIBIT C

REPORTING SERVICES

Bloomberg
Interactive Data Corporation
Reuters
Telekurs
JJ Kenny
FRI Corporation
Any other vendor that the Trustee's parent, Brown Brothers Harriman & Co. may select as the standard pricing provider for the production of priced security lists.

EXHIBIT D

ELIGIBLE ASSETS

All assets authorized as permitted investments for Insurance Companies under California and Washington insurance law.

E5

RESIGNATION, APPOINTMENT AND ACCEPTANCE, AND AMENDMENT AGREEMENT

This Resignation, Appointment, Acceptance and Amendment Agreement (this "Agreement") is dated as of NOV 12, 2009 (the "Effective Date") among **EQUATOR REINSURANCES LIMITED** (the "Grantor"), **UNIGARD INSURANCE COMPANY, UNIGARD INDEMNITY COMPANY(together the "Beneficiary")**, Brown Brothers Harriman Trust Company N.A. ("Brown Brothers") and Citibank, N.A. ("Citibank").

WHEREAS, the Grantor, the Beneficiary and Brown Brothers are parties to that certain trust agreement, dated January 1, 2008, and as from time to time thereafter amended (such agreement, and any amendments thereto referred to as the "Trust Agreement"), pursuant to which Brown Brothers was appointed to act as trustee;

WHEREAS, Brown Brothers hereby notifies the Grantor and the Beneficiary of its intention to resign as trustee under the Trust Agreement, effective as of the Effective Date;

WHEREAS, the Grantor and the Beneficiary wish to consent to such resignation by Brown Brothers and to appoint Citibank as successor trustee under the Trust Agreement;

WHEREAS, Citibank wishes to accept such appointment as trustee effective as of the Effective Date; and

WHEREAS, Citibank, the Grantor and the Beneficiary wish to amend the Trust Agreement as provided in the Amendment section of this Agreement.

NOW THEREFORE, the parties agree as follows:

I. Resignation, Appointment and Acceptance.

1. Brown Brothers hereby notifies the Grantor and the Beneficiary that it shall resign as Trustee, effective as of the Effective Date.

2. The Grantor and the Beneficiary hereby accept such resignation, waiving any time period that may be set forth in the Trust Agreement and, concurrent with such resignation, hereby appoint Citibank as Trustee for all purposes under the Trust Agreement effective as of the Effective Date. Effective as of the Effective Date, all references in the Trust Agreement to Brown Brothers as the Trustee shall be deemed to refer to Citibank as trustee (the "Trustee").

3. Citibank hereby accepts such appointment and assumes the obligations and duties of the Trustee under the Trust Agreement, effective as of the Effective Date, provided however, Citibank shall not be responsible or liable for any such obligations or duties, or any actions or events prior to the Effective Date. Provided further that, as a precondition of Citibank's acceptance of the appointment as successor Trustee under the Trust Agreement, EQUATOR REINSURANCES LIMITED hereby irrevocably agrees to indemnify and hold harmless

Citibank from and against any and all claims, damages, losses or other payments of any nature arising out of Citibank's acceptance of appointment as successor Trustee under the Trust Agreement which relate to the period during which Brown Brothers or any predecessor trustee to Brown Brothers was trustee.

4. The Grantor and the Beneficiary hereby agree that, within a reasonable period following the date hereof, it shall supply Citibank with such additional supporting or other documentation as Citibank shall reasonably request in order to satisfy any regulatory or other requirements related to the resignation of Brown Brothers as trustee and the appointment and acceptance of Citibank as Trustee.

II. Amendment

In connection with the appointment and acceptance of Citibank as successor Trustee under the Trust Agreement, Citibank, the Grantor and the Beneficiary hereby agree that as of the Effective Date, the Trust Agreement shall be amended as follows:

1. The addition of the following language to Section 3 Part H:

   "the Trustee will be deemed to have delivered the accountings of all Assets in the Trust Account and notices of deposits to or withdrawals from the Trust Account if such accounting or notice is available on one or more of the Trustee's systems to deliver electronic media."

2. In section 2, the existing text shall be replaced with:

Authorized Parties/Instructions.

(a) For purposes of notices, directions, requests, demands, acknowledgements and other communications between the Beneficiary and the Trustee, the Beneficiary (jointly and severally) designates an agent ("Beneficiaries' Agent") of the collective Beneficiary Entities. The Grantor and the Beneficiary shall furnish the Trustee with a written list of the names, signatures, and extent of authority of all persons authorized to direct the Trustee and otherwise act on their respective behalves under the terms of this Agreement. The Trustee shall be entitled to rely on and shall be fully protected in acting in good faith upon direction from the Beneficiaries Agent until notified in writing by the Grantor or the Beneficiary, as appropriate, of a change in the identity of the Beneficiaries Agent and the Trustee shall not be responsible or liable for any diminution of value of any securities or other property held by the Trustee (or its subcustodians), except to the extent that the Trustee is obligated to indemnify the Trust pursuant to Section 15 of this Agreement.

(b) Each Beneficiary Entity hereby jointly and severally irrevocably appoints the Beneficiaries' Agent to act as its sole and exclusive agent in connection herewith and authorizes the Beneficiaries' Agent to exercise such rights, powers and discretion as are required to enable the Beneficiaries' Agent to discharge such agency on the terms hereof together with all such rights, powers and discretions as are reasonably incidental thereto.

(c) All directions and instructions to the Trustee from the Beneficiaries Agent shall be in writing, transmitted by mail or by facsimile or electronic transmission subject to the Trustee's practices. The Trustee shall be entitled to rely on and shall be fully protected in acting in accordance with all such directions and instructions which it reasonably believes to have been given by the Beneficiaries Agent and in failing to act in the absence thereof.

(d) Each of the Beneficiary Entities hereby represent and warrant to the Trustee and the Grantor that:

(i) This Agreement has been duly and validly executed and delivered by each of the Beneficiary Entities and constitutes the legal, valid, binding and enforceable obligation of each of the Beneficiary Entity.

(ii) The execution, delivery and performance by each of the Beneficiary Entities of this Agreement do not and will not (1) violate or conflict with any of its charter documents or any provision of any law, rule, regulation, order, writ, judgment, decree, determination or award presently in effect having applicability to any of the Beneficiary Entities or the Beneficiaries' Agent, or (2) result in a breach of or constitute a default under any indenture or loan or credit agreement, or any other agreement or instrument, to which any of the Beneficiary Entities or the Beneficiaries' Agent is presently a party or by which any of the Beneficiary Entities or the Beneficiaries' Agent is presently a party or by which any of the Beneficiary Entities or the Beneficiaries' Agent or any of their properties may be bound.

(iii) Any authorization, consent, approval, license, qualification or formal exemption from, nor any filing, declaration or registration with, any court, government agency or regulatory authority, or with any securities exchange or any other Person which may be required in connection with the execution, delivery or performance of this Agreement by any of the Beneficiary Entities have been obtained or will be promptly requested.

3. Reference to the State of Wisconsin shall be removed from section 5.

4. The copy of notices will no longer be sent to Brown Brothers, but instead to:

Citibank, N.A.
111 Wall St.
New York, NY 10005
Attn: William Mulrenin
Telephone: +1 (212) 657-2653
Facsimile: +1 (212) 657-2674

5. Under exhibit C, the existing text shall be replaced with:

REPORTING SERVICES

IDSI
JJ Kenny
Prudential

Any other vendor that the Trustee's parent, Citibank, N.A. may select as the standard pricing provider for the production of priced security lists.

.....

Except as provided herein, the terms of the Trust Agreement shall remain in full force and effect.

This Agreement may be executed in several counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date below written.

BROWN BROTHERS HARRIMAN TRUST COMPANY N.A.

By: Aileen Denne Bolton
Name: Aileen C. Denne-Bolton
Title: Senior Vice President
Date: Sept. 24, 2009

EQUATOR REINSURANCES LIMITED

By: Elaine Parker Frost
Name: E. PARKER FROST
Title: DIRECTOR
Date: 9/16/09

Agreed By:
CITIBANK, N.A.

By: WILLIAM MULRENIN, VP
WWSS Client Services
Insurance Trust Unit
[illegible] Wall Street/14th Fl./Zn. [illegible]
312-657-2653
Name:
Title:
Date: NOV 12, 2009

Agreed By:
UNIGARD INSURANCE COMPANY
as the Beneficiary

By: _____
Name:
Title:
Date:

Agreed By:
UNIGARD INDEMNITY COMPANY
as the Beneficiary

By: _____
Name:
Title:
Date:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date below written.

BROWN BROTHERS HARRIMAN TRUST COMPANY N.A.

By: _____
Name:
Title:
Date:

EQUATOR REINSURANCES LIMITED

By: _____
Name: E. PARKER FROST
Title: DIRECTOR
Date: 9/16/09

Agreed By:
CITIBANK, N.A.

By: _____

Name:
Title:
Date:

Agreed By:
UNIGARD INSURANCE COMPANY
as the Beneficiary

By: _____
Name: John R. Schanen
Title: Vice President
Date: 9-24-09

Agreed By:
UNIGARD INDEMNITY COMPANY
as the Beneficiary

By: _____
Name: John R. Schanen
Title: Vice President
Date: 9-24-09

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

No. 339

I, MIKE KREIDLER, State Insurance Commissioner, do hereby certify that I am the state official charged with the general control and supervision of all insurance business (except State Workers' Compensation) transacted in the State of Washington and charged with the administration of the laws relating to insurance in said jurisdiction, and that this office is a department of record, having custody of original documents.

I FURTHER CERTIFY That the attached is a full, true, and accurate copy of the of the Restatement of the Articles of Incorporation of ***UNIGARD INSURANCE COMPANY,*** *Bellevue, Washington, as filed in the Office of the Insurance Commissioner for the State of Washington.*

IN WITNESS WHEREOF, *I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this 27th day of November, 2006*

MIKE KREIDLER
Insurance Commissioner

By: _____
Deputy Insurance Commissioner

These Restated Articles of Incorporation executed by the undersigned on March 14, 2006 supersede and take the place of existing Articles of Amendment and Restatement of the Articles of Incorporation filed April 25, 1994 in the Office of the Secretary of State, State of Washington in accordance with the laws of the State of Washington:

Article I. The name of the corporation shall be **Unigard Insurance Company.**

Article II. The principle place of business of the corporation shall be 15805 NE 24th Street, Bellevue, Washington 98008, and the corporation is authorized to transact business in any part of the world.

Article III. The period of existence shall be perpetual.

Article IV. The objects for which this corporation is formed are to engage in the business of making contracts of insurance, to participate in "insurance transaction" as defined by the Insurance Code of the State of Washington, to issue the kinds of insurance specifically designated below, to issue policies entitled to participate from time to time in the earnings of the corporation and to do and perform any and all things necessary, expedient, convenient, or properly incidental to, the accomplishment of the objects and purposes mentioned herein and to the carrying on of the business of the corporation as an insurer. The corporation shall be a stock insurer.

The corporation may issue any kinds of insurance not prohibited by law, including, according to the designations and definitions made in the Insurance Code of the State of Washington, the following kinds of insurance:

1. Property Insurance, which is insurance against loss of or damage to real or personal property of every kind and any interest therein, from any or all hazard or cause, and against loss consequential upon such loss or damage.

2. Marine and Transportation Insurance, which is:

   2.1. Insurance against loss of or damage to:

      2.1.1 Vessels, craft, aircraft, vehicles, goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, securities, choses in action, evidences of debt, valuable papers, bottomry, and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit or transportation, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting shipment, or during any delays, storage, trans-shipment, or reshipment incident thereto, including war risks, marine builder's risks, and all personal property floater risks.

      2.1.2 Person or property in connection with or appertaining to a marine, transit or transportation insurance, including liability for loss of or damage to either incident to the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance).

      2.1.3 Precious stones, jewels, jewelry, precious metals, whether in course of transportation or otherwise.

2.1.4 Bridges, tunnels and other instrumentalities or transportation and communication; piers, wharves, docks and slips and other aids to navigation and transportation, including dry docks and marine railways, dams and appurtenant facilities for the control of waterways.

2.2. "Marine protection and indemnity insurance," meaning insurance against, or against legal liability of the insured for, loss, damage, or expense incident to ownership, operation, chartering, maintenance, use, repair or construction of any vessel, craft or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness or death or for loss of or damage to the property of another person.

3. Vehicle Insurance, which is:

3.1. Insurance against loss or damage to any land vehicle or aircraft or any draft or riding animal or to property while contained therein or thereon or being loaded or unloaded therein or therefrom, and against any loss or liability resulting from or incident to ownership, maintenance, or use of any such vehicle or aircraft or animal; and,

3.2. Insurance against accidental death or accidental injury to individuals while in, entering, alighting from, adjusting, repairing, cranking, or caused by being struck by a vehicle, aircraft, or draft or riding animal, if such insurance is issued as part of insurance on the vehicle, aircraft, or draft or riding animal.

4. General Casualty Insurance, which includes vehicle insurance as defined above, and in addition is insurance:

4.1. Against legal liability for the death, injury, or disability of any human being, or for damage to property.

4.2. Of medical, hospital, surgical and funeral benefits to personas injured, irrespective of legal liability of the insured, when issued with or supplemental to insurance against legal liability for the death, injury or disability of human beings.

4.3. Of the obligations accepted by, imposed upon, or assumed by employers under law for workers' compensation.

4.4. Against loss or damage by burglary, theft, larceny, robbery, forgery, fraud, vandalism, malicious mischief, confiscation or wrongful conversion, disposal or concealment, or from any attempt of any of the foregoing; also insurance against loss of or damage to moneys, coins, bullion, securities, notes, drafts, acceptances or any other valuable papers or documents, resulting from any cause, except while in the custody or possession of and being transported by any carrier for hire or in the mail.

4.5. Upon personal effects against loss or damage from any cause.

4.6. Against loss or damage to glass, including its lettering, ornamentation and fittings.

4.7. Against any liability and loss or damage to property resulting from accidents to or explosions of boilers, pipes, pressure containers, machinery, or apparatus and to

make inspection of and issue certificates of inspection upon elevators, boilers, machinery, and apparatus of any kind.

4.8. Against loss or damage to any property caused by the breakage or leakage of sprinklers, water pipes and containers, or by water entering through leaks or openings in buildings.

4.9. Against loss or damage resulting from failure of debtors to pay their obligations to the insured (credit insurance).

4.10. Against any other kind of loss, damage, or liability properly the subject of insurance and not within any other kind or kinds of insurance, if such insurance is not contrary to law or public policy.

5. Disability Insurance, which is insurance against bodily injury, disablement or death by accident, against disablement resulting from sickness, and every insurance appertaining thereto.

6. Surety Insurance, which includes:

6.1. Credit insurance, as defined above.

6.2. Bail bond insurance, as defined below.

6.3. Fidelity insurance, which is insurance guaranteeing the fidelity of persons holding positions of public or private trust.

6.4. Guaranteeing the performance of contracts, other than insurance policies, and guaranteeing and executing bonds, undertakings, and contracts of suretyship.

6.5. Indemnifying banks, bankers, brokers, financial or moneyed corporations or associations against loss resulting from any cause of bills of exchange, notes, bonds, securities, evidence of debts, deeds, mortgages, warehouse receipts, or other valuable papers, documents, money, precious metals and articles made therefrom, jewelry, watches, necklaces, bracelets, gems, precious and semi-precious stones, including any loss while the same are being transported in armored motor vehicles, or by messenger, but not including any other risks of transportation or navigation; also against loss or damage to such an insured's premises, or to his furnishings, fixtures, equipment, safes and vaults therein, caused by burglary, robbery, theft, vandalism or malicious mischief, or any attempt threat.

7. Bail Bond Insurance, which is the guaranteeing that any person, in or in connection with any proceedings in court, will:

7.1. Attend in court when required, or

7.2. Obey the orders or judgment of the court, as a condition to the release of such person from confinement, and the execution of bail bonds for any such purpose. The making of property or cash bail does not constitute the transacting of bail bond insurance.

8. Reinsurance. Reinsurance of all kinds of insurance which the corporation is authorized to transact directly.

9. Other Kinds of Insurance. Any other kind of insurance which a multiple line property and casualty insurer is authorized, or may become authorized, to issue in the State of Washington.

10. Liberalization of Definitions. If definitions of the kinds of insurance described in these Restated Articles are broadened or expanded by the Insurance Code of the State of Washington, or administrative interpretation thereof, the definition shall also be so broadened or expanded within these Restated Articles.

Article V. The capital stock of said corporation shall be Three Million Dollars ($3,000,000), and the same shall consist of Thirty Thousand shares (30,000), each of which shares shall be of the face value or par value of One Hundred Dollars ($100.00).

Article VI. The address of the present registered office is 15805 NE 24th Street, Bellevue, Washington 98008.

Article VII. The name of the present registered agent at such address is John McPeak.

Article VIII. The number of the Board of Directors may be fixed by Bylaws to consist of not less than three and not more than twelve directors, the exact number within such limits to be determined from time to time by the Board of Directors.

Article IX. The Board of Directors may permit the Company's policyholders from time to time to participate in the profits of the Company's operations through the payment of dividends, or through such other means as may be authorized or permitted by the laws of states in which the Company does business.

The Board of Directors shall have the power to make reasonable classifications or policies and to take such other action in accord with the law, as may be necessary or desirable to carry into effect any participation by policyholders in the profits of the Company's operations which the directors may authorized. No policyholders shall have any right to participate in the profits of the Company's operation unless or until the directors of the Company in the exercise of their discretion affirmatively authorize such participation and then only to the extent so authorized.

Article X. Each holder of common stock shall be entitled to one vote for each share of stock standing in his name on the books of the corporation. At each election for directors, each holder of common stock shall be entitled to vote the number of shares owned by him for a candidate for each director to be elected and for whose election shareholder of common stock has a right to vote, but such holder of common stock shall not be entitled to accumulate his votes.

Article XI. The name and address of the Directors in office at the time of the adoption of these Restated Articles of Incorporation:

John R. Pollock
1155 Farwell Dr.
Madison, WI 53704

Laura K. Hinson
4405 Amherst Ave.
Dallas, TX 75225

Anne B. Smith
901 Powder Horn Rd.
Sun Prairie, WI 53590

John G. Blodnick
23433 Northeast 5th Street
Sammamish, WA 98074

L. Arnold Chatterton
821 Greenwood Blvd SW
Issaquah, WA 98027

Peter Christen
7502 Pinnacle Place Southeast
Snoqualmie, WA 98065

Kenneth C. Dedrick
213 239th Way Southeast
Sammamish, WA 98074

Jeffrey R. Dehn
6745 Southeast Courgar Mountain Dr.
Bellevue, WA 98006

John P. McPeak
14918 63rd Drive Southeast
Snohomish, WA 98296

Article XII. These Articles may be amended in the manner authorized by law at the time of the amendment.

Re-executed this 14th day of March, 2006.

(Corporate Seal)

P. Christen
Peter Christen, President and CEO

Anne B. Smith
Anne B. Smith, Corporate Secretary

Subscribed and sworn to before me this 14th day of March, 2006.

Jodie L. Bustnett
Notary Public
Dane County, Wisconsin

My commission expires 12/30/2007.

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

No. 340

I, MIKE KREIDLER, State Insurance Commissioner, do hereby certify that I am the state official charged with the general control and supervision of all insurance business (except State Workers' Compensation) transacted in the State of Washington and charged with the administration of the laws relating to insurance in said jurisdiction, and that this office is a department of record, having custody of original documents.

I FURTHER CERTIFY That the attached is a full, true, and accurate copy of the of the Restatement of the Articles of Incorporation of ***UNIGARD INDEMNITY COMPANY,*** *Bellevue, Washington, as filed in the Office of the Insurance Commissioner for the State of Washington.*

IN WITNESS WHEREOF, *I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this 27th day of November, 2006*

MIKE KREIDLER
Insurance Commissioner

By: _____
Deputy Insurance Commissioner

These Restated Articles of Incorporation executed by the undersigned on March 14, 2006 supersede and take the place of existing Articles of Redomestication and Restatement of the Articles of Incorporation executed June 30, 1994 and filed in the Office of the Insurance Commissioner, State of Washington in accordance with the laws of the State of Washington:

Article I. The name of the corporation shall be **Unigard Indemnity Company.**

Article II. The principle place of business of the corporation shall be 15805 NE 24th Street, Bellevue, Washington 98008, and the corporation is authorized to transact business in any part of the world.

Article III. The period of existence shall be perpetual.

Article IV. The objects for which this corporation is formed are to engage in the business of making contracts of insurance, to participate in "insurance transaction" as defined by the Insurance Code of the State of Washington, to issue the kinds of insurance specifically designated below, to issue policies entitled to participate from time to time in the earnings of the corporation and to do and perform any and all things necessary, expedient, convenient, or properly incidental to, the accomplishment of the objects and purposes mentioned herein and to the carrying on of the business of the corporation as an insurer. The corporation shall be a stock insurer.

The corporation may issue any kinds of insurance not prohibited by law, including, according to the designations and definitions made in the Insurance Code of the State of Washington, the following kinds of insurance:

1. Property Insurance, which is insurance against loss of or damage to real or personal property of every kind and any interest therein, from any or all hazard or cause, and against loss consequential upon such loss or damage.

2. Marine and Transportation Insurance, which is:

   2.1. Insurance against loss of or damage to:

      2.1.1 Vessels, craft, aircraft, vehicles, goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, securities, choses in action, evidences of debt, valuable papers, bottomry, and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit or transportation, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting shipment, or during any delays, storage, trans-shipment, or reshipment incident thereto, including war risks, marine builder's risks, and all personal property floater risks.

      2.1.2 Person or property in connection with or appertaining to a marine, transit or transportation insurance, including liability for loss of or damage to either incident to the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance).

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2.1.4 Bridges, tunnels and other instrumentalities or transportation and communication; piers, wharves, docks and slips and other aids to navigation and transportation, including dry docks and marine railways, dams and appurtenant facilities for the control of waterways.

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3.2. Insurance against accidental death or accidental injury to individuals while in, entering, alighting from, adjusting, repairing, cranking, or caused by being struck by a vehicle, aircraft, or draft or riding animal, if such insurance is issued as part of insurance on the vehicle, aircraft, or draft or riding animal.

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The Board of Directors shall have the power to make reasonable classifications or policies and to take such other action in accord with the law, as may be necessary or desirable to carry into effect any participation by policyholders in the profits of the Company's operations which the directors may authorized. No policyholders shall have any right to participate in the profits of the Company's operation unless or until the directors of the Company in the exercise of their discretion affirmatively authorize such participation and then only to the extent so authorized.

Article X. Each holder of common stock shall be entitled to one vote for each share of stock standing in his name on the books of the corporation. At each election for directors, each holder of common stock shall be entitled to vote the number of shares owned by him for a candidate for each director to be elected and for whose election shareholder of common stock has a right to vote, but such holder of common stock shall not be entitled to accumulate his votes.

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901 Powder Horn Rd.
Sun Prairie, WI 53590

Peter Christen
7502 Pinnacle Place Southeast
Snoqualmie, WA 98065

Article XII. These Articles may be amended in the manner authorized by law at the time of the amendment.

Re-executed this 14th day of March, 2006.

(Corporate Seal)

P. Christen

Peter Christen, President and CEO

Anne B. Smith

Anne B. Smith, Corporate Secretary

Subscribed and sworn to before me this 14th day of March, 2006.

Jodie L. Burtnett

Notary Public
Dane County, Wisconsin

My commission expires 12/30/2007.

Article I
Meeting of Shareholders

A. Annual Meeting – The Company shall hold an annual meeting of shareholders as follows:

1. The meeting shall be held at the principal office of the Company or at such other location in or outside the State of Washington as designated in the notice for the annual meeting.

Tab 2
Bylaws
Exhibit A

eting shall be to elect directors and to transact such business as may efore the meeting.

eld during the first quarter of the year, or at such time as designated

mpany may hold special meetings of the shareholders as follows:

be called by the written request of the holders of at least twenty-five percent (25%) of the capital stock of the Company entitled to vote on the issues to be considered or may be called by the Board of Directors or the President.

2. Special meetings of the shareholders may be held at the principal office of the Company or at such other place in or outside the State of Washington as may be designated in the notice.

3. Only the business prescribed in the meeting notice shall be conducted at a special meeting.

C. Notice of Meetings – The notice for the Annual or Special meetings of the shareholders shall be given by the President, Chairman of the Board or Corporate Secretary and shall be in accordance with the following:

1. The notice shall contain the date, time, place and purpose of the meeting and shall be provided not less than ten (10) nor more than fifty (50) days prior to the meeting.

2. Notice shall be given by any lawful means to communication to each shareholder of record as determined in accordance with Article I Section H.

3. A shareholder may waive any notice required by these Bylaws, the Articles of Incorporation, or applicable statues. The waiver shall be in writing and signed by the shareholder entitled to the notice. The waiver shall be delivered to the Company and included in the corporate records.

4. If an annual or special shareholders meeting is adjourned to a different date, time or place, the Company is not required to give notice of the change provided the change was announced at the meeting before the adjournment.

D. Shareholders List for Meeting – A complete list of the shareholders entitled to vote at a scheduled meeting shall be prepared by the Corporate Secretary or other officer of the Company having charge of the stock ledger. The list shall be arranged in alphabetical order, by voting group and within each voting group, by class or series of shares and show the address of and number of shares held by each shareholder. The list shall be maintained open to inspection by any shareholder or shareholder's designee during ordinary business hours beginning on the

day notice of the meeting is given and continuing through the meeting at the Company's principal office or at the place where the meeting will be held.

E. Voting Entitlement – Each issued and outstanding share, regardless of class, shall be entitled to one vote on each matter voted on at a shareholders meeting.

F. Proxies – A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by their attorney in fact. The appointment shall be effective for a period of eleven (11) months beginning when received by the Corporate Secretary or other officer or agent of the Company authorized to tabulate votes, unless otherwise stated in the appointment.

G. Quorum and Voting Requirements – A quorum for all meetings of shareholders shall consist of a majority of the holders of record of the issued and outstanding shares of stock of the Company, entitled to vote at the meeting whether present in person or by proxy. Except as otherwise required by statute, the Articles of Incorporation or these Bylaws, any matters coming before any meeting of the shareholders shall be approved if the number of votes cast in favor of the action exceed the number of votes cast against the action.

H. Record Date – The record date for determining shareholders entitled to vote at any meeting or adjournment thereof shall be the close of business on the day before notice is given.

I. Closing Transfer Books – The Board of Directors shall be authorized to close the stock transfer books of the Company for a period not exceeding fifty (50) days preceding the date of any meeting of shareholders in which consent of the shareholders must be obtained, including the payment of dividends and the allotment of the rights of conversion or exchange of capital stock. In lieu of closing the stock transfer books, the Board of Directors may fix a date, not exceeding fifty (50) days preceding the date of any meeting of the shareholders as a record date. Only shareholders who are record holders on the date so fixed shall be entitled to notice of and to vote at any such meetings or adjournment thereof or to receive payment of dividend or allotment of rights, notwithstanding any transfer of shares of stock on the books of the Company after such record date.

J. Action Without Meeting – Any action required or permitted to be taken at any meeting of the Shareholders may be taken without a meeting if action on the matter cannot be held over until the next annual meeting of the Shareholders. All such actions must be evidenced by one or more written consents describing the action taken, signed by each Shareholder having the right to vote on the proposed action and filed in the minutes of proceedings of the Shareholders.

Article II
Directors

A. Number and Qualifications – The property, affairs and business of the Company shall be managed by its Board of Directors. The Board of Directors shall consist of at least three (3) and not more than twelve (12) persons. The Board of Directors shall determine the size of the Boards. All directors shall be at least eighteen (18) years of age and the majority of members of the Board of Directors shall be citizens and residents of the United States of America.

B. Election – All directors shall be elected at the annual meeting of the shareholders by plurality vote. All directors shall be elected for one year terms and will remain in place until their successors are duly elected and qualified, or until their earlier death, resignation or removal.

C. Chairman of the Board – The Chairman of the Board shall be elected by the Board of Directors. The Chairman of the Board shall preside at all meetings of the shareholders and Directors; discharge all the duties which devolve upon a presiding officer and perform such other duties as these Bylaws provide, or the Board of Directors may prescribe.

D. Vacancy on Board – If a vacancy occurs on the Board of Directors, the remaining directors may elect a successor to fill the unexpired term. If the directors remaining in office constitute less than a quorum of the authorized number of directors, a vacancy may be filled by an affirmative vote of a majority of all directors remaining in office.

E. Removal of Director – The shareholders may remove one or more directors with or without cause, in accordance with the following requirements:

1) A director may be removed by the shareholders only at a special meeting of the shareholders called in accordance with these Bylaws. Notice of the meeting shall state that at least one of the purposes of the meeting is removal of the director.

2) The director shall be removed by an affirmative vote of the holders of the majority of all the shares of stock outstanding and entitled to vote for the election of directors.

3) A successor may be elected by the shareholders at this special meeting. If the vacancy is not filled at the meeting, the Board of Directors may fill the vacancy in accordance with the provisions of Section D of this Article.

4) A director that is an employee of the Company will be automatically resigned from the Board when they cease to be an employee of the Company or an affiliated company.

F. Meetings – The Board of Directors may hold regular and special meetings in or outside this state, in accordance with the following:

1. The Board of Directors shall have one regularly scheduled meeting during each quarter of the year as set by the Board of Directors. Notice need not be given for regular meetings.

2. Special meetings may be held at any time upon notice from the President, Chairman of the Board or a Chairman of the Executive Committee or a majority of the directors by any lawful means of communication provided at least forty-eight (48) hours before such meeting.

3. A meeting of the Board of Directors may be held without notice immediately following the annual meeting of shareholders.

4. Meetings may be held at any time without notice if all the directors are present, or if at any time before or after the meeting those not present waive notice of the meeting in writing.

5. The Board of Directors may permit any or all Directors to participate in regular and special meetings of the Board by, or to conduct the meeting through the use of, any means of communication by which any of the following occurs:
   a. All participating Directors may simultaneously hear each other during the meeting; and
   b. All communication during the meeting is immediately transmitted to each participating Director, and each participating Director is able to immediately send

messages to all other participating Directors.

G. Quorum – A quorum of the Board of Directors shall consist of a majority of the duly elected and qualified directors. However, a quorum may not be less than one-third of the number of directors fixed in accordance with these Bylaws. If a quorum is not present at any meeting of the directors, a majority of those present may adjourn the meeting, without further notice, until a quorum shall be obtained. Except as otherwise required by statute, the Articles of Incorporation or these Bylaws, an affirmative vote of no less than a majority of the Directors then in office shall be required to constitute an action of the Board.

H. Indemnification – Officers and directors of the Company shall be indemnified in accordance with the following requirements:

1. The Company shall indemnify all officers and directors against any and all liability and expenses incurred in any suit, proceeding or other action to which the director or officer becomes a party because of such position with the Company unless the liability was incurred because the director or officer breached or failed to perform a duty that was owed to the Company and the breach or failure constituted any of the following:

   a. A willful failure to deal fairly with the Company or its shareholders in connection with the matter in which the director or officer had a material conflict of interest;

   b. A violation of a criminal law unless the director or officer had reasonable cause to believe that the conduct was lawful or no reasonable cause to believe that the conduct was unlawful;

   c. A transaction from which the director or officer derived an improper personal profit; or

   d. Willful misconduct.

2. Unless otherwise provided by written agreement between the Company and the officer or director seeking indemnification, the right to indemnification shall be determined by a majority vote of the directors who are not at the time parties to the same or related proceeding.

3. In cases where the Company is providing indemnification, the Company shall have the right to select counsel and direct the actions in the pending matter.

I. Action Without Meeting – Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if action on the matter cannot be held over until the next regular meeting of the Board of Directors. All such actions must be evidenced by one or more written consents describing the action taken, signed by each director or committee member and filed in the minutes of proceedings of the Board of Directors or committee.

J. Compensation of Directors – Directors may be allowed a fixed sum and expenses for attendance at regular and special meetings of the Board of Directors. Serving as a director shall not preclude any director from serving the Company in any other capacity and receiving compensation for such service. Members of standing committees and others who attend meetings pursuant to the direction of the Board may be allowed the same fixed sum and expenses for attending the meetings.

Article III
Committees

A. Appointment of Committees – By resolution passed by at least a majority of the Board of Directors, the Board of Directors may appoint committees for any lawful purpose. Each committee so appointed shall consist of at least three (3) directors. The powers of such committees shall be as specified in the resolution appointing the committee. The Board shall appoint a chairperson for each committee.

B. Committee Vacancies – Vacancies occurring in any committee for any reason shall be filled by the Board of Directors. The Board of Directors may provide by resolution that any vacancies on the committee shall be filled by the affirmative vote of a majority of the remaining committee members.

C. Committee Operations – Each committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board. The presence of a majority shall be necessary to constitute a quorum for the transaction of business. All votes of the committee shall be by affirmative vote of a majority of members present. Any action that may be taken by any committee at a meeting may be taken without a meeting if the consent is in writing, setting forth the action to be taken, and signed by all members of the committee.

D. Report to the Board – All action of any committee shall be reported to the Board of Directors at its next meeting.

E. Expenses – Members of committees duly appointed by the Board of Directors shall not receive salary for their services to the committee. The Board may pay fixed fees and expenses for attendance at any committee meetings. Nothing contained herein shall be construed to preclude any member of a committee from serving the Company in any other capacity as an officer, agent or otherwise and receiving compensation.

Article IV
Officers

A. Appointment of Officers – The Board of Directors shall appoint officers of the Company as it deems appropriate. At a minimum, the Board of Directors shall appoint a President, Treasurer and Corporate Secretary. Any two offices may be held by the same person except the office of President and Corporate Secretary and the offices of President and Vice President. However, no officer may act in more than one capacity on behalf of the Company where action by two or more officers is required.

B. Resignation and Removal of Officers – Any officer may be removed from office, with or without cause, at any time by the Board of Directors. An officer may resign at any time by delivering notice to the Company. The resignation is effective when the notice is delivered unless the notice specifies a later effective date. Officers will be automatically resigned from Office when they cease to be employees of the Company or an affiliated company.

Article V
Duties of Officers

A. President – The president shall:

1. Have general charge and control of all the business and affairs of the Company.

2. Preside at all meetings of the shareholders and in the absence of the Chairman of the Board, at the meetings of the Board of Directors;

3. From time to time secure information concerning the business and affairs of the Company and promptly provide such information to the Board of Directors;

4. Along with the Chairman of the Board and Corporate Secretary, shall have full power and authority to attend and to act at any meetings of shareholders of any corporation in which the Company may hold stock. The President may give a proxy in the name of the Company to any other person or persons who may vote the stock and exercise all rights; and

5. Have such other duties and powers as may be assigned from time to time by the Board of Directors.

B. Treasurer – The treasurer shall:

1. Have custody of all funds and securities of the Company;

2. Endorse and deposit on behalf of the Company all checks, notes and other obligations to the credit of the Company at such banks as designated by the Board of Directors;

3. Keep a full and accurate account of monies received and paid on behalf of the Company;

4. Render an account of all transactions and the financial condition of the Company as requested by the Board of Directors;

5. Provide a bond for the faithful discharge of the treasurer's duties when requested by the Board of Directors; and

6. Perform all tasks incident to the position of treasurer and as assigned from time to time by the Board of Directors.

C. Corporate Secretary – The Corporate Secretary shall:

1. Give or cause to be given notice of all meetings of shareholders and directors;

2. Attend and keep records of all votes and proceedings occurring at all shareholder, Board of Director and committee meetings as required;

3. Take an oath for the faithful discharge of duties; and

4. Perform such other duties as may be assigned from time to time by the Board of Directors.

D. Absence or Inability of Officer – In the case of absence or inability of an officer to act, the Board of Directors may from time to time delegate the powers of such officer to one of the other officers or directors or any other person they select.

Article VI
Certificates of Stock

A. Certificates – The interest of each shareholder of the Company shall be evidenced by stock certificates signed by the President and Corporate Secretary, prepared in a manner consistent

with the Articles of Incorporation which shall, at a minimum state:

1. The name of the Company and its State of Incorporation;

2. The number and class of shares represented by the certificate; and

3. The name of the person to whom the certificate is issued.

B. Transfer of Shares – The stock of the Company shall be transferred by the registered holder of the certificate or by an attorney authorized by the holder by a duly executed power of attorney filed with the Corporate Secretary or a transfer clerk or agent appointed as provided in Section D of this Article. The person in whose name the shares of stock are registered on the books of the Company shall be deemed to be owner for all corporate purposes. The Board may make such additional rules and regulations as it deems appropriate regarding transfer and registration of certificates for shares of capital stock of the Company.

C. Lost Certificate – In the event a certificate of stock of the Company is alleged to have been lost, destroyed or stolen, no new certificate shall be issued unless evidence can be delivered to the Company showing such loss, destruction or theft. In the event a duplicate certificate is issued, the Board of Directors may require a bond of indemnity in an amount not exceeding twice the value of the shares represented by the certificate.

D. Transfer Clerks or Agents – The Board of Directors may appoint one or more transfer clerks or agents and may require all certificates of shares to bear the signature or signatures of any of them.

Article VII
Corporate Records

A. Required Records – The Company shall keep a permanent record of the actions and proceedings of the shareholders, Board of Directors and committees of the Board.

B. Inspection of Records – Shareholders shall be allowed to inspect and copy the records of the Company to the extent allowed by statute or Board resolution.

Re-executed this 14th day of March, 2006.

(Corporate Seal)

Peter Christen, President and CEO

Anne B. Smith, Corporate Secretary

Subscribed and sworn to before me this 14th day of March, 2006

Notary Public
Dane County, Wisconsin

My commission expires on 12/30/2007.

Article I
Meeting of Shareholders

A. Annual Meeting – The Company shall hold an annual meeting of shareholders as follows:

1. The meeting shall be held at the principal office of the Company or at such other location in or outside the State of Washington as designated in the notice for the annual meeting.

2. The purpose of the meeting shall be to elect directors and to transact such business as may properly be brought before the meeting.

3. The meeting shall be held during the first quarter of the year, or at such time as designated by the Directors.

B. Special Meetings – The Company may hold special meetings of the shareholders as follows:

1. Special meetings may be called by the written request of the holders of at least twenty-five percent (25%) of the capital stock of the Company entitled to vote on the issues to be considered or may be called by the Board of Directors or the President.

2. Special meetings of the shareholders may be held at the principal office of the Company or at such other place in or outside the State of Washington as may be designated in the notice.

3. Only the business prescribed in the meeting notice shall be conducted at a special meeting.

C. Notice of Meetings – The notice for the Annual or Special meetings of the shareholders shall be given by the President, Chairman of the Board or Corporate Secretary and shall be in accordance with the following:

1. The notice shall contain the date, time, place and purpose of the meeting and shall be provided not less than ten (10) nor more than fifty (50) days prior to the meeting.

2. Notice shall be given by any lawful means of communication to each shareholder of record as determined in accordance with Article I Section H.

3. A shareholder may waive any notice required by these Bylaws, the Articles of Incorporation, or applicable statues. The waiver shall be in writing and signed by the shareholder entitled to the notice. The waiver shall be delivered to the Company and included in the corporate records.

4. If an annual or special shareholders meeting is adjourned to a different date, time or place, the Company is not required to give notice of the change provided the change was announced at the meeting before the adjournment.

D. Shareholders List for Meeting – A complete list of the shareholders entitled to vote at a scheduled meeting shall be prepared by the Corporate Secretary or other officer of the Company having charge of the stock ledger. The list shall be arranged in alphabetical order, by voting group and within each voting group, by class or series of shares and show the address of and number of shares held by each shareholder. The list shall be maintained open to inspection by any shareholder or shareholder's designee during ordinary business hours beginning on the

day notice of the meeting is given and continuing through the meeting at the Company's principal office or at the place where the meeting will be held.

E. Voting Entitlement – Each issued and outstanding share, regardless of class, shall be entitled to one vote on each matter voted on at a shareholders meeting.

F. Proxies – A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by their attorney in fact. The appointment shall be effective for a period of eleven (11) months beginning when received by the Corporate Secretary or other officer or agent of the Company authorized to tabulate votes, unless otherwise stated in the appointment.

G. Quorum and Voting Requirements – A quorum for all meetings of shareholders shall consist of a majority of the holders of record of the issued and outstanding shares of stock of the Company, entitled to vote at the meeting whether present in person or by proxy. Except as otherwise required by statute, the Articles of Incorporation or these Bylaws, any matters coming before any meeting of the shareholders shall be approved if the number of votes cast in favor of the action exceed the number of votes cast against the action.

H. Record Date – The record date for determining shareholders entitled to vote at any meeting or adjournment thereof shall be the close of business on the day before notice is given.

I. Closing Transfer Books – The Board of Directors shall be authorized to close the stock transfer books of the Company for a period not exceeding fifty (50) days preceding the date of any meeting of shareholders in which consent of the shareholders must be obtained, including the payment of dividends and the allotment of the rights of conversion or exchange of capital stock. In lieu of closing the stock transfer books, the Board of Directors may fix a date, not exceeding fifty (50) days preceding the date of any meeting of the shareholders as a record date. Only shareholders who are record holders on the date so fixed shall be entitled to notice of and to vote at any such meetings or adjournment thereof or to receive payment of dividend or allotment of rights, notwithstanding any transfer of shares of stock on the books of the Company after such record date.

J. Action Without Meeting – Any action required or permitted to be taken at any meeting of the Shareholders may be taken without a meeting if action on the matter cannot be held over until the next annual meeting of the Shareholders. All such actions must be evidenced by one or more written consents describing the action taken, signed by each Shareholder having the right to vote on the proposed action and filed in the minutes of proceedings of the Shareholders.

Article II
Directors

A. Number and Qualifications – The property, affairs and business of the Company shall be managed by its Board of Directors. The Board of Directors shall consist of at least three (3) and not more than twelve (12) persons. The Board of Directors shall determine the size of the Boards. All directors shall be at least eighteen (18) years of age and the majority of members of the Board of Directors shall be citizens and residents of the United States of America.

B. Election – All directors shall be elected at the annual meeting of the shareholders by plurality vote. All directors shall be elected for one year terms and will remain in place until their successors are duly elected and qualified, or until their earlier death, resignation or removal.

C. Chairman of the Board – The Chairman of the Board shall be elected by the Board of Directors. The Chairman of the Board shall preside at all meetings of the shareholders and Directors; discharge all the duties which devolve upon a presiding officer and perform such other duties as these Bylaws provide, or the Board of Directors may prescribe.

D. Vacancy on Board – If a vacancy occurs on the Board of Directors, the remaining directors may elect a successor to fill the unexpired term. If the directors remaining in office constitute less than a quorum of the authorized number of directors, a vacancy may be filled by an affirmative vote of a majority of all directors remaining in office.

E. Removal of Director – The shareholders may remove one or more directors with or without cause, in accordance with the following requirements:

1) A director may be removed by the shareholders only at a special meeting of the shareholders called in accordance with these Bylaws. Notice of the meeting shall state that at least one of the purposes of the meeting is removal of the director.

2) The director shall be removed by an affirmative vote of the holders of the majority of all the shares of stock outstanding and entitled to vote for the election of directors.

3) A successor may be elected by the shareholders at this special meeting. If the vacancy is not filled at the meeting, the Board of Directors may fill the vacancy in accordance with the provisions of Section D of this Article.

4) A director that is an employee of the Company will be automatically resigned from the Board when they cease to be an employee of the Company or an affiliated company.

F. Meetings – The Board of Directors may hold regular and special meetings in or outside this state, in accordance with the following:

1. The Board of Directors shall have one regularly scheduled meeting during each quarter of the year as set by the Board of Directors. Notice need not be given for regular meetings.

2. Special meetings may be held at any time upon notice from the President, Chairman of the Board or a Chairman of the Executive Committee or a majority of the directors by any lawful means of communication provided at least forty-eight (48) hours before such meeting.

3. A meeting of the Board of Directors may be held without notice immediately following the annual meeting of shareholders.

4. Meetings may be held at any time without notice if all the directors are present, or if at any time before or after the meeting those not present waive notice of the meeting in writing.

5. The Board of Directors may permit any or all Directors to participate in regular and special meetings of the Board by, or to conduct the meeting through the use of, any means of communication by which any of the following occurs:
   a. All participating Directors may simultaneously hear each other during the meeting; and
   b. All communication during the meeting is immediately transmitted to each participating Director, and each participating Director is able to immediately send

messages to all other participating Directors.

G. Quorum – A quorum of the Board of Directors shall consist of a majority of the duly elected and qualified directors. However, a quorum may not be less than one-third of the number of directors fixed in accordance with these Bylaws. If a quorum is not present at any meeting of the directors, a majority of those present may adjourn the meeting, without further notice, until a quorum shall be obtained. Except as otherwise required by statute, the Articles of Incorporation or these Bylaws, an affirmative vote of no less than a majority of the Directors then in office shall be required to constitute an action of the Board.

H. Indemnification – Officers and directors of the Company shall be indemnified in accordance with the following requirements:

1. The Company shall indemnify all officers and directors against any and all liability and expenses incurred in any suit, proceeding or other action to which the director or officer becomes a party because of such position with the Company unless the liability was incurred because the director or officer breached or failed to perform a duty that was owed to the Company and the breach or failure constituted any of the following:

   a. A willful failure to deal fairly with the Company or its shareholders in connection with the matter in which the director or officer had a material conflict of interest;

   b. A violation of a criminal law unless the director or officer had reasonable cause to believe that the conduct was lawful or no reasonable cause to believe that the conduct was unlawful;

   c. A transaction from which the director or officer derived an improper personal profit; or

   d. Willful misconduct.

2. Unless otherwise provided by written agreement between the Company and the officer or director seeking indemnification, the right to indemnification shall be determined by a majority vote of the directors who are not at the time parties to the same or related proceeding.

3. In cases where the Company is providing indemnification, the Company shall have the right to select counsel and direct the actions in the pending matter.

I. Action Without Meeting – Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if action on the matter cannot be held over until the next regular meeting of the Board of Directors. All such actions must be evidenced by one or more written consents describing the action taken, signed by each director or committee member and filed in the minutes of proceedings of the Board of Directors or committee.

J. Compensation of Directors – Directors may be allowed a fixed sum and expenses for attendance at regular and special meetings of the Board of Directors. Serving as a director shall not preclude any director from serving the Company in any other capacity and receiving compensation for such service. Members of standing committees and others who attend meetings pursuant to the direction of the Board may be allowed the same fixed sum and expenses for attending the meetings.

Article III
Committees

A. Appointment of Committees – By resolution passed by at least a majority of the Board of Directors, the Board of Directors may appoint committees for any lawful purpose. Each committee so appointed shall consist of at least three (3) directors. The powers of such committees shall be as specified in the resolution appointing the committee. The Board shall appoint a chairperson for each committee.

B. Committee Vacancies – Vacancies occurring in any committee for any reason shall be filled by the Board of Directors. The Board of Directors may provide by resolution that any vacancies on the committee shall be filled by the affirmative vote of a majority of the remaining committee members.

C. Committee Operations – Each committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board. The presence of a majority shall be necessary to constitute a quorum for the transaction of business. All votes of the committee shall be by affirmative vote of a majority of members present. Any action that may be taken by any committee at a meeting may be taken without a meeting if the consent is in writing, setting forth the action to be taken, and signed by all members of the committee.

D. Report to the Board – All action of any committee shall be reported to the Board of Directors at its next meeting.

E. Expenses – Members of committees duly appointed by the Board of Directors shall not receive salary for their services to the committee. The Board may pay fixed fees and expenses for attendance at any committee meetings. Nothing contained herein shall be construed to preclude any member of a committee from serving the Company in any other capacity as an officer, agent or otherwise and receiving compensation.

Article IV
Officers

A. Appointment of Officers – The Board of Directors shall appoint officers of the Company as it deems appropriate. At a minimum, the Board of Directors shall appoint a President, Treasurer and Corporate Secretary. Any two offices may be held by the same person except the office of President and Corporate Secretary and the offices of President and Vice President. However, no officer may act in more than one capacity on behalf of the Company where action by two or more officers is required.

B. Resignation and Removal of Officers – Any officer may be removed from office, with or without cause, at any time by the Board of Directors. An officer may resign at any time by delivering notice to the Company. The resignation is effective when the notice is delivered unless the notice specifies a later effective date. Officers will be automatically resigned from Office when they cease to be employees of the Company or an affiliated company.

Article V
Duties of Officers

A. President – The president shall:

1. Have general charge and control of all the business and affairs of the Company.

2. Preside at all meetings of the shareholders and in the absence of the Chairman of the Board, at the meetings of the Board of Directors;

3. From time to time secure information concerning the business and affairs of the Company and promptly provide such information to the Board of Directors;

4. Along with the Chairman of the Board and Corporate Secretary, shall have full power and authority to attend and to act at any meetings of shareholders of any corporation in which the Company may hold stock. The President may give a proxy in the name of the Company to any other person or persons who may vote the stock and exercise all rights; and

5. Have such other duties and powers as may be assigned from time to time by the Board of Directors.

B. Treasurer – The treasurer shall:

1. Have custody of all funds and securities of the Company;

2. Endorse and deposit on behalf of the Company all checks, notes and other obligations to the credit of the Company at such banks as designated by the Board of Directors;

3. Keep a full and accurate account of monies received and paid on behalf of the Company;

4. Render an account of all transactions and the financial condition of the Company as requested by the Board of Directors;

5. Provide a bond for the faithful discharge of the treasurer's duties when requested by the Board of Directors; and

6. Perform all tasks incident to the position of treasurer and as assigned from time to time by the Board of Directors.

C. Corporate Secretary – The Corporate Secretary shall:

1. Give or cause to be given notice of all meetings of shareholders and directors;

2. Attend and keep records of all votes and proceedings occurring at all shareholder, Board of Director and committee meetings as required;

3. Take an oath for the faithful discharge of duties; and

4. Perform such other duties as may be assigned from time to time by the Board of Directors.

D. Absence or Inability of Officer – In the case of absence or inability of an officer to act, the Board of Directors may from time to time delegate the powers of such officer to one of the other officers or directors or any other person they select.

Article VI
Certificates of Stock

A. Certificates – The interest of each shareholder of the Company shall be evidenced by stock certificates signed by the President and Corporate Secretary, prepared in a manner consistent

with the Articles of Incorporation which shall, at a minimum state:

1. The name of the Company and its State of incorporation;

2. The number and class of shares represented by the certificate; and

3. The name of the person to whom the certificate is issued.

B. Transfer of Shares – The stock of the Company shall be transferred by the registered holder of the certificate or by an attorney authorized by the holder by a duly executed power of attorney filed with the Corporate Secretary or a transfer clerk or agent appointed as provided in Section D of this Article. The person in whose name the shares of stock are registered on the books of the Company shall be deemed to be owner for all corporate purposes. The Board may make such additional rules and regulations as it deems appropriate regarding transfer and registration of certificates for shares of capital stock of the Company.

C. Lost Certificate – In the event a certificate of stock of the Company is alleged to have been lost, destroyed or stolen, no new certificate shall be issued unless evidence can be delivered to the Company showing such loss, destruction or theft. In the event a duplicate certificate is issued, the Board of Directors may require a bond of indemnity in an amount not exceeding twice the value of the shares represented by the certificate.

D. Transfer Clerks or Agents – The Board of Directors may appoint one or more transfer clerks or agents and may require all certificates of shares to bear the signature or signatures of any of them.

Article VII
Corporate Records

A. Required Records – The Company shall keep a permanent record of the actions and proceedings of the shareholders, Board of Directors and committees of the Board.

B. Inspection of Records – Shareholders shall be allowed to inspect and copy the records of the Company to the extent allowed by statute or Board resolution.

Re-executed this 14th day of March, 2006.

(Corporate Seal)

P. Christen

Peter Christen, President and CEO

Anne B. Smith

Anne B. Smith, Corporate Secretary

Subscribed and sworn to before me this 14th day of March, 2006

Jodie L. Burtnett

Notary Public
Dane County, Wisconsin

My commission expires on 12/30/2007.

BYLAWS

OF

UNIGARD INSURANCE COMPANY
(12/11/00)

FILED
FEB 16 2001
IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON

ARTICLE I

Directors

Section 1. The Company shall have a Board of not less than seven (7) nor more than seventeen (17) directors. Directors shall be elected for a term of one (1) year and shall serve until their successors are elected. No person shall be eligible for election to director after their 70th birthday, and the term of office of any director shall end and the office shall become vacant at the next regular Board meeting following attainment of the director's 70th birthday. The Board shall have power to fill all vacancies occurring in the Board, and directors elected to fill vacancies shall serve the entire unexpired term of the vacancy to which they are elected, unless such term ends sooner because of the age of the director.

Officers

Section 2. The officers of the Company shall be elected by the Board of Directors and shall be: Chairman of the Board, President, Executive Vice President, such number of Senior Vice Presidents, and Vice Presidents as the Board may determine, and General Counsel. The Chairman of the Board and President shall be chosen from among the Board of Directors. The other officers may or may not be members of the Board of Directors. The Board may elect or designate one individual to occupy more than one office, except the President may not also hold the office of Secretary. The Board may or may not fill vacancies in the various offices as they occur. The Board may designate either the Chairman or the President as Chief Executive Officer of the Company.

Appointed Officers

Section 3. The Chief Executive Officer may from time to time designate a Controller; Treasurer; Secretary; and any number of Regional Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and Assistant

Controllers as he may determine; and may confer other titles and fix such duties for them as may be required to handle the affairs of the Company properly.

Executive Committee

Section 4. The Board of Directors shall appoint from among its members an Executive Committee composed of not less than three (3) members, including the President and the Chairman of the Board. The chairman of the Committee shall be chosen by the Board of Directors. The Executive Committee shall have full power to act for the Board of Directors ad interim. A majority shall constitute a quorum and the vote of a like number shall in all cases be required for any action to be taken by the Committee. The Executive Committee shall meet upon the call of the Chairman of the Board, President, chairman of the Committee, or any two members thereof. Compensation paid by the Company to any officer who is also a director shall be set by the Executive Committee.

Duties of the President

Section 5. The President of the Company shall perform such duties as usually appertain to that office, together with such duties as may be prescribed from time to time by the Board of Directors. The President shall have power to sign agreements and other documents.

Duties of the Chairman of the Board

Section 6. The Chairman of the Board of Directors shall perform such duties as usually appertain to that office, together with such other duties as may be prescribed from time to time by the Board of Directors. The Chairman of the Board shall preside at meetings of the Board and shall have power to sign agreements and other documents.

Duties of the Chief Executive Officer

Section 7. The Chief Executive Officer designated by the Board shall have general supervision of the affairs of the Company and shall perform such other duties as may be prescribed from time to time by the Board.

Duties of Vice Presidents

Section 8. The Executive Vice President, Senior Vice Presidents and Vice Presidents shall perform such duties as may be prescribed from time to time by the

Chief Executive Officer, Executive Committee or the Board of Directors. The Executive Vice President and Senior Vice Presidents shall have power to sign agreements and other documents.

Duties of the Secretary

Section 9. The Secretary shall perform such duties that usually appertain to that office and shall have custody of the corporate records and seal. The Secretary shall be the secretary of the Board of Directors. The Secretary or any Assistant Secretary may attest or certify corporate documents. The Secretary shall perform such other duties as may be prescribed from time to time by the Chief Executive Officer, Executive Committee or the Board of Directors.

Duties of the General Counsel

Section 10. The General Counsel shall be the legal advisor of the Company and its officers, and supervise and direct all the Company's legal affairs.

Duties of the Treasurer

Section 11. The Treasurer shall have full responsibility for the safekeeping of all the funds of the Company. The Treasurer shall be responsible for keeping records of the bank accounts showing all funds deposited to the credit of the Company in its duly authorized depositories, and make such statements thereof from time to time and perform such other duties as may be prescribed for him by the Chief Executive Officer, Executive Committee, or Board of Directors. The investment, loan, and sale or exchange of assets of the Company shall be authorized or approved by the Board of Directors.

Bonds Required of Officers

Section 12. A bond for the faithful performance of their respective duties may be required of any officer or employee, and in such amount as may be ordered by the Executive Committee or the Board of Directors; such bonds must be approved by the General Counsel and deposited with the Secretary.

ARTICLE II

Shareholders' Meetings

Section 1. Annual meeting of the shareholders shall be held at the principal office of the Company or at such other place either within or without the State of Washington as may be designated in the notice of the meeting. The annual meeting of the shareholders shall be held on the second Thursday of March of each year. At the annual meeting, the shareholders shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

Special Meetings of the Shareholders

Section 2. A special meeting of the shareholders of the Company may be called by the Board of Directors, Chairman of the Board or President, and shall be called by the Secretary when so requested by any holder of common stock of the Company. Notice shall be mailed to each holder of the common stock of the Company sufficiently in advance of the time of such meeting to enable such shareholder to attend.

Waiver of Notice

Section 3. The attendance of any shareholder at any shareholders' meeting shall be a waiver by such shareholder of any notice of such meeting. A meeting of the shareholders may be held at any time without notice if all holders of common stock are present or have given written waiver notice of the meeting.

Quorum and Voting

Section 4. At all shareholders' meetings a majority of the common stock shall be necessary to constitute a quorum. If there is no quorum, those present may adjourn the meeting to some other day. Each share of common stock shall be entitled to one vote on all matters coming before the meeting, including the election of directors, and shareholders may be present in person or represented by proxy. A vote of the majority of the common stock represented in person or by proxy shall be necessary for an election or the transaction of any business.

Action by Shareholders Without a Meeting

Section 5. Any action required by law to be taken at a meeting of the shareholders, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, is

signed by all the shareholders entitled to vote with respect to the subject matter thereof. The consent shall have the same force and effect as a unanimous vote of shareholders, and may be stated as such in any articles or documents describing the action of the shareholders.

ARTICLE III

Meetings of the Board of Directors

Section 1. Meetings of the Board of Directors may be held either within or without the State of Washington. The Board of Directors shall hold a regular meeting on the second Thursday of March of each year. The Board shall from time to time adopt such regulations and make such orders that it deems in the best interests of the Company.

Special Meetings of the Board

Section 2. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, President, or any two members thereof. Special meetings of any committee may be called at any time by the committee chairman. Meetings may be called by giving such notice to the members of the Board or committee as will enable them to attend. Five days written or oral notice shall in any event be sufficient.

Waiver of Notice

Section 3. The attendance of any director at any meeting of the Board, or any committee designated by the Board, shall be a waiver by such director of all notice of such meeting. Meetings may be held at any time without notice if all members are either present or have given written waiver of notice of the meeting.

Quorum and Voting

Section 4. A majority, but never less than five (5), of the members of the Board of Directors then in office shall constitute a quorum. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Participation by Telephone Conference

Section 5. Members of the Board of Directors, or of any committee designated by the Board, may participate in meetings of the Board or of the committee by means of a conference telephone or similar communications equipment which enables all persons participating in the meeting to hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Action by Board Without a Meeting

Section 6. Any action required by law to be taken at a meeting of the Board of Directors or a committee, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

Dividends

Section 7. The Board of Directors or the Executive Committee acting ad interim may, by resolution or other order, return to the policyholders in any class or classes as dividends such portion of the premium as in their judgment is proper.

ARTICLE IV

Shares of Stock

Section 1. The shares of the capital stock of this Company shall be represented by stock certificates signed by the President and Secretary under the corporate seal of the Company.

Transfers of Stock

Section 2. Transfers of stock may only be made upon the books of the Company by the holders in person or by power of attorney duly executed and filed with the Secretary of the Company and upon the surrender of the certificate of such stock.

ARTICLE V

Indemnification of Directors, Officers and Employees

Section 1. The Company shall indemnify any person made a party to any proceeding by reason of the fact that he or she is or was a director, officer, or employee of the Company, against judgments, penalties, fines, settlements and reasonable expenses including attorneys' fees, actually incurred in connection with such proceeding, to the full extent and under any and all circumstances permitted by the Washington Business Corporation Act, including the amendment made by Chapter 212 of the Washington Laws of 1987 and any subsequent broadening of the scope of indemnification permitted by the Act, but subject to all the mandatory limitations of such act whether expressed in this article or not. Such person shall have the full benefit of all substantive and procedural rules of such Act.

Such person shall not be so indemnified in respect of any proceeding in which he or she shall have been finally adjudged to be liable on the basis that: (1) his or her acts or omissions were intentional misconduct or a knowing violation of law within the meaning of the Washington Business Corporation Act, or (2) he or she personally received a benefit in money, property or services to which he or she was not entitled, or (3) he or she violated a provision of the Washington Business Corporation Act which requires the denial of indemnification. "Party" includes a person who was, is, or is threatened to be, made a defendant or respondent in a proceeding. "Proceeding" means any threatened, pending, or completed action, suit or proceeding whether civil, criminal, administrative or investigative, including a proceeding by or in the right of the corporation.

The Company shall extend the indemnity described in the previous paragraphs to any person made a party to any proceeding by reason of the fact that, while he or she is or was an officer, director or employee of the Company, he or she is or was serving at the request of the Company as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan.

ARTICLE VI

Amendments

Section 1. These Bylaws may be altered or amended at any regular or special meeting of the Board of Directors, or by the affirmative vote of a majority of the holders of common stock of the Company present at any shareholders' meeting.

ARTICLE VII

Seal

Section 1. The seal of the Company shall have inscribed upon its face the following: UNIGARD INSURANCE COMPANY, BELLEVUE, WASHINGTON, INCORPORATED 1960. SEAL.

BYLAWS

OF

UNIGARD INDEMNITY COMPANY

(12/11/00)

FILED
FEB 16 2001
IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON

ARTICLE I

Directors

Section 1. The Company shall have a Board of not less than seven (7) nor more than seventeen (17) directors. Directors shall be elected for a term of one (1) year and shall serve until their successors are elected. No person shall be eligible for election to director after their 70th birthday, and the term of office of any director shall end and the office shall become vacant at the next regular Board meeting following attainment of the director's 70th birthday. The Board shall have power to fill all vacancies occurring in the Board, and directors elected to fill vacancies shall serve the entire unexpired term of the vacancy to which they are elected, unless such term ends sooner because of the age of the director.

Officers

Section 2. The officers of the Company shall be elected by the Board of Directors and shall be: Chairman of the Board, President, Executive Vice President, such number of Senior Vice Presidents, and Vice Presidents as the Board may determine, and General Counsel. The Chairman of the Board and President shall be chosen from among the Board of Directors. The other officers may or may not be members of the Board of Directors. The Board may elect or designate one individual to occupy more than one office, except the President may not also hold the office of Secretary. The Board may or may not fill vacancies in the various offices as they occur. The Board may designate either the Chairman or the President as Chief Executive Officer of the Company.

Appointed Officers

Section 3. The Chief Executive Officer may from time to time designate a Controller; Treasurer; Secretary; and any number of Regional Vice Presidents, Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers and Assistant

Controllers as he may determine; and may confer other titles and fix such duties for them as may be required to handle the affairs of the Company properly.

Executive Committee

Section 4. The Board of Directors shall appoint from among its members an Executive Committee composed of not less than three (3) members, including the President and the Chairman of the Board. The chairman of the Committee shall be chosen by the Board of Directors. The Executive Committee shall have full power to act for the Board of Directors ad interim. A majority shall constitute a quorum and the vote of a like number shall in all cases be required for any action to be taken by the Committee. The Executive Committee shall meet upon the call of the Chairman of the Board, President, chairman of the Committee, or any two members thereof. Compensation paid by the Company to any officer who is also a director shall be set by the Executive Committee.

Duties of the President

Section 5. The President of the Company shall perform such duties as usually appertain to that office, together with such duties as may be prescribed from time to time by the Board of Directors. The President shall have power to sign agreements and other documents.

Duties of the Chairman of the Board

Section 6. The Chairman of the Board of Directors shall perform such duties as usually appertain to that office, together with such other duties as may be prescribed from time to time by the Board of Directors. The Chairman of the Board shall preside at meetings of the Board and shall have power to sign agreements and other documents.

Duties of the Chief Executive Officer

Section 7. The Chief Executive Officer designated by the Board shall have general supervision of the affairs of the Company and shall perform such other duties as may be prescribed from time to time by the Board.

Duties of Vice Presidents

Section 8. The Executive Vice President, Senior Vice Presidents and Vice Presidents shall perform such duties as may be prescribed from time to time by the

Chief Executive Officer, Executive Committee or the Board of Directors. The Executive Vice President and Senior Vice Presidents shall have power to sign agreements and other documents.

Duties of the Secretary

Section 9. The Secretary shall perform such duties that usually appertain to that office and shall have custody of the corporate records and seal. The Secretary shall be the secretary of the Board of Directors. The Secretary or any Assistant Secretary may attest or certify corporate documents. The Secretary shall perform such other duties as may be prescribed from time to time by the Chief Executive Officer, Executive Committee or the Board of Directors.

Duties of the General Counsel

Section 10. The General Counsel shall be the legal advisor of the Company and its officers, and supervise and direct all the Company's legal affairs.

Duties of the Treasurer

Section 11. The Treasurer shall have full responsibility for the safekeeping of all the funds of the Company. The Treasurer shall be responsible for keeping records of the bank accounts showing all funds deposited to the credit of the Company in its duly authorized depositories, and make such statements thereof from time to time and perform such other duties as may be prescribed for him by the Chief Executive Officer, Executive Committee, or Board of Directors. The investment, loan, and sale or exchange of assets of the Company shall be authorized or approved by the Board of Directors.

Bonds Required of Officers

Section 12. A bond for the faithful performance of their respective duties may be required of any officer or employee, and in such amount as may be ordered by the Executive Committee or the Board of Directors; such bonds must be approved by the General Counsel and deposited with the Secretary.

ARTICLE II

Shareholders' Meetings

Section 1. Annual meeting of the shareholders shall be held at the principal office of the Company or at such other place either within or without the State of Washington as may be designated in the notice of the meeting. The annual meeting of the shareholders shall be held on the second Thursday of March of each year. At the annual meeting, the shareholders shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

Special Meetings of the Shareholders

Section 2. A special meeting of the shareholders of the Company may be called by the Board of Directors, Chairman of the Board or President, and shall be called by the Secretary when so requested by any holder of common stock of the Company. Notice shall be mailed to each holder of the common stock of the Company sufficiently in advance of the time of such meeting to enable such shareholder to attend.

Waiver of Notice

Section 3. The attendance of any shareholder at any shareholders' meeting shall be a waiver by such shareholder of any notice of such meeting. A meeting of the shareholders may be held at any time without notice if all holders of common stock are present or have given written waiver notice of the meeting.

Quorum and Voting

Section 4. At all shareholders' meetings a majority of the common stock shall be necessary to constitute a quorum. If there is no quorum, those present may adjourn the meeting to some other day. Each share of common stock shall be entitled to one vote on all matters coming before the meeting, including the election of directors, and shareholders may be present in person or represented by proxy. A vote of the majority of the common stock represented in person or by proxy shall be necessary for an election or the transaction of any business.

Action by Shareholders Without a Meeting

Section 5. Any action required by law to be taken at a meeting of the shareholders, or any action which may be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, is

signed by all the shareholders entitled to vote with respect to the subject matter thereof. The consent shall have the same force and effect as a unanimous vote of shareholders, and may be stated as such in any articles or documents describing the action of the shareholders.

ARTICLE III

Meetings of the Board of Directors

Section 1. Meetings of the Board of Directors may be held either within or without the State of Washington. The Board of Directors shall hold a regular meeting on the second Thursday of March of each year. The Board shall from time to time adopt such regulations and make such orders that it deems in the best interests of the Company.

Special Meetings of the Board

Section 2. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, President, or any two members thereof. Special meetings of any committee may be called at any time by the committee chairman. Meetings may be called by giving such notice to the members of the Board or committee as will enable them to attend. Five days written or oral notice shall in any event be sufficient.

Waiver of Notice

Section 3. The attendance of any director at any meeting of the Board, or any committee designated by the Board, shall be a waiver by such director of all notice of such meeting. Meetings may be held at any time without notice if all members are either present or have given written waiver of notice of the meeting.

Quorum and Voting

Section 4. A majority, but never less than five (5), of the members of the Board of Directors then in office shall constitute a quorum. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Participation by Telephone Conference

Section 5. Members of the Board of Directors, or of any committee designated by the Board, may participate in meetings of the Board or of the committee by means of a conference telephone or similar communications equipment which enables all persons participating in the meeting to hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

Action by Board Without a Meeting

Section 6. Any action required by law to be taken at a meeting of the Board of Directors or a committee, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

Dividends

Section 7. The Board of Directors or the Executive Committee acting ad interim may, by resolution or other order, return to the policyholders in any class or classes as dividends such portion of the premium as in their judgment is proper.

ARTICLE IV

Shares of Stock

Section 1. The shares of the capital stock of this Company shall be represented by stock certificates signed by the President and Secretary under the corporate seal of the Company.

Transfers of Stock

Section 2. Transfers of stock may only be made upon the books of the Company by the holders in person or by power of attorney duly executed and filed with the Secretary of the Company and upon the surrender of the certificate of such stock.

ARTICLE V

Indemnification of Directors, Officers and Employees

Section 1. The Company shall indemnify any person made a party to any proceeding by reason of the fact that he or she is or was a director, officer, or employee of the Company, against judgments, penalties, fines, settlements and reasonable expenses including attorneys' fees, actually incurred in connection with such proceeding, to the full extent and under any and all circumstances permitted by the Washington Business Corporation Act, including the amendment made by Chapter 212 of the Washington Laws of 1987 and any subsequent broadening of the scope of indemnification permitted by the Act, but subject to all the mandatory limitations of such act whether expressed in this article or not. Such person shall have the full benefit of all substantive and procedural rules of such Act.

Such person shall not be so indemnified in respect of any proceeding in which he or she shall have been finally adjudged to be liable on the basis that: (1) his or her acts or omissions were intentional misconduct or a knowing violation of law within the meaning of the Washington Business Corporation Act, or (2) he or she personally received a benefit in money, property or services to which he or she was not entitled, or (3) he or she violated a provision of the Washington Business Corporation Act which requires the denial of indemnification. "Party" includes a person who was, is, or is threatened to be, made a defendant or respondent in a proceeding. "Proceeding" means any threatened, pending, or completed action, suit or proceeding whether civil, criminal, administrative or investigative, including a proceeding by or in the right of the corporation.

The Company shall extend the indemnity described in the previous paragraphs to any person made a party to any proceeding by reason of the fact that, while he or she is or was an officer, director or employee of the Company, he or she is or was serving at the request of the Company as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan.

ARTICLE VI

Amendments

Section 1. These Bylaws may be altered or amended at any regular or special meeting of the Board of Directors, or by the affirmative vote of a majority of the holders of common stock of the Company present at any shareholders' meeting.

ARTICLE VII

Seal

Section 1. The seal of the Company shall have inscribed upon its face the following: UNIGARD INDEMNITY COMPANY, WASHINGTON, INCORPORATED 1972. SEAL.

STATE of WASHINGTON SECRETARY of STATE

I, **Ralph Munro,** Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF AMENDMENT

to

UNIGARD INSURANCE COMPANY

a Washington Insurance corporation. Articles of Amendment were filed for record in this office on the date indicated below.

Amending Shares

U.B.I. Number: 601 505 980 Date: October 7, 1994

Given under my hand and the seal of the State of Washington, at Olympia, the State Capital

RALPH MUNRO

Ralph Munro, Secretary of State

ssf 58 (5/91)

2-151409-6

FILED

OCT 04 1994

IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON

FILED
STATE OF WASHINGTON
OCT 07 1994
RALPH MUNRO
SECRETARY OF STAT

Amendment of Articles of Incorporation
of
Unigard Insurance Company

Article X, Paragraph A of the Articles of Incorporation of Unigard Insurance Company was amended to read as follows:

> Board of Directors. The corporation shall have a Board of Directors in such number, not less than seven, with such qualifications, as may be provided by the Bylaws.

UNIGARD INSURANCE COMPANY

By Laurence P. O'Connor
Laurence P. O'Connor
Chairman of the Board, President
and Chief Executive Officer

By Catherine E. Kietzman
Catherine E. Kietzman
Corporate Secretary

CERTIFICATION

I, Laurence P. O'Connor certify that I am the Chairman of the Board, President and Chief Executive Officer of Unigard Insurance Company. I, Catherine E. Kietzman certify that I am the Corporate Secretary of Unigard Insurance Company. We further certify that during a special meeting of the Board held on September 20, 1994, the Board of Directors unanimously approved the attached Amendment to the Articles of Incorporation and recommended adoption by the Shareholder. The Amendment was adopted by a vote of the Shareholder of Unigard Insurance Company, on September 20, 1994 in accordance with RCW §23B.10.030 and RCW §23B.10.040.

At the time of the adoption of this Amendment, thirty thousand (30,000) shares of the corporation were outstanding, all of which were entitled to vote. Thirty thousand shares (30,000) were voted for the Amendment and no shares were voted against the Amendment.

IN WITNESS WHEREOF, we have affixed our signatures to triplicate copies of this Amendment on this 23rd day of September, 1994.

UNIGARD INSURANCE COMPANY

By Laurence P. O'Connor
Laurence P. O'Connor
Chairman of the Board, President
and Chief Executive Officer

By Catherine E. Kietzman
Catherine E. Kietzman
Corporate Secretary

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

On this 23rd day of September, 1994, before me personally appeared Laurence P. O'Connor, to me known to be the Chairman of the Board, President and Chief Executive Officer of Unigard Insurance Company and Catherine E. Kietzman, to me known to be the Corporate Secretary of Unigard Insurance Company, each of whom executed the attached Amendment to the Articles of Incorporation of Unigard Insurance Company and acknowledged the instrument to be the free and voluntary act and deed of the corporation. Each stated that he or she was authorized to execute the instrument, that the seal affixed is the seal of the corporation, and that the facts stated in the certificate are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year written above.

Christine Boldizsar

Christine Boldizsar
Notary Public in and for the
State of Washington, residing
in Seattle, my commission
expires November 19, 1995

STATE of WASHINGTON SECRETARY of STATE

I, **Ralph Munro,** Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF AMENDMENT

to

UNIGARD INSURANCE COMPANY

a Washington Insurance corporation. Articles of Amendment were filed for record in this office on the date indicated below.

Restating Articles

U.B.I. Number: 601 505 980 Date: April 25, 1994

Given under my hand and the seal of the State of Washington, at Olympia, the State Capital

RALPH MUNRO

Ralph Munro, Secretary of State

ssf 58 (5/91)

2-151409-6

ARTICLES OF AMENDMENT AND RESTATEMENT OF THE

ARTICLES OF INCORPORATION

OF

UNIGARD INSURANCE COMPANY

FILED
MAR 31 1994
IN THE INSURANCE COMMISSIONER
STATE OF WASHINGTON

FILED
STATE OF WASHINGTON
APR 25 1994
RALPH MUNRO
SECRETARY OF STATE

ARTICLE I

The Directors in office at the time of the adoption of these Articles of Amendment and Restatement of the Articles of Incorporation:

Dale E. Abbrederis
5710 - 143rd Place S.E.
Bellevue, WA 98006

Mary K. Dawson
708 - 166th Ave. S.E.
Bellevue, WA 98008

Francis P. Hogan
2336 - 175th Ct. N.E.
Redmond, WA 98052

Hugh R. McGough
1900 Magnolia Blvd. W.
Seattle, WA 98199

Laurence P. O'Connor
2207 W. Lake Sammamish
Parkway, S.E.
Bellevue, WA 98008

Hans-Rudolf Stucki
Palmstrasse 17
Winterthur, Switzerland

Paul B. Swank
4668 - 175th Ave. S.E.
Issaquah, WA 98027

ARTICLE II

Name of Company

The name of this Company shall be Unigard Insurance Company.

ARTICLE III

Objects

A. The objects for which this corporation is formed are to engage in the business of making contracts of insurance, to participate in "insurance transactions" defined by the Insurance Code of the State of Washington, to issue the kinds of insurance specifically designated below, to issue policies entitled to participate from time to time in the earnings of the corporation, and to do and perform any and all things necessary, expedient, convenient, or properly incidental to, the accomplishment of the objects and purposes mentioned herein and to the carrying on of the business of the corporation as an insurer.

B. The corporation shall be a stock insurer.

C. The corporation may issue any kinds of insurance not prohibited by law, including, according to the designations and definitions made in the Insurance Code of the State of Washington, the following kinds of insurance:

1. Property Insurance, which is insurance against loss of or damage to real or personal property of every kind and any interest therein, from any or all hazard or cause, and against loss consequential upon such loss or damage.

2. Marine and Transportation Insurance, which is:

a. Insurance against loss of or damage to:

(1) Vessels, craft, aircraft, vehicles, goods freights, cargoes, merchandise, effects, disbursements, profits, moneys, securities, choses in action, evidences of debt, valuable papers, bottomry, and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit or transportation, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting shipment, or during any delays, storage, trans-shipment, or reshipment incident thereto, including war risks, marine builder's risks, and all personal property floater risks.

(2) Person or property in connection with or appertaining to a marine, transit or transportation insurance, including liability for loss of or damage to either incident to the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance).

(3) Precious stones, jewels, jewelry, precious metals, whether in course of transportation or otherwise.

(4) Bridges, tunnels and other instrumentalities of transportation and communication; piers, wharves, docks and slips and other aids to navigation and transportation, including dry docks and marine railways, dams and appurtenant facilities for the control of waterways.

b. "Marine protection and indemnity insurance," meaning insurance against, or against legal liability of the insured for, loss, damage, or expense incident to ownership, operation, chartering, maintenance, user, repair or construction of any vessel, craft or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness or death or for loss of or damage to the property of another person.

3. Vehicle Insurance, which is:

a. Insurance against loss or damage to any land vehicle or aircraft or any draft or riding animal or to property while contained therein or thereon or being loaded or unloaded therein or therefrom, and against any loss or liability resulting from or incident to ownership, maintenance, or use of any such vehicle or aircraft or animal; and,

b. Insurance against accidental death or accidental injury to individuals while in, entering, alighting from, adjusting, repairing, cranking, or caused by being struck by a vehicle, aircraft, or draft or riding animal, if such insurance is issued as part of insurance on the vehicle, aircraft, or draft or riding animal.

4. General Casualty Insurance, which includes vehicle insurance as defined above, and in addition is insurance:

a. Against legal liability for the death, injury, or disability of any human being, or for damage to property.

b. Of medical, hospital, surgical and funeral benefits to persons injured, irrespective of legal liability of the insured, when issued with or supplemental to insurance against legal liability for the death, injury or disability of human beings.

c. Of the obligations accepted by, imposed upon, or assumed by employers under law for workmen's compensation.

d. Against loss or damage by burglary, theft, larceny, robbery, forgery, fraud, vandalism, malicious mischief, confiscation or wrongful conversion, disposal or concealment, or from any attempt of any of the foregoing; also insurance against loss of or damage to moneys, coins,

bullion, securities, notes, drafts, acceptances or any other valuable papers or documents, resulting from any cause, except while in the custody or possession of and being transported by any carrier for hire or in the mail.

e. Upon personal effects against loss or damage from any cause.

f. Against loss or damage to glass, including its lettering, ornamentation and fittings.

g. Against any liability and loss or damage to property resulting from accidents to or explosions of boilers, pipes, pressure containers, machinery, or apparatus and to make inspection of and issue certificates of inspection upon elevators, boilers, machinery, and apparatus of any kind.

h. Against loss or damage to any property caused by the breakage or leakage of sprinklers, water pipes and containers, or by water entering through leaks or openings in buildings.

i. Against loss or damage resulting from failure of debtors to pay their obligations to the insured.

j. Against any other kind of loss, damage, or liability properly the subject of insurance and not within any other kind or kinds of insurance, if such insurance is not contrary to law or public policy.

5. Disability Insurance, which is insurance against bodily injury, disablement or death by accident, against disablement resulting from sickness, and every insurance appertaining thereto.

6. Surety Insurance, which includes:

a. Credit insurance as defined above.

b. Bail bond insurance as defined below.

c. Fidelity insurance, which is insurance guaranteeing the fidelity of persons holding positions of public or private trust.

d. Guaranteeing the performance of contracts, other than insurance policies, and guaranteeing and executing bonds, undertakings, and contracts of suretyship.

e. Indemnifying banks, bankers, brokers, financial or moneyed corporations or associations against loss resulting from any cause of bills of exchange, notes, bonds, securities, evidence of debts, deeds, mortgages, warehouse receipts, or other valuable papers, documents, money, precious metals and articles made therefrom, jewelry, watches, necklaces, bracelets, gems, precious and semi-precious stones, including any loss while the same are being transported in armored motor vehicles, or by messenger, but not including any other risks of transportation or navigation; also against loss or damage to such an insured's premises, or to his furnishings, fixtures, equipment, safes and vaults therein, caused by burglary, robbery, theft, vandalism or malicious mischief, or any attempt threat.

7. Bail Bond Insurance, which is the guaranteeing that any person, in or in connection with any proceedings in court, will:

   a. Attend in court when required, or

   b. Obey the orders or judgment of the court, as a condition to the release of such person from confinement, and the execution of bail bonds for any such purpose. The making of property or cash bail does not constitute the transacting of bail bond insurance.

8. Reinsurance. Reinsurance of all kinds of insurance which the corporation is authorized to transact directly.

9. Other Kinds of Insurance. Any other kind of insurance which a multiple line property and casualty insurer is authorized, or may become authorized, to issue in the State of Washington.

10. Liberalization of Definitions. If definitions of the kinds of insurance described in these Amended and Restated Articles are broadened or expanded by the Insurance Code of the State of Washington, or administrative interpretation thereof, the definition shall also be so broadened or expanded within these Amended and Restated Articles.

ARTICLE IV

Capital Stock

A. Authorized shares

1. The total number of shares which this corporation is authorized to issue is thirty thousand shares (30,000) of common stock of one hundred dollars ($100) par value per share and the capital stock of the company shall be three million dollars ($3,000,000).

B. Dividends on Stock

1. Dividends are payable on the common stock, when and as declared by the Board of Directors.

C. Voting Rights of Stockholders

1. Each holder of common stock shall be entitled to one vote for each share of stock standing in his name on the books of the corporation. At each election for directors, each holder of common stock shall be entitled to vote the number of shares owned by him for a candidate for each director to be elected and for whose election shareholder holder of common stock has a right to vote, but such holder of common stock shall not be entitled to accumulate his votes.

ARTICLE V

Duration of Existence

The duration of the existence of the corporation shall be perpetual.

ARTICLE VI

Directors

The names and addresses of the Directors who shall constitute the Board of Directors of the corporation shall be the same as those listed in Article I.

ARTICLE VII

Limitation of Liability of Directors

A person shall not be liable to the corporation or its shareholders for monetary damages for acts or omissions as a director, unless such acts or omissions involve: (1) intentional misconduct or a knowing violation of law by the director within

the meaning of the Washington Business Corporation Act, or (2) a transaction from which the director will personally receive a benefit in money, property, or services to which the director is not legally entitled, or (3) a violation by the director of a provision of the Washington Business Corporation Act which requires denial of indemnification.

ARTICLE VIII

Indemnification of Directors, Officers and Employees

The corporation shall indemnify any person made a party to any proceeding by reason of the fact that he or she is or was a director, officer, or employee of the corporation, against judgments, penalties, fines, settlements and reasonable expenses including attorneys' fees, actually incurred in connection with such proceeding, to the full extent and under any and all circumstances permitted by the Washington Business Corporation Act, including the amendment made by Chapter 212 of the Washington Laws of 1987 and any subsequent broadening of the scope of indemnification permitted by the Act, but subject to all the mandatory limitations of such act whether expressed in this article or not. Such person shall have the full benefit of all substantive and procedural rules of such Act.

Such person shall not be so indemnified in respect of any proceeding in which he or she shall have been finally adjudged to be liable on the basis that: (1) his or her acts or omissions were intentional misconduct or a knowing violation of law within the meaning to the Washington Business Corporation Act, or (2) he or she personally received a benefit in money, property or services to which he or she was not entitled, or (3) he or she violated a provision of the Washington Business Corporation Act which requires the denial of indemnification. "Party" includes a person who was, is, or is threatened to be, made a defendant or respondent in a proceeding. "Proceeding" means any threatened, pending, or completed action, suit or proceeding whether civil, criminal, administrative or investigative, including a proceeding by or in the right of the corporation.

The corporation shall extend the indemnity described in the previous paragraph to any person made a party to any proceeding by reason of the fact that, while he or she is or was an officer, director or employee of the corporation, he or she is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan.

ARTICLE IX

Place of Business

The principal place of business of the corporation shall be Bellevue, Washington, and the corporation is authorized to transact business in any part of the world.

ARTICLE X

Other Provisions

A. Board of Directors. The corporation shall have a Board of Directors in such number, not less than five, and with such qualifications, as may be provided by the Bylaws.

B. Amendment of Bylaws. The Board of Directors shall have the power to adopt and amend or change the Bylaws.

C. Amendments to Articles of Incorporation. Amendments to these Articles of Incorporation may be made either by a majority vote of the Board of Directors and by the alternative vote or written assent of two-thirds of the voting common stock.

D. Dividends on Insurance Policies. The corporation may issue insurance policies upon both the participating plan and the non-participating plan. The Board of Directors may, from time to time, distribute equitably to the holders of participating policies such sums out of the earnings such sums for dividends to be paid stockholders and for surplus as the Board of Directors shall see fit. Such distributions of earnings may be made by an equitable apportionment to holders of participating policies issued by the corporation, irrespective of the class and character of the risk, or risks; or the Board of Directors in its discretion, may classify the risks of the corporation according to the various hazards covered by its policies, and may equitably distribute such earnings or any portion thereof to the holders of participating policies in each classification according to the experience of the corporation in such classes; or the Board of Directors may in its discretion distribute such earnings or any portion thereof in any other manner authorized by the insurance laws, rules and regulations of the state or states in which such distribution of earnings is made.

E. Effective Date. These Articles of Amendment and Restatement of Articles of Incorporation shall be filed first with the office of the Insurance Commissioner of the State of Washington and, after approval by the Insurance Commissioner, with the office of the Secretary of State of

the State of Washington. They shall become effective on the date they are filed with the office of the Secretary of State.

UNIGARD INSURANCE COMPANY

Laurence P. O'Connor
Chairman, CEO & President

Hugh R. McGough
General Counsel & Secretary

Certificate

I, Laurence P. O'Connor certify that I am the Chairman of the Board, CEO, and President of Unigard Insurance Company and I, Hugh R. McGough, certify that I am General Counsel and Secretary of Unigard Insurance Company. We certify that the amendment to the Articles of Incorporation changing the Company's principal place of business to Bellevue, Washington and the Restatement of the Articles of Incorporation were unanimously approved by a resolution of the Board of Directors of the Company at a Regular Meeting of the Board held on March 14, 1994 and were adopted by a vote of the shareholders of the Company on March 14, 1994, in accordance with RCW §23B.10.030 and RCW §23B.10.040.

At the time of the approval and adoption of these Amended and Restated Articles of Incorporation, thirty thousand shares of the Company were outstanding, all of which were entitled to vote. Thirty thousand shares were voted for the amendment and restatement and no shares were voted against.

We further certify that these duly adopted Amended and Restated Articles of Incorporation set forth all of the operative provisions of the Articles of Incorporation of the Company as amended and that these Amended and Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto.

IN WITNESS WHEREOF, we have affixed our signatures to triplicate copies of these Amended and Restated Articles of Incorporation, on March 14, 1994.

UNIGARD INSURANCE COMPANY

Laurence P. O'Connor

Laurence P. O'Connor
Chairman of the Board, CEO & President

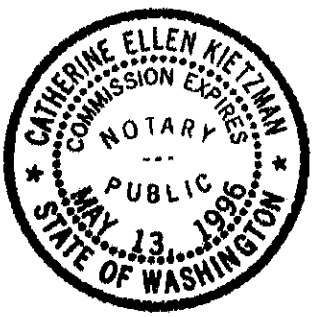
Hugh R. McGough

Hugh R. McGough
General Counsel and Secretary

STATE OF WASHINGTON)
)
COUNTY OF KING)

On March 14, 1994, before me personally appeared Laurence P. O'Connor, to me known to be the Chairman of the Board, CEO and President, and Hugh R. McGough, to me known to be the General Counsel and Secretary of Unigard Insurance Company, each of whom executed the forgoing Amended and Restated Articles of Incorporation of Unigard Insurance Company, and acknowledged the instrument to be the free and voluntary act and deed of the Company, for the uses and purposes therein mentioned. Each stated that he was authorized to execute the instrument, that the seal affixed is the corporate seal of the Company and that the facts stated in the certificate are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on March 14, 1994.



Catherine Ellen Kietzman
Notary Public in and for the State of Washington, residing in Seattle
My commission expires on May 13, 1996

STATE of WASHINGTON SECRETARY of STATE

I, **Ralph Munro,** Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF AMENDMENT

to

UNIGARD INSURANCE COMPANY

a Washington Insurance corporation. Articles of Amendment were filed for record in this office on the date indicated below.

Amending Shares

U.B.I. Number: 2-151409-6 Date: September 30, 1993

Given under my hand and the seal of the State of Washington, at Olympia, the State Capital

RALPH MUNRO

Ralph Munro, Secretary of State

ssf 58 (5/91)

FILED
STATE OF WASHINGTON
SEP 30 1993
RALPH MUNRO
SECRETARY OF STATE

FILED

SEP 30 1993

IN THE OFFICE OF THE
INSURANCE COMMISSIONER
STATE OF WASHINGTON

AMENDMENT OF ARTICLES OF INCORPORATION
UNIGARD INSURANCE COMPANY

The Articles of Incorporation of Unigard Insurance Company are amended by substituting for Article IV A. 1. thereof the following:

A. Authorized shares

1. The total number of shares which this corporation is authorized to issue is thirty thousand shares (30,000) of common stock of one hundred dollars ($100) par value per share and the capital stock of the company shall be three million dollars ($3,000,000).

This Amendment was authorized by the Board of Directors and approved by the shareholder on September 22, 1993.

CERTIFICATION

Laurence P. O'Connor certifies that he is the Chairman of the Board, President and Chief Executive Officer and Hugh R. McGough certifies that he is the General Counsel and Corporate Secretary of Unigard Insurance Company. They further certify that this Amendment of the Articles of Incorporation was unanimously adopted by a resolution of the Board of Directors of the corporation at a special meeting of the Board on September 22, 1993, and was approved and adopted by a vote of the shareholders of the corporation on September 22, 1993. At the time of the adoption of this Amendment, 25,000 shares of the corporation were outstanding, all of which were entitled to vote. Twenty-five thousand shares were voted for the amendment and no shares were voted against the amendment.

IN WITNESS WHEREOF, we have affixed our signatures to triplicate copies of this Amendment on this 23rd day of September, 1993.

UNIGARD INSURANCE COMPANY

By Laurence P. O'Connor
Laurence P. O'Connor
Chairman of the Board, President
and Chief Executive Officer

By Hugh R. McGough
Hugh R. McGough
General Counsel and Secretary

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

On this 23rd day of September, 1993, before me personally appeared Laurence P. O'Connor, to me known to be the Chairman of the Board, President and Chief Executive Officer and Hugh R. McGough, to me known to be the General Counsel and Secretary of Unigard Insurance Company, each of whom executed the attached Amendment to the Articles of Incorporation of Unigard Insurance Company and acknowledged the instrument to be the free and voluntary act and deed of the corporation. Each stated that he was authorized to execute the instrument, that the seal affixed is the corporate seal of the corporation, and that the facts stated in the certificate are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year written above.

Catherine Ellen Kietzman
Notary Public in and for the State of Washington, residing in Seattle
My commission expires 5/13/96

STATE of WASHINGTON SECRETARY of STATE

I, Ralph Munro, Secretary of State of the State of Washington and custodian of its seal, hereby issue this

CERTIFICATE OF INCORPORATION

to

UNIGARD INDEMNITY COMPANY

a Washington Profit corporation. Articles of Incorporation were filed for record in this office on the date indicated below:

U.B.I. Number: 601 564 636 Date: August 4, 1994

Given under my hand and the seal of the State of Washington, at Olympia, the State Capitol

Ralph Munro

Ralph Munro, Secretary of State

SSF 57

2-496219-3

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

No. 109523

I, DEBORAH SENN, State Insurance Commissioner, do hereby certify that I am the state official charged with the general control and supervision of all insurance business (except State Workers' Compensation) transacted in the State of Washington and charged with the administration of the laws relating to insurance in said jurisdiction, and that this office is a department of record, having the custody of original documents.

I FURTHER CERTIFY that the attached is a full, true, and accurate copy of the Articles of Redomestication and Restatement of the Articles of Incorporation of ***UNIGARD INDEMNITY COMPANY,*** *Bellevue, Washington; the same as the original filed in the Office of the Insurance Commissioner for the state of Washington.*

IN WITNESS WHEREOF, *I have hereunto set my hand and affixed the official seal of the Insurance Commissioner of the State of Washington, this* 2nd *day of* AUGUST, 19 94

DEBORAH SENN
State Insurance Commissioner

By John B. Woodall
Deputy Commissioner

INS-320 * * 1

ARTICLES OF REDOMESTICATION AND RESTATEMENT OF THE

ARTICLES OF INCORPORATION

OF

UNIGARD INDEMNITY COMPANY

ARTICLE I

Name of Company

The name of this corporation shall be Unigard Indemnity Company.

ARTICLE II

Duration of Existence

The corporation shall have perpetual existence.

ARTICLE III

Objects

A. The objects for which this corporation is formed are to engage in the business of making contracts of insurance, to participate in "insurance transactions" defined by the Insurance Code of the State of Washington, to issue the kinds of insurance specifically designated below, to issue policies entitled to participate from time to time in the earnings of the corporation, and to do and perform any and all things necessary, expedient, convenient, or properly incidental to, the accomplishment of the objects and purposes mentioned herein and to the carrying on of the business of the corporation as an insurer.

B. The corporation shall be a stock insurer.

C. The corporation may issue any kinds of insurance not prohibited by law, including, according to the designations and definitions made in the Insurance Code of the State of Washington, the following kinds of insurance:

1. Property Insurance, which is insurance against loss of or damage to real or personal property of every kind and any interest therein, from any or all hazard or cause, and against loss consequential upon such loss or damage.

2. Marine and Transportation Insurance, which is:

   a. Insurance against loss of or damage to:

      (1) Vessels, craft, aircraft, vehicles, goods freights, cargoes, merchandise, effects, disbursements, profits, moneys, securities, choses in action, evidences of debt, valuable papers, bottomry, and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any and all risks or perils of navigation, transit or transportation, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting shipment, or during any delays, storage, trans-shipment, or reshipment incident thereto, including war risks, marine builder's risks, and all personal property floater risks.

      (2) Person or property in connection with or appertaining to a marine, transit or transportation insurance, including liability for loss of or damage to either incident to the construction, repair, operation, maintenance or use of the subject matter of such insurance (but not including life insurance).

      (3) Precious stones, jewels, jewelry, precious metals, whether in course of transportation or otherwise.

      (4) Bridges, tunnels and other instrumentalities of transportation and communication; piers, wharves, docks and slips and other aids to navigation and transportation, including drydocks and marine railways, dams and appurtenant facilities for the control of waterways.

   b. "Marine protection and indemnity insurance," meaning insurance against, or against legal liability of the insured for, loss, damage, or expense incident to ownership, operation, chartering, maintenance, user, repair or construction of any vessel, craft or instrumentality in use in ocean or inland waterways, including liability of the insured for personal injury, illness or death or for loss of or damage to the property of another person.

3. Vehicle Insurance, which is:

   a. Insurance against loss or damage to any land vehicle or aircraft or any draft or riding animal or to property while contained therein or thereon or being loaded or unloaded therein or therefrom, and against any loss or liability resulting from or incident to ownership, maintenance, or use of any such vehicle or aircraft or animal; and,

   b. Insurance against accidental death or accidental injury to individuals while in, entering, alighting from, adjusting, repairing, cranking, or caused by being struck by a vehicle, aircraft, or draft or riding animal, if such insurance is issued as part of insurance on the vehicle, aircraft, or draft or riding animal.

4. General Casualty Insurance, which includes vehicle insurance as defined above, and in addition is insurance:

   a. Against legal liability for the death, injury, or disability of any human being, or for damage to property.

   b. Of medical, hospital, surgical and funeral benefits to persons injured, irrespective of legal liability of the insured, when issued with or supplemental to insurance against legal liability for the death, injury or disability of human beings.

   c. Of the obligations accepted by, imposed upon, or assumed by employers under law for workers' compensation.

   d. Against loss or damage by burglary, theft, larceny, robbery, forgery, fraud, vandalism, malicious mischief, confiscation or wrongful conversion, disposal or concealment, or from any attempt of any of the foregoing; also insurance against loss of or damage to moneys, coins, bullion, securities, notes, drafts, acceptances or any other valuable papers or documents, resulting from any cause, except while in the custody or possession of and being transported by any carrier for hire or in the mail.

   e. Upon personal effects against loss or damage from any cause.

   f. Against loss or damage to glass, including its lettering, ornamentation and fittings.

g. Against any liability and loss or damage to property resulting from accidents to or explosions of boilers, pipes, pressure containers, machinery, or apparatus and to make inspection of and issue certificates of inspection upon elevators, boilers, machinery, and apparatus of any kind.

h. Against loss or damage to any property caused by the breakage or leakage of sprinklers, water pipes and containers, or by water entering through leaks or openings in buildings.

i. Against loss or damage resulting from failure of debtors to pay their obligations to the insured (credit insurance).

j. Against any other kind of loss, damage, or liability properly the subject of insurance and not within any other kind or kinds of insurance, if such insurance is not contrary to law or public policy.

5. Disability Insurance, which is insurance against bodily injury, disablement or death by accident, against disablement resulting from sickness, and every insurance appertaining thereto.

6. Surety Insurance, which includes:

a. Credit insurance as defined above.

b. Bail bond insurance as defined below.

c. Fidelity insurance, which is insurance guaranteeing the fidelity of persons holding positions of public or private trust.

d. Guaranteeing the performance of contracts, other than insurance policies, and guaranteeing and executing bonds, undertakings, and contracts of suretyship.

e. Indemnifying banks, bankers, brokers, financial or moneyed corporations or associations against loss resulting from any cause of bills of exchange, notes, bonds, securities, evidence of debts, deeds, mortgages, warehouse receipts, or other valuable papers, documents, money, precious metals and articles made therefrom, jewelry, watches, necklaces, bracelets, gems, precious and semi-precious stones, including any loss while the same are being transported in armored motor vehicles, or by messenger, but not including any other risks of transportation or navigation; also against loss

or damage to such an insured's premises, or to his furnishings, fixtures, equipment, safes and vaults therein, caused by burglary, robbery, theft, vandalism or malicious mischief, or any attempt thereat.

7. Bail Bond Insurance, which is the guaranteeing that any person, in or in connection with any proceedings in court, will:

   a. Attend in court when required, or

   b. Obey the orders or judgment of the court, as a condition to the release of such person from confinement, and the execution of bail bonds for any such purpose. The making of property or cash bail does not constitute the transacting of bail bond insurance.

8. Reinsurance. Reinsurance of all kinds of insurance which the corporation is authorized to transact directly.

9. Other Kinds of Insurance. Any other kind of insurance which a multiple line property and casualty insurer is authorized, or may become authorized, to issue in the State of Washington.

10. Liberalization of Definitions. If definitions of the kinds of insurance described in these Articles of Redomestication, Amendment and Restatement of Articles of Incorporation are broadened or expanded by the Insurance Code of the State of Washington, or administrative interpretation thereof, the definition shall also be so broadened or expanded within these Amended and Restated Articles.

ARTICLE IV

Capital Stock

The aggregate number of shares which the corporation shall have authority to issue is thirty thousand (30,000) shares of the common capital stock of the par value of one hundred dollars ($100.00) per share, aggregating three million dollars ($3,000,000.00).

ARTICLE V

Directors

The number of directors of the corporation may be fixed by the Bylaws, but shall not be less than seven (7). The Directors in

office at the time of the adoption of these Articles of Redomestication and Restatement of the Articles of Incorporation are:

Dale E. Abbrederis
5710 - 143rd Place S.E.
Bellevue, WA 98006

Laurence P. O'Connor
2207 W. Lake Sammamish Parkway, S.E.
Bellevue, WA 98008

Mary K. Dawson
708 - 166th Ave. S.E.
Bellevue, WA 98008

Hans-Rudolf Stucki
Palmstrasse 19
Winterthur, Switzerland

Francis P. Hogan
2336 - 175th Ct. N.E.
Redmond, WA 98052

Paul B. Swank
4668 - 175th Ave. S.E.
Issaquah, WA 98027

Hugh R. McGough
1900 Magnolia Blvd. W.
Seattle, WA 98199

ARTICLE VI

Incorporators

The names and addresses of all the Incorporators are:

Jesse C. Barber	5002 Brookhaven Drive Raleigh, North Carolina 27609
Kenneth C. Hawkes	2622 - 130th N.E. Bellevue, Washington 98004
Robert Hitchman	2820 West Dravus Street Seattle, Washington 98199
Frederick J. Orth	18235 - 58th N.E. Seattle, Washington 98040
Duane H. Thompson	18018 Wayne Avenue N. Seattle, Washington 98133
J. Clark Brewer	3009 Wycliff Road Raleigh, North Carolina 27607
R. Michael Strickland	7101 3-D Sandy Forks Road Raleigh, North Carolina 27609
B. T. Henderson, II	3510 Keats Place Raleigh, North Carolina 27609
Charles H. Young	1809 Longwood Drive Raleigh, North Carolina 27609

Charles H. Young, Jr. 5613 Dumfries Drive
Raleigh, North Carolina 27609

ARTICLE VII

Limitation of Liability of Directors

A person shall not be liable to the corporation or its shareholders for monetary damages for acts or omissions as a director, unless such acts or omissions involve: (1) intentional misconduct or a knowing violation of law by the director within the meaning of the Washington Business Corporation Act, or (2) a transaction from which the director will personally receive a benefit in money, property, or services to which the director is not legally entitled, or (3) a violation by the director of a provision of the Washington Business Corporation Act which requires denial of indemnification.

ARTICLE VIII

Indemnification of Directors, Officers and Employees

The corporation shall indemnify any person made a party to any proceeding by reason of the fact that he or she is or was a director, officer, or employee of the corporation, against judgments, penalties, fines, settlements and reasonable expenses including attorneys' fees, actually incurred in connection with such proceeding, to the full extent and under any and all circumstances permitted by the Washington Business Corporation Act, including the amendment made by Chapter 212 of the Washington Laws of 1987 and any subsequent broadening of the scope of indemnification permitted by the Act, but subject to all the mandatory limitations of such act whether expressed in this article or not. Such person shall have the full benefit of all substantive and procedural rules of such Act.

Such person shall not be so indemnified in respect of any proceeding in which he or she shall have been finally adjudged to be liable on the basis that: (1) his or her acts or omissions were intentional misconduct or a knowing violation of law within the meaning to the Washington Business Corporation Act, or (2) he or she personally received a benefit in money, property or services to which he or she was not entitled, or (3) he or she violated a provision of the Washington Business Corporation Act which requires the denial of indemnification. "Party" includes a person who was, is, or is threatened to be, made a defendant or respondent in a proceeding. "Proceeding" means any threatened, pending, or completed action, suit or proceeding whether civil, criminal, administrative or investigative, including a proceeding by or in the right of the corporation.

The corporation shall extend the indemnity described in the previous paragraph to any person made a party to any proceeding by reason of the fact that, while he or she is or was an officer, director or employee of the corporation, he or she is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan.

ARTICLE IX

Place of Business

The principal place of business of the corporation shall be 15805 N.E. 24th Street, Bellevue, Washington 98008 and the registered agent is Catherine E. Kietzman. The corporation may also have, maintain and operate such other offices, either within or without the State of Washington, as shall be proper or advisable in the discretion of the officers of directors of the corporation.

ARTICLE X

Effective Date

These Articles of Redomestication and Restatement of Articles of Incorporation shall be effective on June 30, 1994.

IN WITNESS WHEREOF, we have hereunto set our hands on this 27th day of June, 1994.

Laurence P. O'Connor
Chairman, CEO & President

Hugh R. McGough
General Counsel & Secretary

Certificate

I, Laurence P. O'Connor certify that I am the Chairman of the Board, CEO, and President of Unigard Indemnity Company and I, Hugh R. McGough, certify that I am General Counsel and Secretary of Unigard Indemnity Company. We certify that the amendments to the Articles of Incorporation necessary to accomplish the redomestication from North Carolina to Washington and the amendment to Article V changing the minimum number of directors to seven (7) were unanimously approved by agreed action of the Board of Directors executed on June 27, 1994 and were adopted by a vote of the shareholder of the corporation on June 27, 1994, in accordance with RCW §23B.10.030 and RCW §23B.10.040.

At the time of the approval and adoption of these Articles of Redomestication and Restatement of the Articles of Incorporation, thirty thousand shares of the corporation were outstanding, all of which were entitled to vote. Thirty thousand shares were voted for the Articles of Redomestication and Restatement and no shares were voted against.

We further certify that these duly adopted Articles of Redomestication and Restatement of the Articles of Incorporation set forth all of the operative provisions of the Articles of Incorporation of the corporation and that these Articles of Redomestication and Restatement of the Articles of Incorporation supersede the original Articles of Incorporation and all amendments thereto.

IN WITNESS WHEREOF, we have affixed our signatures to triplicate copies of these Articles of Redomestication and Restatement of the Articles of Incorporation, on June 27, 1994.

UNIGARD INDEMNITY COMPANY

Laurence P. O'Connor

Laurence P. O'Connor
Chairman of the Board, CEO & President

Hugh R. McGough

Hugh R. McGough
General Counsel and Secretary

STATE OF WASHINGTON)
)
COUNTY OF KING)

On June 27, 1994, before me personally appeared Laurence P. O'Connor, to me known to be the Chairman of the Board, CEO and President of Unigard Indemnity Company, and Hugh R. McGough, to me known to be the General Counsel and Secretary of Unigard Indemnity Company, each of whom executed the forgoing Articles of Redomestication and Restatement of the Articles of Incorporation of Unigard Indemnity Company, and acknowledged the instrument to be the free and voluntary act and deed of the corporation, for the uses and purposes therein mentioned. Each stated that he was authorized to execute the instrument, that the seal affixed is the corporate seal of the corporation and that the facts stated in the certificate are true.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on June 27, 1994.

Catherine Ellen Kietzman
Notary Public in and for the State of Washington, residing in Seattle
My commission expires on May 13, 1996

Unigard Indemnity Company
Restated Articles of Amendment

These Restated Articles of Incorporation adopted as of _____ supersede and take the place of the existing articles of incorporation and any amendments to the articles of incorporation.

Article I. The name of the corporation shall be **Unigard Indemnity Company.**

Article II. The period of existence shall be perpetual.

Article III. The purpose shall be the transaction of an insurance business for the following purposes as provided in Chapters 610 and 611 of Wisconsin Insurance Laws.

Article IV. The capital stock of the said corporation shall be Three Million Dollars ($3,000,000), and the same shall consist of Thirty Thousand Shares (30,000), each of which shares shall be of the face value or par value of One Hundred Dollars ($100.00).

Article V. The address of the present registered office is One General Drive, Sun Prairie, State of Wisconsin

Article VI. The name of the present registered agent at such address is General Casualty Company of Wisconsin.

Article VII. The number of the Board of Directors may be fixed by the Bylaws to consist of not less than three directors, the exact number to be determined from time to time by the Board of Directors.

Article VIII. The Board of Directors may permit the Company's policyholders from time to time to participate in the profits of the Company's operations through the payment of dividends, or through such other means as may be authorized or permitted by the laws of states in which the Company does business.

The Board of Directors shall have the power to make reasonable classifications or policies and to take such other action in accord with the law, as may be necessary or desirable to carry into effect any participation by policyholders in the profits of the Company's operations which the directors may authorize. No policyholders shall have any right to participate in the profits of the Company's operation unless or until the directors of the Company in the exercise of their discretion affirmatively authorize such participation and then only to the extent so authorized.

Article IX. These Articles may be amended in the manner authorized by law at the time of the amendment.

Bylaws
of
Unigard Indemnity Company

Article I
Meeting of Shareholders

A. Annual Meeting – The Company shall hold an annual meeting of shareholders as follows:

1. The meeting shall be held at the principal office of the Company or at such other location in or outside the State of Wisconsin as designated in the notice for the annual meeting.

2. The purpose of the meeting shall be to elect directors and to transact such business as may properly be brought before the meeting.

3. The meeting shall be held during the month of March or at such time as designated by the Directors.

B. Special Meetings – The Company may hold special meetings of the shareholders as follows:

1. Special meetings may by called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of shareholders owning a majority in the amount of the entire capital stock of the Company issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

2. Special meetings of the shareholders may be held at the principal office of the Company or at such other place in or outside the State of Wisconsin as may be designated in the notice.

3. Only the business prescribed in the meeting notice shall be conducted at a special meeting.

C. Notice of Meetings – The notice for the Annual or Special meetings of the shareholders shall be given by the President, Chairman of the Board or Corporate Secretary and shall be in accordance with the following:

1. The notice shall contain the date, time, place and purpose of the meeting and shall be provided not less than ten (10) nor more than sixty (60) days prior to the meeting.

2. Notice shall be given by any lawful means of communications to each shareholder of record as determined in accordance with Article I Section H.

3. A shareholder may waive any notice required by these Bylaws, the Articles of Incorporation, or applicable statues. The waiver shall be in writing and signed by the shareholder entitled to the notice. The waiver shall be delivered to the Company and included in the corporate records.

4. If an annual or special shareholders meeting is adjourned to a different date, time or place, the Company is not required to give notice of the change provided the change was announced at the meeting before the adjournment.

D. Shareholders List for Meeting – A complete list of the shareholders entitled to vote at a scheduled meeting shall be prepared by the Corporate Secretary or other officer of the Company having charge of the stock ledger. The list shall be arranged by class or series of

shares and show the address of and number of shares held by each shareholder. The list shall be maintained open to inspection by any shareholder or shareholder's designee during ordinary business hours beginning on the day notice of the meeting is given and continuing through the meeting at the Company's principal office or at the place where the meeting will be held.

E. Voting Entitlement – Each issued and outstanding share, regardless of class, shall be entitled to one vote on each matter voted on at a shareholders meeting.

F. Proxies – A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by their attorney in fact. The appointment shall be effective for a period of eleven (11) months beginning when received by the Corporate Secretary or other officer or agent of the Company authorized to tabulate votes, unless otherwise stated in the appointment.

G. Quorum and Voting Requirements – A quorum for all meetings of shareholders shall consist of a majority of the holders of record of the issued and outstanding shares of stock of the Company, entitled to vote at the meeting whether present in person or by proxy. Except as otherwise required by statute, the Articles of Incorporation or these Bylaws, any matters coming before any meeting of the shareholders shall be approved if the number of votes cast in favor of the action exceed the number of votes cast against the action.

H. Record Date – The record date for determining shareholders entitled to vote at any meeting or adjournment thereof shall be the close of business on the day before notice is given.

I. Closing Transfer Books – The Board of Directors shall be authorized to close the stock transfer books of the Company for a period not exceeding fifty (50) days preceding the date of any meeting of shareholders in which consent of the shareholders must be obtained, including the payment of dividends and the allotment of the rights of conversion or exchange of capital stock. In lieu of closing the stock transfer books, the Board of Directors may fix a date, not exceeding sixty (60) days preceding the date of any meeting of the shareholders as a record date. Only shareholders who are record holders on the date so fixed shall be entitled to notice of and to vote at any such meetings or adjournment thereof or to receive payment of dividend or allotment of rights, notwithstanding any transfer of shares of stock on the books of the Company after such record date.

J. Action Without Meeting – Any action required or permitted to be taken at any meeting of the Shareholders may be taken without a meeting. All such actions must be evidenced by one or more written consents describing the action taken, signed by each Shareholder having the right to vote on the proposed action and filed in the minutes of proceedings of the Shareholders.

Article II
Directors

A. Number and Qualifications – The property, affairs and business of the Company shall be managed by its Board of Directors. The Board of Directors shall consist of at least three (3) persons. The Board of Directors shall determine the size of the Boards. All directors shall be at least eighteen (18) years of age and the majority of members of the Board of Directors shall be citizens and residents of the United States of America.

B. Election – All directors shall be elected at the annual meeting of the shareholders by plurality vote. All directors shall be elected for one year terms and will remain in place until their successors are duly elected and qualified, or until their earlier death, resignation or removal.

C. Vacancy on Board – Vacancies and newly created directorships resulting from any increase in the number of members of the Board may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced.

D. Removal of Director – The shareholders may remove one or more directors with or without cause, in accordance with the following requirements:

1. A director may be removed by the shareholders only at a special meeting of the shareholders called in accordance with these Bylaws. Notice of the meeting shall state that at least one of the purposes of the meeting is removal of the director.

2. The director shall be removed by an affirmative vote of the holders of the majority of all the shares of stock outstanding and entitled to vote for the election of directors.

3. A successor may be elected by the shareholders at this special meeting. If the vacancy is not filled at the meeting, the Board of Directors may fill the vacancy in accordance with the provisions of Section D of this Article.

4. A director that is an employee of the Company will be automatically resigned from the Board when they cease to be an employee of the Company or an affiliated company.

E. Meetings – The Board of Directors may hold regular and special meetings in or outside this state, in accordance with the following:

1. The Board of Directors shall meet for the election or appointment of officers and for the transaction of any other business as soon as convenient after the annual meeting of the shareholders. Notice need not be given for regular meetings.

2. Special meetings may be held at any time upon notice from the President, Chairman of the Board or a Chairman of the Executive Committee or a majority of the directors by any lawful means of communication provided at least forty-eight (48) hours before such meeting.

3. Meetings may be held at any time without notice if all the directors are present, or if at any time before or after the meeting those not present waive notice of the meeting in writing.

4. The Board of Directors may permit any or all Directors to participate in regular and special meetings of the Board by, or to conduct the meeting through the use of, any means of communication by which any of the following occurs:
   a. All participating Directors may simultaneously hear each other during the meeting; and
   b. All communication during the meeting is immediately transmitted to each participating Director, and each participating Director is able to immediately send messages to all other participating Directors.

F. Quorum – A quorum of the Board of Directors shall consist of a majority of the duly elected and qualified directors. If a quorum is not present at any meeting of the directors, a majority of those present may adjourn the meeting, without further notice, until a quorum shall be obtained. Except as otherwise required by statute, the Articles of Incorporation or these Bylaws, an affirmative vote of no less than a majority of the Directors then in office shall be required to constitute an action of the Board.

G. Indemnification – Officers and directors of the Company shall be indemnified in accordance with the following requirements:

1. The Company shall indemnify all officers and directors against any and all liability and expenses incurred in any suit, proceeding or other action to which the director or officer becomes a party because of such position with the company unless the liability was incurred because the director or officer breached or failed to perform a duty that was owed to the Company and the breach or failure constituted any of the following:

   a. A willful failure to deal fairly with the Company or its shareholders in connection with the matter in which the director or officer had a material conflict of interest;

   b. A violation of a criminal law unless the director or officer had reasonable cause to believe that the conduct was lawful or no reasonable cause to believe that the conduct was unlawful;

   c. A transaction from which the director or officer derived an improper personal profit; or

   d. Willful misconduct.

2. Unless otherwise provided by written agreement between the Company and the officer or director seeking indemnification, the right to indemnification shall be determined by a majority vote of the directors who are not at the time parties to the same or related proceeding.

3. In cases where the Company is providing indemnification, the Company shall have the right to select counsel and direct the actions in the pending matter.

H. Action Without Meeting – Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if action on the matter cannot be held over until the next regular meeting of the Board of Directors. All such actions must be evidenced by one or more written consents describing the action taken, signed by each director or committee member and filed in the minutes of proceedings of the Board of Directors or committee.

I. Compensation of Directors – Directors may be allowed a fixed sum and expenses for attendance at regular and special meetings of the Board of Directors. Serving as a director shall not preclude any director from serving the Company in any other capacity and receiving compensation for such service. Members of standing committees and others who attend meetings pursuant to the direction of the Board may be allowed the same fixed sum and expenses for attending the meetings.

Article III
Committees

A. Appointment of Committees – By resolution passed by at least a majority of the Board of Directors, the Board of Directors may appoint committees for any lawful purpose. Each committee so appointed shall consist of at least three (3) directors of the Company or an affiliate of the Company. The powers of such committees shall be as specified in the resolution appointing the committee. The Board shall appoint a chairperson for each committee.

B. Committee Vacancies – Vacancies occurring in any committee for any reason shall be filled by the Board of Directors. The Board of Directors may provide by resolution that any vacancies on

the committee shall be filled by the affirmative vote of a majority of the remaining committee members.

C. Committee Operations – Each committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board. The presence of a majority shall be necessary to constitute a quorum for the transaction of business. All votes of the committee shall be by affirmative vote of a majority of members present. Any action that may be taken by any committee at a meeting may be taken without a meeting if the consent is in writing, setting forth the action to be taken, and signed by all members of the committee.

D. Report to the Board – All action of any committee shall be reported to the Board of Directors at its next meeting.

E. Expenses – Members of committees duly appointed by the Board of Directors shall not receive salary for their services to the committee. The Board may pay fixed fees and expenses for attendance at any committee meetings. Nothing contained herein shall be construed to preclude any member of a committee from serving the Company in any other capacity as an officer, agent or otherwise and receiving compensation.

Article IV
Officers

A. Appointment of Officers – The Board of Directors shall appoint officers of the Company as it deems appropriate. At a minimum, the Board of Directors shall appoint a President, Treasurer and Corporate Secretary. Any two offices may be held by the same person except the office of President and Corporate Secretary and the offices of President and Vice President. However, no officer may act in more than one capacity on behalf of the Company where action by two or more officers is required.

B. Resignation and Removal of Officers – Any officer may be removed from office, with or without cause, at any time by the Board of Directors. An officer may resign at any time by delivering notice to the Company. The resignation is effective when the notice is delivered unless the notice specifies a later effective date. Officers will be automatically resigned from Office when they cease to be employees of the Company or an affiliated company.

Article V
Duties of Officers

A. President – The president shall:

1. Have general charge and control of all the business and affairs of the Company.

2. Preside at all meetings of the shareholders and in the absence of the Chairman of the Board, at the meetings of the Board of Directors;

3. From time to time secure information concerning the business and affairs of the Company and promptly provide such information to the Board of Directors;

4. Along with the Chairman of the Board and Corporate Secretary, shall have full power and authority to attend and to act at any meetings of shareholders of any corporation in which the Company may hold stock. The President may give a proxy in the name of the Company to any other person or persons who may vote the stock and exercise all rights; and

5. Have such other duties and powers as may be assigned from time to time by the Board of Directors.

B. Treasurer – The treasurer shall:

1. Have custody of all funds and securities of the Company;

2. Endorse and deposit on behalf of the Company all checks, notes and other obligations to the credit of the Company at such banks as designated by the Board of Directors;

3. Keep a full and accurate account of monies received and paid on behalf of the Company;

4. Render an account of all transactions and the financial condition of the Company as requested by the Board of Directors;

5. Provide a bond for the faithful discharge of the treasurer's duties when requested by the Board of Directors; and

6. Perform all tasks incident to the position of treasurer and as assigned from time to time by the Board of Directors.

C. Corporate Secretary – The Corporate Secretary shall:

1. Give or cause to be given notice of all meetings of shareholders and directors;

2. Attend and keep records of all votes and proceedings occurring at all shareholder, Board of Director and committee meetings as required;

3. Take an oath for the faithful discharge of duties; and

4. Perform such other duties as may be assigned from time to time by the Board of Directors.

D. Absence or Inability of Officer – In the case of absence or inability of an officer to act, the Board of Directors may from time to time delegate the powers of such officer to one of the other officers or directors or any other person they select.

Article VI
Certificates of Stock

A. Certificates – The interest of each shareholder of the Company shall be evidenced by stock certificate signed by the President and Corporate Secretary, prepared in a manner consistent with the Articles of Incorporation which shall, at a minimum state:

1. The name of the Company and its State of incorporation;

2. The number and class of shares represented by the certificate; and

3. The name of the person to whom the certificate is issued.

B. Transfer of Shares – The stock of the Company shall be transferred by the registered holder of the certificate or by an attorney authorized by the holder by a duly executed power of attorney filed with the Corporate Secretary or a transfer clerk or agent appointed as provided in Section

D of this Article. The person in whose name the shares of stock are registered on the books of the Company shall be deemed to be owner for all corporate purposes. The Board may make such additional rules and regulations as it deems appropriate regarding transfer and registration of certificates for shares of capital stock of the Company.

C. Lost Certificate – In the event a certificate of stock of the Company is alleged to have been lost, destroyed or stolen, no new certificate shall be issued unless evidence can be delivered to the Company showing such loss, destruction or theft. In the event a duplicate certificate is issued, the Board of Directors may require a bond of indemnity in an amount not exceeding twice the value of the shares represented by the certificate.

D. Transfer Clerks or Agents – The Board of Directors may appoint one or more transfer clerks or agents and may require all certificates of shares to bear the signature or signatures of any of them.

Article VII
Corporate Records

A. Required Records – The Company shall keep a permanent record of the actions and proceedings of the shareholders, Board of Directors and committees of the Board.

B. Inspection of Records – Shareholders shall be allowed to inspect and copy the records of the Company to the extent allowed by statute or Board resolution

Unigard Insurance Company
Restated Articles of Amendment

These Restated Articles of Incorporation adopted as of _____ supersede and take the place of the existing articles of incorporation and any amendments to the articles of incorporation.

Article I. The name of the corporation shall be **Unigard Insurance Company.**

Article II. The period of existence shall be perpetual.

Article III. The purpose shall be the transaction of an insurance business for the following purposes as provided in Chapters 610 and 611 of Wisconsin Insurance Laws.

Article IV. The capital stock of the said corporation shall be Three Million Dollars ($3,000,000), and the same shall consist of Thirty Thousand Shares (30,000), each of which shares shall be of the face value or par value of One Hundred Dollars ($100.00).

Article V. The address of the present registered office is One General Drive, Sun Prairie, State of Wisconsin

Article VI. The name of the present registered agent at such address is General Casualty Company of Wisconsin.

Article VII. The number of the Board of Directors may be fixed by the Bylaws to consist of not less than three directors, the exact number to be determined from time to time by the Board of Directors.

Article VIII. The Board of Directors may permit the Company's policyholders from time to time to participate in the profits of the Company's operations through the payment of dividends, or through such other means as may be authorized or permitted by the laws of states in which the Company does business.

The Board of Directors shall have the power to make reasonable classifications or policies and to take such other action in accord with the law, as may be necessary or desirable to carry into effect any participation by policyholders in the profits of the Company's operations which the directors may authorize. No policyholders shall have any right to participate in the profits of the Company's operation unless or until the directors of the Company in the exercise of their discretion affirmatively authorize such participation and then only to the extent so authorized.

Article IX. These Articles may be amended in the manner authorized by law at the time of the amendment.

Bylaws
of
Unigard Insurance Company

Article I
Meeting of Shareholders

A. Annual Meeting – The Company shall hold an annual meeting of shareholders as follows:

1. The meeting shall be held at the principal office of the Company or at such other location in or outside the State of Wisconsin as designated in the notice for the annual meeting.

2. The purpose of the meeting shall be to elect directors and to transact such business as may properly be brought before the meeting.

3. The meeting shall be held during the month of March or at such time as designated by the Directors.

B. Special Meetings – The Company may hold special meetings of the shareholders as follows:

1. Special meetings may by called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of shareholders owning a majority in the amount of the entire capital stock of the Company issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

2. Special meetings of the shareholders may be held at the principal office of the Company or at such other place in or outside the State of Wisconsin as may be designated in the notice.

3. Only the business prescribed in the meeting notice shall be conducted at a special meeting.

C. Notice of Meetings – The notice for the Annual or Special meetings of the shareholders shall be given by the President, Chairman of the Board or Corporate Secretary and shall be in accordance with the following:

1. The notice shall contain the date, time, place and purpose of the meeting and shall be provided not less than ten (10) nor more than sixty (60) days prior to the meeting.

2. Notice shall be given by any lawful means of communications to each shareholder of record as determined in accordance with Article I Section H.

3. A shareholder may waive any notice required by these Bylaws, the Articles of Incorporation, or applicable statues. The waiver shall be in writing and signed by the shareholder entitled to the notice. The waiver shall be delivered to the Company and included in the corporate records.

4. If an annual or special shareholders meeting is adjourned to a different date, time or place, the Company is not required to give notice of the change provided the change was announced at the meeting before the adjournment.

D. Shareholders List for Meeting – A complete list of the shareholders entitled to vote at a scheduled meeting shall be prepared by the Corporate Secretary or other officer of the Company having charge of the stock ledger. The list shall be arranged by class or series of

shares and show the address of and number of shares held by each shareholder. The list shall be maintained open to inspection by any shareholder or shareholder's designee during ordinary business hours beginning on the day notice of the meeting is given and continuing through the meeting at the Company's principal office or at the place where the meeting will be held.

E. Voting Entitlement – Each issued and outstanding share, regardless of class, shall be entitled to one vote on each matter voted on at a shareholders meeting.

F. Proxies – A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by their attorney in fact. The appointment shall be effective for a period of eleven (11) months beginning when received by the Corporate Secretary or other officer or agent of the Company authorized to tabulate votes, unless otherwise stated in the appointment.

G. Quorum and Voting Requirements – A quorum for all meetings of shareholders shall consist of a majority of the holders of record of the issued and outstanding shares of stock of the Company, entitled to vote at the meeting whether present in person or by proxy. Except as otherwise required by statute, the Articles of Incorporation or these Bylaws, any matters coming before any meeting of the shareholders shall be approved if the number of votes cast in favor of the action exceed the number of votes cast against the action.

H. Record Date – The record date for determining shareholders entitled to vote at any meeting or adjournment thereof shall be the close of business on the day before notice is given.

I. Closing Transfer Books – The Board of Directors shall be authorized to close the stock transfer books of the Company for a period not exceeding fifty (50) days preceding the date of any meeting of shareholders in which consent of the shareholders must be obtained, including the payment of dividends and the allotment of the rights of conversion or exchange of capital stock. In lieu of closing the stock transfer books, the Board of Directors may fix a date, not exceeding sixty (60) days preceding the date of any meeting of the shareholders as a record date. Only shareholders who are record holders on the date so fixed shall be entitled to notice of and to vote at any such meetings or adjournment thereof or to receive payment of dividend or allotment of rights, notwithstanding any transfer of shares of stock on the books of the Company after such record date.

J. Action Without Meeting – Any action required or permitted to be taken at any meeting of the Shareholders may be taken without a meeting. All such actions must be evidenced by one or more written consents describing the action taken, signed by each Shareholder having the right to vote on the proposed action and filed in the minutes of proceedings of the Shareholders.

Article II
Directors

A. Number and Qualifications – The property, affairs and business of the Company shall be managed by its Board of Directors. The Board of Directors shall consist of at least three (3) persons. The Board of Directors shall determine the size of the Boards. All directors shall be at least eighteen (18) years of age and the majority of members of the Board of Directors shall be citizens and residents of the United States of America.

B. Election – All directors shall be elected at the annual meeting of the shareholders by plurality vote. All directors shall be elected for one year terms and will remain in place until their successors are duly elected and qualified, or until their earlier death, resignation or removal.

C. Vacancy on Board – Vacancies and newly created directorships resulting from any increase in the number of members of the Board may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced.

D. Removal of Director – The shareholders may remove one or more directors with or without cause, in accordance with the following requirements:

1. A director may be removed by the shareholders only at a special meeting of the shareholders called in accordance with these Bylaws. Notice of the meeting shall state that at least one of the purposes of the meeting is removal of the director.

2. The director shall be removed by an affirmative vote of the holders of the majority of all the shares of stock outstanding and entitled to vote for the election of directors.

3. A successor may be elected by the shareholders at this special meeting. If the vacancy is not filled at the meeting, the Board of Directors may fill the vacancy in accordance with the provisions of Section D of this Article.

4. A director that is an employee of the Company will be automatically resigned from the Board when they cease to be an employee of the Company or an affiliated company.

E. Meetings – The Board of Directors may hold regular and special meetings in or outside this state, in accordance with the following:

1. The Board of Directors shall meet for the election or appointment of officers and for the transaction of any other business as soon as convenient after the annual meeting of the shareholders. Notice need not be given for regular meetings.

2. Special meetings may be held at any time upon notice from the President, Chairman of the Board or a Chairman of the Executive Committee or a majority of the directors by any lawful means of communication provided at least forty-eight (48) hours before such meeting.

3. Meetings may be held at any time without notice if all the directors are present, or if at any time before or after the meeting those not present waive notice of the meeting in writing.

4. The Board of Directors may permit any or all Directors to participate in regular and special meetings of the Board by, or to conduct the meeting through the use of, any means of communication by which any of the following occurs:
   a. All participating Directors may simultaneously hear each other during the meeting; and
   b. All communication during the meeting is immediately transmitted to each participating Director, and each participating Director is able to immediately send messages to all other participating Directors.

F. Quorum – A quorum of the Board of Directors shall consist of a majority of the duly elected and qualified directors. If a quorum is not present at any meeting of the directors, a majority of those present may adjourn the meeting, without further notice, until a quorum shall be obtained. Except as otherwise required by statute, the Articles of Incorporation or these Bylaws, an affirmative vote of no less than a majority of the Directors then in office shall be required to constitute an action of the Board.

G. Indemnification – Officers and directors of the Company shall be indemnified in accordance with the following requirements:

1. The Company shall indemnify all officers and directors against any and all liability and expenses incurred in any suit, proceeding or other action to which the director or officer becomes a party because of such position with the company unless the liability was incurred because the director or officer breached or failed to perform a duty that was owed to the Company and the breach or failure constituted any of the following:

   a. A willful failure to deal fairly with the Company or its shareholders in connection with the matter in which the director or officer had a material conflict of interest;

   b. A violation of a criminal law unless the director or officer had reasonable cause to believe that the conduct was lawful or no reasonable cause to believe that the conduct was unlawful;

   c. A transaction from which the director or officer derived an improper personal profit; or

   d. Willful misconduct.

2. Unless otherwise provided by written agreement between the Company and the officer or director seeking indemnification, the right to indemnification shall be determined by a majority vote of the directors who are not at the time parties to the same or related proceeding.

3. In cases where the Company is providing indemnification, the Company shall have the right to select counsel and direct the actions in the pending matter.

H. Action Without Meeting – Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if action on the matter cannot be held over until the next regular meeting of the Board of Directors. All such actions must be evidenced by one or more written consents describing the action taken, signed by each director or committee member and filed in the minutes of proceedings of the Board of Directors or committee.

I. Compensation of Directors – Directors may be allowed a fixed sum and expenses for attendance at regular and special meetings of the Board of Directors. Serving as a director shall not preclude any director from serving the Company in any other capacity and receiving compensation for such service. Members of standing committees and others who attend meetings pursuant to the direction of the Board may be allowed the same fixed sum and expenses for attending the meetings.

Article III
Committees

A. Appointment of Committees – By resolution passed by at least a majority of the Board of Directors, the Board of Directors may appoint committees for any lawful purpose. Each committee so appointed shall consist of at least three (3) directors of the Company or an affiliate of the Company. The powers of such committees shall be as specified in the resolution appointing the committee. The Board shall appoint a chairperson for each committee.

B. Committee Vacancies – Vacancies occurring in any committee for any reason shall be filled by the Board of Directors. The Board of Directors may provide by resolution that any vacancies on

the committee shall be filled by the affirmative vote of a majority of the remaining committee members.

C. Committee Operations – Each committee shall fix its own rules of procedure and shall meet where and as provided by such rules or by resolution of the Board. The presence of a majority shall be necessary to constitute a quorum for the transaction of business. All votes of the committee shall be by affirmative vote of a majority of members present. Any action that may be taken by any committee at a meeting may be taken without a meeting if the consent is in writing, setting forth the action to be taken, and signed by all members of the committee.

D. Report to the Board – All action of any committee shall be reported to the Board of Directors at its next meeting.

E. Expenses – Members of committees duly appointed by the Board of Directors shall not receive salary for their services to the committee. The Board may pay fixed fees and expenses for attendance at any committee meetings. Nothing contained herein shall be construed to preclude any member of a committee from serving the Company in any other capacity as an officer, agent or otherwise and receiving compensation.

Article IV
Officers

A. Appointment of Officers – The Board of Directors shall appoint officers of the Company as it deems appropriate. At a minimum, the Board of Directors shall appoint a President, Treasurer and Corporate Secretary. Any two offices may be held by the same person except the office of President and Corporate Secretary and the offices of President and Vice President. However, no officer may act in more than one capacity on behalf of the Company where action by two or more officers is required.

B. Resignation and Removal of Officers – Any officer may be removed from office, with or without cause, at any time by the Board of Directors. An officer may resign at any time by delivering notice to the Company. The resignation is effective when the notice is delivered unless the notice specifies a later effective date. Officers will be automatically resigned from Office when they cease to be employees of the Company or an affiliated company.

Article V
Duties of Officers

A. President – The president shall:

1. Have general charge and control of all the business and affairs of the Company.

2. Preside at all meetings of the shareholders and in the absence of the Chairman of the Board, at the meetings of the Board of Directors;

3. From time to time secure information concerning the business and affairs of the Company and promptly provide such information to the Board of Directors;

4. Along with the Chairman of the Board and Corporate Secretary, shall have full power and authority to attend and to act at any meetings of shareholders of any corporation in which the Company may hold stock. The President may give a proxy in the name of the Company to any other person or persons who may vote the stock and exercise all rights; and

5. Have such other duties and powers as may be assigned from time to time by the Board of Directors.

B. Treasurer – The treasurer shall:

1. Have custody of all funds and securities of the Company;

2. Endorse and deposit on behalf of the Company all checks, notes and other obligations to the credit of the Company at such banks as designated by the Board of Directors;

3. Keep a full and accurate account of monies received and paid on behalf of the Company;

4. Render an account of all transactions and the financial condition of the Company as requested by the Board of Directors;

5. Provide a bond for the faithful discharge of the treasurer's duties when requested by the Board of Directors; and

6. Perform all tasks incident to the position of treasurer and as assigned from time to time by the Board of Directors.

C. Corporate Secretary – The Corporate Secretary shall:

1. Give or cause to be given notice of all meetings of shareholders and directors;

2. Attend and keep records of all votes and proceedings occurring at all shareholder, Board of Director and committee meetings as required;

3. Take an oath for the faithful discharge of duties; and

4. Perform such other duties as may be assigned from time to time by the Board of Directors.

D. Absence or Inability of Officer – In the case of absence or inability of an officer to act, the Board of Directors may from time to time delegate the powers of such officer to one of the other officers or directors or any other person they select.

Article VI
Certificates of Stock

A. Certificates – The interest of each shareholder of the Company shall be evidenced by stock certificate signed by the President and Corporate Secretary, prepared in a manner consistent with the Articles of Incorporation which shall, at a minimum state:

1. The name of the Company and its State of incorporation;

2. The number and class of shares represented by the certificate; and

3. The name of the person to whom the certificate is issued.

B. Transfer of Shares – The stock of the Company shall be transferred by the registered holder of the certificate or by an attorney authorized by the holder by a duly executed power of attorney filed with the Corporate Secretary or a transfer clerk or agent appointed as provided in Section

D of this Article. The person in whose name the shares of stock are registered on the books of the Company shall be deemed to be owner for all corporate purposes. The Board may make such additional rules and regulations as it deems appropriate regarding transfer and registration of certificates for shares of capital stock of the Company.

C. Lost Certificate – In the event a certificate of stock of the Company is alleged to have been lost, destroyed or stolen, no new certificate shall be issued unless evidence can be delivered to the Company showing such loss, destruction or theft. In the event a duplicate certificate is issued, the Board of Directors may require a bond of indemnity in an amount not exceeding twice the value of the shares represented by the certificate.

D. Transfer Clerks or Agents – The Board of Directors may appoint one or more transfer clerks or agents and may require all certificates of shares to bear the signature or signatures of any of them.

Article VII
Corporate Records

A. Required Records – The Company shall keep a permanent record of the actions and proceedings of the shareholders, Board of Directors and committees of the Board.

B. Inspection of Records – Shareholders shall be allowed to inspect and copy the records of the Company to the extent allowed by statute or Board resolution

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
of

Unigard Insurance Company
Bellevue, Washington

NAIC CODE 25747
DECEMBER 31, 2007

Participating State:
Washington

Order No. 09-43
Unigard Insurance Company
Exhibit A

SALUTATION

Seattle, Washington
April 17, 2009

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
Chair, NAIC Financial Condition (E) Committee
Virginia Bureau of Insurance
Commonwealth of Virginia
PO Box 1157
Richmond, VA 23219

The Honorable Morris Chavez, Superintendent
Secretary, NAIC Western Zone
New Mexico Insurance Division
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 examination was made of the corporate affairs and financial records of

Unigard Insurance Company

of

Bellevue, Washington

hereinafter referred to as "UIC" or the "Company," at the location of its home office, 15805 NE 24th Street, Bellevue, Washington 98008-2409. This report is respectfully submitted showing the condition of the Company as of December 31, 2007.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Unigard Insurance Company of Bellevue, Washington. This report shows the financial condition and related corporate matters as of December 31, 2007.

Patrick H. McNaughton

Patrick H. McNaughton
Chief Examiner

4-17-09

Date

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SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2003 through December 31, 2007 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.

INSTRUCTIONS

The examiners reviewed the Company's filed 2007 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 NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review:

1. Inter-company Agreement

The Company has an inter-company cost allocation agreement with General Casualty Company of Wisconsin. The Company does not settle the inter-company balances according to the written agreement. Currently, inter-company balances are settled quarterly, rather than monthly, as specified in the agreement.

The Company is instructed to settle inter-company balances monthly or refile an amended agreement in compliance with RCW 48.31B.030(1)(b) that supports the current inter-company settlement practices.

2. Internal Investment Management Agreement

The Internal Investment Management Agreement between the Company and Minster Court Asset Management Pty Limited is not in compliance with RCW 48.31B.030(1)(a). The agreement contains several non-compliance issues such as charged fees. The charged fees are not based on actual cost or a cost study as required by SSAP No. 70, paragraph 8.

The Company is instructed to comply with RCW 48.31B.030(1)(a), which requires the terms of the agreement to be fair and reasonable. Expenses under the terms of a management agreement must be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. Fees must be allocated to the affiliated companies in conformity with customary insurance accounting practices consistently applied. The books, accounts, and records of each party to all such transactions must be so maintained as to clearly and accurately disclose the nature and details of the transactions.

3. Investment Limitations

RCW 48.13.030(1) limits investments in any one entity to four percent of the Company's total assets unless the investments are securities of general obligations of the government of the United States or of any state of the United States. The Company's total admitted assets as of December 31, 2007 were $723,821,143, therefore, the maximum investment allowed was $28,952,846. However, the Company invested $30,000,530 in one entity which was $1,047,684 over the four percent limitation. No examination adjustment was necessary due to immateriality.

The Company is instructed to comply with RCW 48.13.030(1) by limiting its investments in any single entity to four percent of total assets.

4. Tax Agreement

The Company did not include the names of all entities that are party to the written tax allocation agreement as required by SSAP No. 10, paragraph 23. Note No. 9 (F)(2) of the 2007 NAIC Annual Statement only lists UIC, UID, and QBE Regional Companies (N.A.) as parties to the agreement.

Also, the Company prepares a consolidated federal income tax with QBE Investments (North America), Inc., without a valid tax allocation agreement. The Company filed a tax allocation agreement with the OIC which included the Company, QBE Regional Companies (N.A.), and its subsidiaries. However, the actual consolidated return includes many other affiliates of QBE Investments (North America), Inc.

The Company is instructed to comply with RCW 48.31B.025(2)(c)(viii) which requires all insurers that are members of a holding company system to file, with the commissioner, tax allocation agreements prior to entering into them. All companies participating in the agreement need to be listed in the agreement.

5. Reinsurance – Inter-company Pooling

The Company is currently reporting inter-company pooling on the "Receivables from/Payable to parent, subsidiaries and affiliates" lines of the NAIC Annual Statement. However, reinsurance transactions, including inter-company pooling, should be reported through the appropriate reinsurance accounts in accordance with the NAIC Annual Statement Instructions.

The Company is instructed to comply with WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions.

6. Advance Premiums – New Policies

Advance premiums for new policies are accounted for and presented incorrectly in the financial statements. Currently, the Company records advance premiums on new policies as an offset against uncollected premiums receivable. SSAP No. 53, paragraph 13, requires reporting advance premiums as a liability rather than as a reduction to premiums receivable. The current approach is not in compliance with SSAP No. 53, paragraph 13, and caused the Company to understate its advance premiums liability and uncollected premiums receivable by the same amount.

The Company is instructed to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions.

COMMENTS AND RECOMMENDATION

None

COMPANY PROFILE

History and Capitalization

The Company is a wholly-owned subsidiary of QBE Regional Companies (N.A.), Inc., a non-insurance holding company, which also owns General Casualty Company of Wisconsin and its subsidiaries. UIC was incorporated as Northwestern Security Insurance Company on September 29, 1960 under the laws of the state of Washington. The name of the Company was changed to Unigard Insurance Company on September 14, 1968.

On January 1, 2004, UIC sold National Merit Insurance Company, a wholly-owned subsidiary, to Response Insurance Company, an unaffiliated company.

On December 22, 2006, Credit Suisse Group, the former ultimate parent, finalized the sale of Winterthur Swiss Insurance Company (Winterthur) to AXA. Winterthur owned 100% of

the Company through its wholly-owned direct subsidiary Winterthur U.S. Holdings, Inc. (WUSH).

On May 31, 2007, AXA finalized the sale of WUSH and its subsidiaries to Australian based QBE Insurance Group Limited and QBE Holdings, Inc. (QBE). WUSH was renamed QBE Regional Companies (N.A.), Inc., and became part of QBE, the Americas division.

On December 31, 2007, Unigard Pacific Insurance Company (UPIC) merged with UIC. The accounts of both companies were combined into UIC and UPIC ceased to exist as of the date of the merger.

UIC owns 100% of the outstanding stock of Unigard Indemnity Company (UID), a Washington State domiciled insurer.

Authorized capital of the Company is $3,000,000, consisting of 30,000 shares of common stock with a par value of $100. All authorized shares were issued and outstanding as of December 31, 2007. The stock is owned by QBE Regional Companies (N.A.), Inc.

Territory and Plan of Operation

The Company is a multi-line property and casualty insurance company and operates mainly in six western states. Written premiums in California and Washington represented more than 70% of all written premiums in 2007. The majority of the remaining business was written in the states of Arizona, Idaho, Oregon, and Utah. Approximately 72 percent of the business written by the Company was commercial multiple peril, auto liability, and auto physical damage insurance.

Growth of Company

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

Year	Admitted Assets	Liabilities	Capital & Surplus
2007	$723,821,143	$495,416,597	$228,404,546
2006*	691,060,050	465,795,015	225,265,035
2005*	687,396,774	474,585,903	212,810,871
2004*	571,892,399	376,666,155	195,226,244
2003*	518,918,453	335,429,482	183,488,971

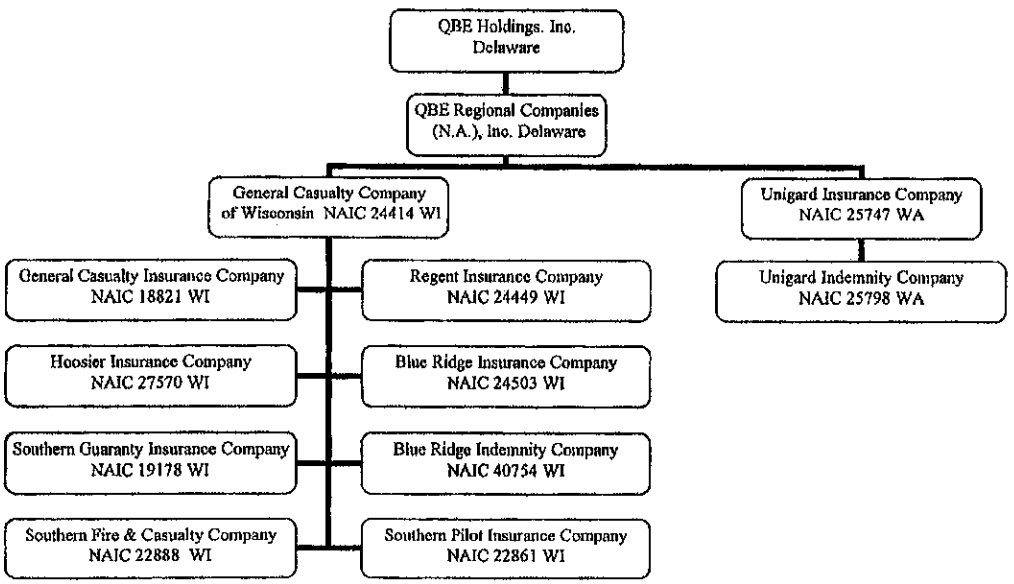
Year	Premiums Earned	Net Underwriting Gain (Loss)	Net Investment Gains (Losses)	Net Income
2007	$295,292,045	$563,673	$26,158,194	$14,755,127
2006*	282,109,307	12,334,041	25,858,557	21,424,040
2005*	286,556,449	17,329,140	18,945,995	20,149,052
2004*	236,355,931	16,225,871	17,430,968	22,657,520
2003*	231,880,147	1,293,953	17,850,928	12,839,139

* Balances for years 2003 through 2006 do not include the results of Unigard Pacific Insurance Company which merged with UIC on December 31, 2007.

Affiliated Companies

The Company is a member of the QBE Regional Companies (N.A.), Inc., headquartered in Sun Prairie, Wisconsin. The Company is directly controlled by QBE Regional Companies (N.A.) which owns 100% of the Company's outstanding common stock.

The following is an abbreviated organizational chart:



Inter-company Agreements

The following inter-company contracts were in-force as of December 31, 2007:

Inter-company Reinsurance Agreement

Eleven affiliated companies within QBE Regional Companies (N.A.), Inc. participate in an inter-company reinsurance pooling agreement which provides that General Casualty Company of Wisconsin (GCW), as the lead company, assumes all insurance business of the affiliated property and casualty insurance companies. After placing reinsurance with unaffiliated third parties, GCW cedes back a fixed portion of the pooled premiums, losses and insurance expenses to each of the affiliated property and casualty insurance companies according to the following participation percentages:

Participant	NAIC Company Code	Participation Percentage
General Casualty Company of Wisconsin (GCW)	24414	36%
Regent Insurance Company (RGT)	24449	9
General Casualty Company of Illinois (GCI)	18821	7
Hoosier Insurance Company (HIC)	57570	4
Blue Ridge Insurance Company (BRIC)	24503	6
Blue Ridge Indemnity Company (BRIN)	40754	2
Southern Guaranty Insurance Company (SGIN)	19178	11
Southern Pilot Insurance Company (SPIC)	22861	0
Southern Fire and Casualty Company (SFACC)	22888	0
Unigard Insurance Company (UIC)	25747	22
Unigard Indemnity Company (UID)	25798	3
		100%

Management Services Agreement

GCW provides operating and management services to UIC in accordance with the inter-company management agreement between GCW and the members of the Pool. Fees and expenses are allocated to each company of the pool in accordance with each company's pooling percentage. (See Instruction No. 1.)

Federal Income Taxes Allocation Agreement

The Company's federal income tax return is filed on a consolidated basis with QBE Regional Companies (N.A.), Inc. The tax liability is allocated to the individual companies based upon the liability or refund that would be produced under separate return calculations. Any expense or benefit so derived is recognized in the Company's current year tax provision. Inter-company tax balances are settled within 30 days. However, the Company did not include the names of all entities that are party to the written tax allocation agreement as required by SSAP No. 10, paragraph 23. Note No. 9 (F)(2) of the 2007 NAIC Annual

Statement only lists UIC, UID, and QBE Regional Companies (N.A.) as parties to the agreement. (See Instruction No. 4.)

MANAGEMENT AND CONTROL

Management

Management of the Company is vested in a Board of Directors (BOD) made up of at least three, but no more than twelve, individuals as provided for by the Company's bylaws. The BOD and the stockholders meet during the first quarter of each year. A majority of directors constitutes a quorum for the transaction of business. However, in accordance with the bylaws, a quorum may not be less than one-third of all directors.

Directors

Directors as of December 31, 2007:

Peter Kurt Christen
Jeffery Robert Dehn
Thomas Mark Greenfield
Daniel George Hill
Peter George McPartland

Officers

Officers as of December 31, 2007:

Name	Title
Peter Kurt Christen	President & CEO
John Roger Schanen	Treasurer
Jennifer Jean Vernon	Secretary
John Gerard Blodnick	Senior Vice President
Jeffery Robert Dehn	Senior Vice President
Thomas Mark Greenfield	Senior Vice President
Laura Kirkpatrick Hinson	Senior Vice President
Peter George Logothetis	Senior Vice President
Kenneth Charles Dedrick	Vice President

Conflict of Interest

The Company has a policy whereby members of the BOD and employees are required to sign a conflict of interest statement each year. The purpose of the statement is to detect any activities or participation on the part of the BOD or employees that could possibly be interpreted as a conflict of interest. No such conflicts were noted during the last three years.

Fidelity Bond and Other Insurance

The Company is a named insured, along with other members of QBE Regional Companies (N.A.), Inc., on fidelity bonds and other types of corporate insurance policies. The aggregate limit of coverage under the fidelity bond was $10 million as of December 31, 2007, which exceeded the NAIC recommended minimum coverage.

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

Administrative functions of the Company are performed by employees of either GCW or other affiliates. The Company participates in a non-contributory defined benefit pension plan which covers the employees of QBE Regional Companies (N.A.), Inc. The Company also participates in a pension restorations plan to provide pension benefits to a select group of highly compensated employees.

In addition, the Company participates in a defined benefit health care plan that provides postretirement medical benefits to certain full-time employees who elect an early retirement. The benefits are provided until the retirees attain age 65.

CORPORATE RECORDS

The examiners reviewed the corporate records of UIC for the period under examination. The minutes from meetings of stockholders, directors, and committees were documented, approved and supported the Company's transactions and events. All BOD meetings were conducted with a quorum present.

UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves carried by the Company for unpaid losses and loss adjustment expenses were $260,362,250 and $59,989,348, respectively, as of December 31, 2007. The reserves were reviewed by the casualty actuarial staff employed by the OIC. UIC provided loss and loss adjustment expense development data by accident year and line of business, as of December 31, 2007, for each segment of the inter-company pool, which includes UIC, GCW, and nine other affiliated companies. Employees of UIC and GCW provided additional information as needed. The OIC actuarial staff also reviewed actuarial reports prepared by the Company's consulting actuarial firm, Milliman.

The OIC actuarial staff's estimates indicated that the Company's reserves for losses and loss adjustment expenses were within a range of reasonable estimates. Therefore, UIC's loss and loss adjustment expense reserves were accepted as reported in the Company's NAIC 2007 Annual Statement.

REINSURANCE

The Company is a participant in an Inter-company Reinsurance Pooling Agreement. UIC and GCW and nine other affiliates of GCW cede all of their business in force to GCW, the lead company, which in turn retrocedes a stipulated portion of the pooled business back to selected members of the pooled companies. Under this pooling agreement, UIC receives a 22% share of the pooled business. GCW is authorized to do business in Washington State.

Under the agreement, the Company shares its liabilities with all other members of the pool. Therefore, it is substantially protected from its own unique exposures, but is also exposed to a portion of those from the other pooled companies. Although GCW has various reinsurance agreements with outside reinsurers and its affiliates, the UIC is not a party to the agreements on a direct basis. As of December 31, 2007, the Company reported on its NAIC 2007 Annual Statement, on Schedule F Part 3, total reinsurance recoverables from GCW of $300.9 million for paid and unpaid losses, incurred but not reported (IBNR), loss adjustment expenses (LAE), and unearned premiums.

UIC cedes a portion of its insurance business to various non-affiliated reinsurers on a facultative basis and a portion of its business to affiliated and non-affiliated reinsurers for excess of loss and catastrophe protection. All placements made by UIC are prior to the cession to GCW under the inter-company pooling agreement. UIC's assumed reinsurance is derived primarily from its affiliate GCW.

The Company has controls in place to monitor its reinsurance program including the financial condition of the reinsurers.

STATUTORY DEPOSITS

As of December 31, 2007, the Company maintained the following statutory deposits as shown on Schedule E, Part 3, Special Deposits of its 2007 NAIC Annual Statement:

State	Book Value	Fair Value
Arizona	$ 3,263,708	$ 3,433,848
California	8,568,308	9,022,931
Georgia	497,655	523,633
Idaho	70,368	70,990
New Mexico	351,841	354,949
North Carolina	350,052	357,758
Oregon	403,611	423,319
Washington	2,657,228	2,738,181
Total	**$ 16,162,771**	**$ 16,925,609**

ACCOUNTING RECORDS AND INFORMATION SYSTEMS

The Company maintains its accounting records on a Statutory Accounting Principles (SAP) basis. The Company was audited annually by the certified public accounting firms of KPMG for the years 2003 through 2006 and by PricewaterhouseCoopers (PwC) for 2007. The Company received an unqualified opinion for all the 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.

Management of the Company has sufficient knowledge of information systems (IS) issues and provides direction and oversight through its IS Steering Committee. Systems development, acquisition and maintenance controls were evaluated to gain assurance that appropriate internal controls are in place. The IS Department maintains written policies and procedures for the system development life cycle, systems design standards, programming standards and the document standards. 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 internal controls exercised to maintain data security. The Company has sufficient internal controls in place to monitor system activity and processes.

The Company has a formal, written disaster recovery plan for the restoration of the information system and a formal, written business continuity plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities, as recommended by NAIC guidelines.

SUBSEQUENT EVENTS

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

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous report instructions were satisfactorily addressed.

FINANCIAL STATEMENTS

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

UNIGARD INSURANCE COMPANY
ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2007

Assets	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
Bonds	$133,425,125	$0	$133,425,125
Stocks:			
Common stocks	31,141,355		31,141,355
Real estate			
Properties occupied by the Company	24,175,030		24,175,030
Properties held for the production of income	31,304,434		31,304,434
Cash and short-term investments	393,035,415		393,035,415
Other invested assets	403,917		403,917
Subtotal, cash and invested assets	613,485,276	0	613,485,276
Investment income due and accrued	6,405,413		6,405,413
Premiums and considerations			
Uncollected premiums and agents' balances in course of collection	16,356,954		16,356,954
Deferred premiums, agents' balances and installments booked but deferred and not yet due	66,020,545		66,020,545
Amounts recoverable from reinsurers	2,516,202		2,516,202
Net deferred tax asset	16,542,776		16,542,776
Electronic data processing equipment and software	232,937		232,937
Aggregate write-ins for other than invested assets	2,261,040		2,261,040
Total Assets	**$723,821,143**	**$0**	**$723,821,143**
Liabilities, Surplus and other Funds			
Losses	$260,362,250	$0	$260,362,250
Loss adjustment expenses	59,989,348		59,989,348
Commissions payable, contingent commissions and other similar charges	10,003,678		10,003,678
Other expenses (excluding taxes, licenses and fees)	11,026,471		11,026,471
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,131,473		1,131,473
Current federal and foreign income taxes	573,932		573,932
Unearned premiums	128,284,468		128,284,468
Advance premiums	1,028,322		1,028,322
Ceded reinsurance premiums payable	(420,224)		(420,224)
Funds held by company under reinsurance treaties	321,409		321,409
Amount withheld or retained by the company for account of others	2,770,179		2,770,179
Remittances and items not allocated	49,314		49,314
Provision for reinsurance	479,800		479,800
Drafts outstanding	1,116,330		1,116,330
Payable to parent, subsidiaries and affiliates	7,724,766		7,724,766
Aggregate write-ins for liabilities	10,975,081		10,975,081
Total Liabilities	**495,416,597**	**0**	**495,416,597**
Common capital stock	3,000,000		3,000,000
Gross paid in and contributed surplus	119,053,571		119,053,571
Unassigned funds (surplus)	106,350,975		106,350,975
Surplus as regards policyholders	**228,404,546**	**0**	**228,404,546**
Total Liabilities, Surplus and other Funds	**$723,821,143**	**$0**	**$723,821,143**

UNIGARD INSURANCE COMPANY
STATEMENT OF INCOME AND CAPITAL AND SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2007

STATEMENT OF INCOME	BALANCE PER COMPANY	EXAMINATION ADJUSTMENT	BALANCE PER EXAMINATION
Underwriting Income			
Premiums earned	$295,292,045	$0	$295,292,045
Deductions			
Losses incurred	164,313,935		164,313,935
Loss expenses incurred	39,476,855		39,476,855
Other underwriting expenses incurred	90,937,582		90,937,582
Total underwriting deductions	294,728,372	0	294,728,372
Net underwriting gain or (loss)	**563,673**	**0**	**563,673**
Investment Income			
Net investment income earned	27,238,418		27,238,418
Net realized capital gains or (losses)	(1,080,224)		(1,080,224)
Net investment gain or (loss)	**26,158,194**	**0**	**26,158,194**
Other Income			
Net gain from agents' or premiums balances charged off	(156,696)		(156,696)
Finance and service charges not included in premiums	1,215,308		1,215,308
Aggregate write-ins for miscellaneous income	(732,589)		(732,589)
Total other income	**326,023**	**0**	**326,023**
Net income before dividends to policyholders but before federal and foreign income taxes	27,047,890		27,047,890
Dividends to policyholders	3,746,644		3,746,644
Net income, after dividends to policyholders but before federal and foreign income taxes	23,301,246		23,301,246
Federal and foreign income taxes incurred	8,546,119		8,546,119
Net income	**$14,755,127**	**$0**	**$14,755,127**
CAPITAL AND SURPLUS ACCOUNT			
Surplus as regards policyholders, December 31 prior year	**$225,265,036**	**$0**	**$225,265,036**
Gains and (Losses) in Surplus			
Net income	14,755,127		14,755,127
Change in net unrealized capital gains or (losses) less capital gain tax	(1,849,875)		(1,849,875)
Change in net deferred income tax	(478,676)		(478,676)
Change in nonadmitted assets	1,252,089		1,252,089
Change in provision for reinsurance	472,000		472,000
Dividends to stockholders	(11,200,000)		(11,200,000)
Aggregate write-in for gains and losses in surplus	188,846		188,846
Change in surplus as regards policyholders	**3,139,510**	**0**	**3,139,510**
Surplus as regards policyholders, December 31 current year	**$228,404,546**	**$0**	**$228,404,546**

UNIGARD INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31,

	2007	2006 *	2005 *	2004 *	2003 *
Capital and surplus, December 31, previous year	$225,265,035	$212,810,871	$195,226,244	$183,488,971	$167,791,337
Net income	14,755,127	21,424,040	20,149,052	22,657,520	12,839,139
Change in net unrealized capital gains or (losses)	(1,849,875)	2,312,155	2,728,974	2,535,527	8,261,339
Change in net deferred income tax	(478,675)	2,227,889	5,051,993	3,564,438	(1,669,000)
Change in nonadmitted assets	1,252,089	(969,305)	(3,979,604)	(8,401,320)	3,206,235
Change in provision for reinsurance	472,000	(619,800)	32,600	475,800	(438,200)
Dividends to stockholders	(11,200,000)	(11,550,000)	(9,000,000)	(2,500,000)	(7,500,000)
Aggregate writ-ins for gains and losses in surplus	188,845	(370,816)	2,601,612	(6,594,692)	998,121
Change in surplus as regards policyholders for the year	3,139,511	12,454,163	17,584,627	11,737,273	15,697,634
Surplus as regards policyholders, December 31, current year	**$228,404,546**	**$225,265,035**	**$212,810,871**	**$195,226,244**	**$183,488,971**

* Balances for years 2003 through 2006 do not include the results of Unigard Pacific Insurance Company which merged with UIC on December 31, 2007.

NOTES TO THE FINANCIAL STATEMENTS

None

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examination team by the officers and employees of Unigard Insurance Company during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; Timoteo L. Navaja, CFE, CIE, Property and Casualty Field Supervisor; John Jacobson, AFE, CISA, AES, Automated Examination Specialist; Susan Campbell, CPA, FLMI, CFE, Reinsurance Specialist; D. Lee Barclay, FCAS, MAAA, Senior Actuary; Timothy F. Hays, CPA, JD, Investment Specialist; Albert Karau, Jr., CPA, AFE, FLMI, Financial Examiner; James Antush, Actuarial Analyst; Zairina Othman, Financial Examiner; Edsel R. Dino, Financial Examiner; and Randy E. Fong, AFE, Financial Examiner; all from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,

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

AFFIDAVIT

STATE OF WASHINGTON }
} ss
COUNTY OF KING }

Tarik Subbagh, CPA, CFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Unigard Insurance Company was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).

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

Subscribed and sworn to before me this 17th day of April, 2009.

Notary Public in and for the
State of Washington

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

Phone: (360) 725-7000
www.insurance.wa.gov

In the Matter of The Financial Examination of **UNIGARD INSURANCE COMPANY** A Domestic Insurer.	))))))	No. 09-43 FINDINGS, CONCLUSIONS, AND ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION

BACKGROUND

An examination of the financial condition of **UNIGARD INSURANCE COMPANY** (the Company) as of December 31, 2007, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, and instructions was transmitted to the Company for its comments on March 18, 2009. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 13 of the report.

Mailing Address. P. O. Box 40255 • Olympia, WA 98504-0255
Street Address. 5000 Capitol Blvd. • Tumwater, WA 98501

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **UNIGARD INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-3.

1. The Company is ordered to settle inter-company balances monthly or refile an amended agreement in compliance with RCW 48.31B.030(1)(b) that supports the current inter-company settlement practices. Instruction 1, Examination Report, page 1.

2. The Company is ordered to comply with RCW 48.31B.030(1)(a), which requires the terms of an agreement to be fair and reasonable. Expenses under the terms of a management agreement must be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. Fees must be allocated to the affiliated companies in conformity with customary insurance accounting practices consistently applied. The books, accounts, and records of each party to all such transactions must be so maintained as to clearly and accurately disclose the nature and details of the transactions. Instruction 2, Examination Report, page 2.

3. The Company is ordered to comply with RCW 48.13.030(1) by limiting its investments in any single entity to four percent of total assets. Instruction 3, Examination Report, page 2.

4. The Company is ordered to comply with RCW 48.31B.025(2)(c)(viii) which requires all insurers of a holding company system to file, with the commissioner, tax allocation agreements prior to entering into them. All companies participating in the agreement need to be listed in the agreement. Instruction 4, Examination Report, page 2.

5. The Company is ordered to comply with WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions. Instruction 5, Examination Report, page 3.

6. The Company is ordered to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions. Instruction 6, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 24th day of April, 2009.

MIKE KREIDLER
Insurance Commissioner

QBE

RECEIVED
APR 10 2009
INSURANCE COMMISSIONER
COMPANY SUPERVISION

Unigard Insurance Company

15805 NE 24th Street
Bellevue, WA 98009-2409
qberegional.com

April 9, 2009

VIA FEDERAL EXPRESS

James T. Odiorne
Deputy Insurance Commissioner
Office of Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

RE: Financial Examination Reports of Unigard Indemnity Company Unigard Insurance Company

Dear Mr. Odiorne:

This letter is in response to the draft financial examination reports dated March 18, 2009. Since the issues identified under the draft reports for Unigard Insurance Company (UIC) and Unigard Indemnity Company (UID) are substantially the same, I have combined our responses for both companies below.

1. Inter-company Agreement

The companies will revise their inter-company agreements which contain monthly settlement provisions to support the quarterly settlement procedure.

2. Internal Investment Management Agreement

The companies will work with Minster Court Asset Management Pty Limited to develop acceptable procedures and documentation which support the charged fees under the investment management agreement.

3. Investment Limitations

During 2008, the companies and their investment advisor implemented new control procedures to insure the companies' investments comply with the investment limitations.

4. Tax Agreement

Effective January 1, 2008, the companies entered into a single Tax Sharing Agreement covering all insurance and non-insurance groups and subgroups.

5. Reinsurance – Inter-company Pooling

The companies will report the inter-company activity related to the pooling agreement in accordance with the NAIC Annual Statement instructions and the AP&P.

6. Advance Premiums – New Policies

The companies will implement procedures to properly present advance premiums for new policies in the financial statements.

If you have any questions or need additional information, please contact me via phone at (608) 825-5629 or via email at john.schanen@us.qbe.com.

Sincerely,

John R. Schanen
Vice President & Treasurer
Unigard Insurance Company
Unigard Indemnity Company

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
of

Unigard Indemnity Company
Bellevue, Washington

NAIC CODE 25798
DECEMBER 31, 2007

Participating State:
Washington

Order No. 09-44
Unigard Indemnity Company
Exhibit A

SALUTATION

Seattle, Washington
April 17, 2009

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
Chair, NAIC Financial Condition (E) Committee
Virginia Bureau of Insurance
Commonwealth of Virginia
PO Box 1157
Richmond, VA 23219

The Honorable Morris Chavez, Superintendent
Secretary, NAIC Western Zone
New Mexico Insurance Division
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 examination was made of the corporate affairs and financial records of

Unigard Indemnity Company

of

Bellevue, Washington

hereinafter referred to as "UID" or the "Company," at the location of its home office, 15805 NE 24th Street, Bellevue, Washington 98008-2409. This report is respectfully submitted showing the condition of the Company as of December 31, 2007.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Unigard Indemnity Company of Bellevue, Washington. This report shows the financial condition and related corporate matters as of December 31, 2007.

Patrick H. McNaughton

Patrick H. McNaughton
Chief Examiner

4-17-09

Date

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SCOPE OF THE EXAMINATION

This examination covers the period January 1, 2003 through December 31, 2007 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.

INSTRUCTIONS

The examiners reviewed the Company's filed 2007 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 NAIC Accounting Practices and Procedures Manual (AP&P).

The following summarizes the exceptions noted while performing this review:

1. Inter-company Cost Allocation and Service Agreement

The Company has an inter-company cost allocation agreement with General Casualty Company of Wisconsin. The Company does not settle inter-company balances according to the written agreement. Currently, inter-company balances are settled quarterly, rather than monthly, as specified in the agreement.

The Company is instructed to settle inter-company balances monthly or refile an amended agreement in compliance with RCW 48.31B.030(1)(b) that supports the current inter-company settlement practices.

2. Internal Investment Management Agreement

The Internal Investment Management Agreement between the Company and Minster Court Asset Management Pty Limited is not in compliance with RCW 48.31B.030(1)(a). The agreement contains several non-compliance issues such as charged fees. The charged fees are not based on actual cost or a cost study as required by SSAP No. 70, paragraph 8.

The Company is instructed to comply with RCW 48.31B.030(1)(a), which requires the terms of the agreement to be fair and reasonable. Expenses under the terms of a management agreement must be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. Fees must be allocated to the affiliated companies in conformity with customary insurance accounting practices consistently applied. The books, accounts, and records of each party to all such transactions must be so maintained as to clearly and accurately disclose the nature and details of the transactions.

3. Investment Limitations

RCW 48.13.030(1) limits investments in any one entity to four percent of the Company's total assets unless the investments are securities of general obligations of the government of the United States or of any state of the United States. The Company's total admitted assets as of December 31, 2007 were $95,768,806, therefore, the maximum investment allowed was $3,830,752. However, the Company reported six investments on Schedules D, DA, and E of its 2007 NAIC Annual Statement that were in total $3,997,555 over the 4% limit.

Also, the Company had three investments in foreign securities which were not in compliance with RCW 48.13.180(2) which limits total foreign investments to ten percent of the Company's total assets. In total, the three securities were $1,915,376 over the 10% limitation.

The total amount in excess of the maximum allowable amount was $5,912,931, which has been adjusted in the examination report. (See Note No. 1 to the Financial Statements.)

The Company is instructed to comply with RCW 48.13.030(1) by limiting its investments in any single entity to four percent of total assets. Also, the Company is instructed to comply with RCW 48.13.180(2) by limiting its foreign investments to ten percent of total assets.

4. Tax Agreement

The Company did not include the names of all entities that are party to the written tax allocation agreement as required by SSAP No. 10, paragraph 23. Note No. 9 (F)(2) of the 2007 NAIC Annual Statement only lists Unigard Insurance Company (UIC), UID, and QBE Regional Companies (N.A.) as parties to the agreement.

Also, the Company prepared a consolidated federal income tax return with QBE Investments (North America), Inc., without a valid tax allocation agreement. The Company filed a tax allocation agreement with the OIC which includes the Company and QBE Regional Companies (N.A.) and its subsidiaries. However, the actual consolidated return includes many other affiliates of QBE Investments (North America), Inc.

The Company is instructed to comply with RCW 48.31B.025(2)(c)(viii) which requires all insurers of a holding company system to file, with the commissioner, tax allocation agreements prior to entering into them. All companies participating in the agreement need to be listed in the agreement.

5. Reinsurance – Inter-company Pooling

The Company is currently reporting inter-company pooling on the "Receivables from/Payable to parent, subsidiaries and affiliates" lines of its NAIC Annual Statement. However, reinsurance transactions, including inter-company pooling, should be reported through the appropriate reinsurance accounts in accordance with the NAIC Annual Statement Instructions.

The Company is instructed to comply with WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions.

6. Advance Premiums – New Policies

Advance premiums for new policies are accounted for and presented incorrectly in the financial statements. Currently, the Company records advance premiums on new policies as an offset against uncollected premiums receivable. SSAP No. 53, paragraph 13, requires reporting advance premiums as a liability rather than reduction to premiums receivable. The current approach is not in compliance with SSAP No. 53, paragraph 13, and resulted in an understatement of the Company's advance premiums liability and uncollected premiums receivable. No examination adjustment was necessary due to immateriality.

The Company is instructed to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions.

COMMENTS AND RECOMMENDATIONS

None

COMPANY PROFILE

History and Capitalization

The Company was incorporated as the Unigard Carolina Insurance Company on November 8, 1972 under the laws of North Carolina. The Company changed its name to Unigard Indemnity Company on April 5, 1977. On August 9, 1990, 100% ownership of the Company was transferred from Unigard, Inc., to UIC. On June 30, 1994, the Company re-domesticated from Raleigh, North Carolina to Bellevue, Washington, where the administrative offices are located. The Company has no subsidiaries.

On December 22, 2006, Credit Suisse Group finalized the sale of Winterthur Swiss Insurance Company (Winterthur), a Swiss corporation to AXA. Winterthur owned 100% of the Company through its wholly-owned direct subsidiary Winterthur U.S. Holdings, Inc., (WUSH) which acted as the holding company for Winterthur's U.S. operations.

On May 31, 2007, AXA finalized the sale of WUSH and its consolidated subsidiaries to Australian based QBE Insurance Group Ltd., and QBE Holdings, Inc. (QBE). The U.S. operations have been renamed QBE Regional Companies (N.A.), Inc. and became part of QBE, the Americas division.

The Company has 30,000 shares of common stock authorized, issued and outstanding, with a par value per share of $100. The stock is owned by UIC.

Territory and Plan of Operation

UID operates primarily in the six (6) western states of Arizona, California, Idaho, Oregon, Utah, and Washington. The Company underwrites both personal and commercial lines, mainly under the multi-peril and auto lines of business, but is authorized to write private passenger auto liability, auto physical damage, homeowners, commercial auto liability, commercial multi-peril, farmowners, fire, and other liability insurance policies.

Growth of Company

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

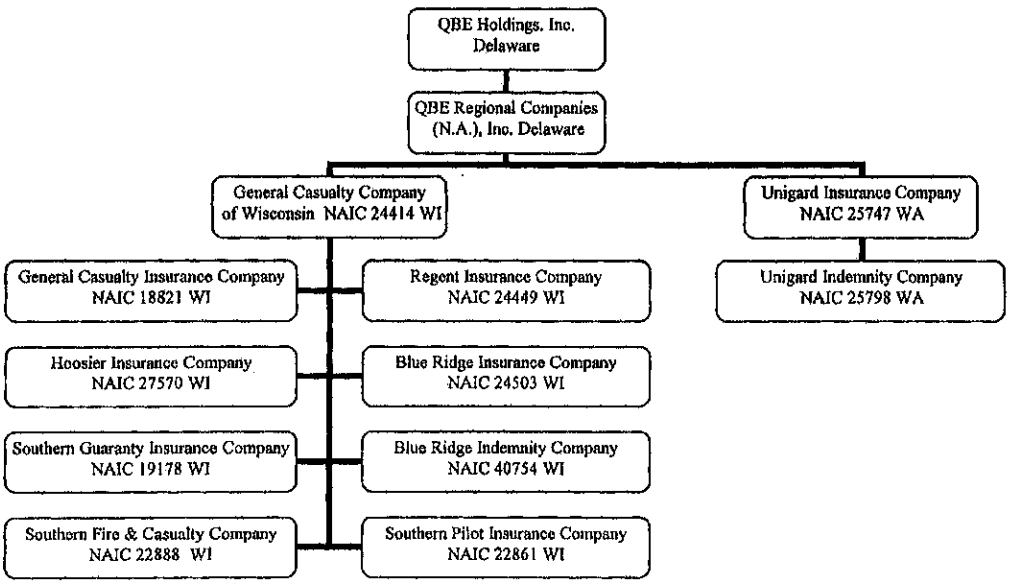
Year	Admitted Assets	Liabilities	Capital & Surplus
2007	$95,768,807	$64,627,452	$31,141,355
2006	94,675,136	64,407,585	30,267,552
2005	93,471,284	65,062,399	28,408,885
2004	66,898,961	38,178,411	28,720,550
2003	62,295,320	36,642,114	25,653,207

Year	Premiums Earned	Net Underwriting Gain (Loss)	Net Investment Gains (Losses)	Net Income
2007	$40,266,655	$76,798	$3,460,608	$1,936,818
2006	42,315,930	1,850,015	3,046,679	2,420,829
2005	42,983,230	2,599,325	3,068,604	2,534,391
2004	27,483,249	1,886,735	2,839,888	3,012,010
2003	26,962,808	150,458	886,730	2,341,792

Affiliated Companies

The Company is a member of the QBE Regional Companies (N.A.), Inc., headquartered in Sun Prairie, Wisconsin. The Company is directly controlled by UIC which owns 100% of the Company's outstanding common stock.

The following is an abbreviated organizational chart:



Inter-company Agreements

The following inter-company agreements were in-force as of December 31, 2007:

Inter-company Reinsurance Agreement

Eleven affiliated companies within QBE Regional Companies (N.A.), Inc., participate in an inter-company reinsurance pooling agreement, under which General Casualty Company of

Wisconsin (GCW), as the lead company, assumes all insurance business of the affiliated property and casualty insurance companies. After placing reinsurance with unaffiliated third parties, GCW cedes back a fixed portion of the pooled premiums, losses and insurance expenses to each of the affiliated property and casualty insurance companies according to the following participation percentages:

Participant	NAIC Company Code	Participation Percentage
General Casualty Company of Wisconsin (GCW)	24414	36%
Regent Insurance Company (RGT)	24449	9
General Casualty Company of Illinois (GCI)	18821	7
Hoosier Insurance Company (HIC)	57570	4
Blue Ridge Insurance Company (BRIC)	24503	6
Blue Ridge Indemnity Company (BRIN)	40754	2
Southern Guaranty Insurance Company (SGIN)	19178	11
Southern Pilot Insurance Company (SPIC)	22861	0
Southern Fire and Casualty Company (SFACC)	22888	0
Unigard Insurance Company (UIC)	25747	22
Unigard Indemnity Company (UID)	25798	3
		100%

Management Services Agreement

GCW provides operating and management services to UID in accordance with the inter-company management agreement between GCW and the members of the Pool. Fees and expenses are allocated to each company of the pool in accordance with each company's pooling percentage. (See Instruction No. 1.)

Federal Income Taxes Allocation Agreement

The Company's federal income tax return is filed on a consolidated basis with QBE Regional Companies (N.A.), Inc. The tax liability is allocated to the individual companies based upon the liability or refund that would be produced under separate return calculations. Any expense or benefit so derived is recognized in the Company's current year tax provision. Inter-company tax balances are settled within 30 days. However, the Company did not include the names of all entities that are party to the written tax allocation agreement as required by SSAP No. 10, paragraph 23. Note No. 9 (F)(2) of the 2007 NAIC Annual Statement only lists UIC, UID, and QBE Regional Companies (N.A.) as parties to the agreement. (See Instruction No. 4.)

MANAGEMENT AND CONTROL

Management

Management of the Company is vested in a Board of Directors (BOD) made up of at least three, but no more than twelve, as provided for by the Company's bylaws. The BOD and the stockholders meet during the first quarter of each year. A majority of directors constitutes a quorum for the transaction of business. However, in accordance with the bylaws, a quorum may not be less than one-third of all directors.

Directors

Directors as of December 31, 2007:

Peter Kurt Christen
Jeffery Robert Dehn
Thomas Mark Greenfield
Daniel George Hill
Peter George McPartland

Officers

Officers as of December 31, 2007:

Name	Title
Peter Kurt Christen	President & CEO
John Roger Schanen	Treasurer
Jennifer Jean Vernon	Secretary
John Gerard Blodnick	Senior Vice President
Jeffery Robert Dehn	Senior Vice President
Thomas Mark Greenfield	Senior Vice President
Laura Kirkpatrick Hinson	Senior Vice President
Peter George Logothetis	Senior Vice President
Kenneth Charles Dedrick	Vice President

Conflict of Interest

The Company has a policy whereby members of the BOD and employees are required to sign a conflict of interest statement each year. The purpose of the statement is to detect any activities or participation on the part of the BOD or employees that could possibly be interpreted as a conflict of interest. No such conflicts were noted during the last three years.

Fidelity Bond and Other Insurance

The Company is a named insured, along with other members of QBE Regional Companies (N.A.), Inc., on fidelity bonds and other types of corporate insurance policies. The aggregate limit of coverage under the fidelity bond was $10 million as of December 31, 2007, which exceeded the NAIC recommended minimum coverage.

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

The Company has no employees. All administrative functions of the Company are performed by employees of either GCW or other affiliates. The Company participates in a non-contributory defined benefit pension plan which covers the employees of QBE Regional Companies (N.A.), Inc. The Company also participates in a pension restorations plan to provide pension benefits to a select group of highly compensated employees.

In addition, the Company participates in a defined benefit health care plan that provides postretirement medical benefits to certain full-time employees who elect an early retirement option. The benefits are provided until the retirees attain age 65.

CORPORATE RECORDS

The examiners reviewed the corporate records of UID for the period under examination. The minutes from meetings of stockholders, directors, and committees were documented, approved, and supported the Company's transactions and events. All BOD meetings were conducted with a quorum present.

UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves carried by the Company for unpaid losses and loss adjustment expenses were $35,503,910 and $8,180,359, respectively, as of December 31, 2007. The reserves were reviewed by the casualty actuarial staff employed by the OIC. UID provided loss and loss adjustment expense development data by accident year and line of business, as of December 31, 2007, for each segment of the inter-company pool, which includes UID, UIC, GCW, and eight other affiliated companies. Employees of UIC and GCW provided additional information as needed. The OIC's casualty actuarial staff also reviewed actuarial reports prepared by the Company's consulting actuarial firm, Milliman.

The OIC's casualty actuarial staff estimates indicated that the Company's reserves for losses and loss adjustment expenses were within a range of reasonable estimates. Therefore, UID's loss and loss adjustment expense reserves were accepted as reported in the Company's NAIC 2007 Annual Statement.

REINSURANCE

The Company is a participant in an Inter-company Reinsurance Pooling Agreement. UID and GCW and nine other affiliates of GCW cede all of their business in force to GCW, the lead company, which in turn retrocedes a stipulated portion of the pooled business back to selected members of the pooled companies. Under this pooling agreement, UID receives a 3% share of the pooled business. GCW is authorized to do business in Washington State. The Company's assumed reinsurance is derived primarily from its affiliate, GCW.

The Company has controls in place to monitor its reinsurance program including the financial condition of the reinsurers. However, the Company improperly classified and recorded the reinsurance inter-company pooling transactions in Schedule F of the 2007 NAIC Annual Statement. (See Instruction No. 5.)

Under the agreement, the Company shares its liabilities with all other members of the pool. Therefore, it is substantially protected from its own unique exposures, but is also exposed to a portion of those from the other pooled companies. Although GCW has various reinsurance agreements with outside reinsurers and its affiliates, the UID is not a party to any other reinsurance agreements on a direct basis. As of December 31, 2007, the Company reported on its NAIC 2007 Annual Statement, on Schedule F Part 3, total reinsurance recoverables of $44 million.

STATUTORY DEPOSITS

As of December 31, 2007, the Company maintained the following statutory deposits as shown on Schedule E, Part 3, Special Deposits of its 2007 NAIC Annual Statement:

State	Book Value	Fair Value
Arizona	$ 552,772	$ 588,113
California	1,532,687	1,630,678
Idaho	301,512	320,789
Nevada	225,447	235,283
North Carolina	300,779	313,313
North Dakota	100,526	101,414
Oregon	403,611	423,319
Tennessee	120,648	130,107
Washington	2,512,602	2,673,242
Total	**$ 6,050,584**	**$ 6,416,258**

ACCOUNTING RECORDS AND INFORMATION SYSTEMS

The Company maintains its accounting records on a Statutory Accounting Principles (SAP) basis. The Company was audited annually by the certified public accounting firms of KPMG for the years 2003 through 2006 and by PricewaterhouseCoopers (PwC) for 2007. The Company received an unqualified opinion for all the 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.

Management of the Company has sufficient knowledge of information systems (IS) issues and provides direction and oversight through its IS Steering Committee. Systems development, acquisition and maintenance controls were evaluated to gain assurance that appropriate internal controls are in place. The IS Department maintains written policies and procedures for the system development life cycle, systems design standards, programming standards and the document standards. 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 internal controls exercised to maintain data security. The Company has sufficient internal controls in place to monitor system activity and processes.

The Company has a formal, written disaster recovery plan for the restoration of the information system and a formal, written business continuity plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities, as recommended by NAIC guidelines.

SUBSEQUENT EVENTS

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

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

All previous instructions were satisfactorily addressed.

FINANCIAL STATEMENTS

Statement of Assets, Liabilities, Surplus and Other Funds
Statement of Income and Capital and Surplus Account
Reconciliation of Capital and Surplus since Last Examination
Analysis of Changes in Financial Statements Resulting from the Examination

UNIGARD INDEMNITY COMPANY
ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2007

Assets	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION	NOTES
Bonds	$21,516,098	($780,642)	$20,735,456	1
Cash and short-term investments	59,621,198	(5,132,289)	54,488,909	1
Subtotal, cash and invested assets	81,137,296	(5,912,931)	75,224,365	
Investment income due and accrued	1,007,038		1,007,038	
Premiums and considerations				
Uncollected premiums and agents' balances in course of collection	2,230,494		2,230,494	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	9,002,839		9,002,839	
Amounts recoverable from reinsurers	343,120		343,120	
Net deferred tax asset	2,014,252		2,014,252	
Receivable from parent, subsidiaries and affiliates	33,768		33,768	
Total Assets	**$95,768,807**	**($5,912,931)**	**$89,855,876**	
Liabilities, Surplus and other Funds				
Losses	$35,503,910	$0	$35,503,910	
Loss adjustment expenses	8,180,359		8,180,359	
Commissions payable, contingent commissions and similar expenses	1,364,134		1,364,134	
Other expenses (excluding taxes, licenses and fees)	1,474,382		1,474,382	
Taxes, licenses and fees (excluding federal and foreign income taxes)	154,293		154,293	
Current federal and foreign income taxes	150,873		150,873	
Unearned premiums	17,493,372		17,493,372	
Advance premiums	140,226		140,226	
Ceded reinsurance premiums payable	(57,302)		(57,302)	
Amounts withheld or retained by company for account of others	337		337	
Remittances and items not allocated	6,725		6,725	
Drafts outstanding	152,227		152,227	
Aggregate write-ins for liabilities	63,916		63,916	
Total Liabilities	**64,627,452**	**0**	**64,627,452**	
Common capital stock	3,000,000		3,000,000	
Gross paid in and contributed surplus	6,300,000		6,300,000	
Unassigned funds (surplus)	21,841,355	(5,912,931)	15,928,424	1
Surplus as regards policyholders	**31,141,355**	**(5,912,931)**	**25,228,424**	
Total Liabilities, Surplus and other Funds	**$95,768,807**	**($5,912,931)**	**$89,855,876**	

UNIGARD INDEMNITY COMPANY
STATEMENT OF INCOME AND CAPITAL AND SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2007

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENT	BALANCE PER EXAMINATION	NOTES
STATEMENT OF INCOME				
Underwriting Income				
Premiums earned	$40,266,655	$0	$40,266,655	
Deductions				
Losses incurred	22,406,200		22,406,200	
Loss expenses incurred	5,383,148		5,383,148	
Other underwriting expenses incurred	12,400,509		12,400,509	
Total underwriting deductions	40,189,857	0	40,189,857	
Net underwriting gain or (loss)	**76,798**	**0**	**76,798**	
Investment Income				
Net investment income earned	3,945,968		3,945,968	
Net realized capital gains or (losses)	(485,360)		(485,360)	
Net investment gain or (loss)	**3,460,608**	**0**	**3,460,608**	
Other Income				
Net gain from agents' or premiums balances charged off	(21,367)		(21,367)	
Finance and service charges not included in premiums	165,722		165,722	
Aggregate write-ins for miscellaneous income	(152)		(152)	
Total other income	**144,203**	**0**	**144,203**	
Net income before dividends to policyholders but before federal and foreign income taxes	3,681,609		3,681,609	
Dividends to policyholders	510,900		510,900	
Net income, after dividends to policyholders but before federal and foreign income taxes	3,170,709		3,170,709	
Federal and foreign income taxes incurred	1,233,891		1,233,891	
Net income	**$1,936,818**	**$0**	**$1,936,818**	
CAPITAL AND SURPLUS ACCOUNT				
Surplus as regards policyholders, December 31, prior year	**$30,267,552**	**$0**	**$30,267,552**	
Gains and (Losses) in Surplus				
Net income	1,936,818		1,936,818	
Change in net deferred income tax	(111,964)		(111,964)	
Change in nonadmitted assets	241,471	(5,912,931)	(5,671,460)	1
Dividends to stockholders	(1,200,000)		(1,200,000)	
Aggregate write-in for gains and losses in surplus	7,479		7,479	
Change in surplus as regards policyholders	**873,803**	**(5,912,931)**	**(5,039,128)**	
Surplus as regards policyholders, December 31, current year	**$31,141,355**	**($5,912,931)**	**$25,228,424**	

UNIGARD INDEMNITY COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
FOR THE YEARS ENDED DECEMBER 31,

	2007	2006	2005	2004	2003
Capital and surplus, December 31, previous year	$30,267,552	$28,408,885	$28,720,550	$25,653,204	$23,275,746
Net income	1,936,818	2,420,829	2,534,391	3,012,010	2,341,792
Change in net deferred income tax	(111,965)	233,715	1,236,891	34,612	(62,000)
Change in nonadmitted assets	241,471	101,043	(2,150,790)	20,724	97,666
Dividends to stockholders	(1,200,000)	(900,000)	(1,900,000)		
Aggregate writ-ins for gains and losses in surplus	7,479	3,080	(32,157)		
Change in surplus as regards policyholders for the year	873,803	1,858,667	(311,665)	3,067,346	2,377,458
Surplus as regards policyholders, December 31, current year	**$31,141,355**	**$30,267,552**	**$28,408,885**	**$28,720,550**	**$25,653,204**

UNIGARD INDEMNITY COMPANY
ANALYSIS OF CHANGES IN FINANCIAL STATMENT RESULTING FROM THE EXAMINATION
DECEMBER 31, 2007

	Per Company	Per Examination	Notes	Increase (Decrease) in Surplus	Total
Capital and surplus 12/31/2007 Per Annual Statement					**$31,141,355**
Assets					
Bonds	$21,516,098	20,735,456	1	($780,642)	
Cash and sort-term investments	59,621,198	54,488,909	1	(5,132,289)	
Change in surplus					**(5,912,931)**
Capital and Surplus, 12/31/2007 per examination					**$25,228,424**

NOTES TO THE FINANCIAL STATEMENTS

1. Investment Limitations

RCW 48.13.030(1) limits investments in any one entity to four percent of the Company's total admitted assets unless the investment is backed by the full faith and credit of the United States Government or any state of the United States. The Company's total admitted assets as of December 31, 2007 was $95,768,806 and the maximum allowed amount in any one entity was $3,830,752. Also, the Company's investments in foreign securities were not in compliance with RCW 48.13.180(2) which limits the total foreign investments to ten percent of the Company's total assets.

Thus, the total excess amount for these securities of $5,912,931 has been non-admitted in the examination report. (See Instruction No. 3.)

The Company has no special consents, permitted practices, or orders from the state of Washington.

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examination team by the officers and employees of Unigard Indemnity Company during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; Timoteo L. Navaja, CFE, CIE, Property and Casualty Field Supervisor; John Jacobson, AFE, CISA, AES, Automated Examination Specialist; Susan Campbell, CPA, FLMI, CFE, Reinsurance Specialist; D. Lee Barclay, FCAS, MAAA, Senior Actuary; Timothy F. Hays, CPA, JD, Investment Specialist; Albert Karau, Jr., CPA, AFE, FLMI, Financial Examiner; James Antush, Actuarial Analyst; Zairina Othman, Financial Examiner; Edsel R. Dino, Financial Examiner; and Randy E. Fong, AFE, Financial Examiner; all from the Washington State Office of the Insurance Commissioner, participated in the examination and in the preparation of this report.

Respectfully submitted,

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

AFFIDAVIT

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

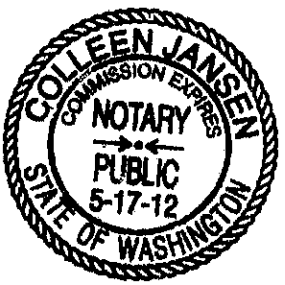
Tarik Subbagh, CPA, CFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Unigard Indemnity Company was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).

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

Subscribed and sworn to before me this 17th day of April, 2009.

Notary Public in and for the
State of Washington



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OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. 09-44
	)	
The Financial Examination of **UNIGARD INDEMNITY COMPANY**	)	FINDINGS, CONCLUSIONS, AND ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION
	)	
A Domestic Insurer.	)	

BACKGROUND

An examination of the financial condition of **UNIGARD INDEMNITY COMPANY** (the Company) as of December 31, 2007, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, and instructions was transmitted to the Company for its comments on March 18, 2009. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 16 of the report.

Mailing Address. P. O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **UNIGARD INDEMNITY COMPANY** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-3.

1. The Company is ordered to settle inter-company balances monthly or refile an amended agreement in compliance with RCW 48.31B.030(1)(b) that supports the current inter-company settlement practices. Instruction 1, Examination Report, page 1.

2. The Company is ordered to comply with RCW 48.31B.030(1)(a), which requires the terms of an agreement to be fair and reasonable. Expenses under the terms of a management agreement must be apportioned to the entities incurring the expense as if the expense had been paid solely by the incurring entity. Fees must be allocated to the affiliated companies in conformity with customary insurance accounting practices consistently applied. The books, accounts, and records of each party to all such transactions must be so maintained as to clearly and accurately disclose the nature and details of the transactions. Instruction 2, Examination Report, page 2.

3. The Company is ordered to comply with RCW 48.13.030(1) by limiting its investments in any single entity to four percent of total assets. Also, the Company is ordered to comply with RCW 48.13.180(2) by limiting its foreign investments to ten percent of total assets. Instruction 3, Examination Report, page 2.

4. The Company is ordered to comply with RCW 48.31B.025(2)(c)(viii) which requires all insurers of a holding company system to file, with the commissioner, tax allocation agreements prior to entering into them. All companies participating in the agreement need to be listed in the agreement. Instruction 4, Examination Report, page 3.

5. The Company is ordered to comply with WAC 284-07-050(2) in filing its 2007 NAIC

Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions. Instruction 5, Examination Report, page 3.

6. The Company is ordered to comply with RCW 48.05.073, RCW 48.05.250, and WAC 284-07-050(2) in filing its 2007 NAIC Annual Statement in accordance with the AP&P and the 2007 NAIC Annual Statement Instructions. Instruction 6, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 24th day of April, 2009.

MIKE KREIDLER
Insurance Commissioner

QBE

RECEIVED
APR 10 2009
INSURANCE COMMISSIONER
COMPANY SUPERVISION

Unigard Insurance Company
15805 NE 24th Street
Bellevue, WA 98009-2409
qberegional.com

April 9, 2009

VIA FEDERAL EXPRESS

James T. Odiorne
Deputy Insurance Commissioner
Office of Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

RE: Financial Examination Reports of Unigard Indemnity Company Unigard Insurance Company

Dear Mr. Odiorne:

This letter is in response to the draft financial examination reports dated March 18, 2009. Since the issues identified under the draft reports for Unigard Insurance Company (UIC) and Unigard Indemnity Company (UID) are substantially the same, I have combined our responses for both companies below.

1. Inter-company Agreement

The companies will revise their inter-company agreements which contain monthly settlement provisions to support the quarterly settlement procedure.

2. Internal Investment Management Agreement

The companies will work with Minster Court Asset Management Pty Limited to develop acceptable procedures and documentation which support the charged fees under the investment management agreement.

3. Investment Limitations

During 2008, the companies and their investment advisor implemented new control procedures to insure the companies' investments comply with the investment limitations.

4. Tax Agreement

Effective January 1, 2008, the companies entered into a single Tax Sharing Agreement covering all insurance and non-insurance groups and subgroups.

5. Reinsurance – Inter-company Pooling

The companies will report the inter-company activity related to the pooling agreement in accordance with the NAIC Annual Statement instructions and the AP&P.

6. Advance Premiums – New Policies

The companies will implement procedures to properly present advance premiums for new policies in the financial statements.

If you have any questions or need additional information, please contact me via phone at (608) 825-5629 or via email at john.schanen@us.qbe.com.

Sincerely,

John R. Schanen
Vice President & Treasurer
Unigard Insurance Company
Unigard Indemnity Company

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
OF

Unigard Indemnity Company
Bellevue, Washington

NAIC CODE 25798
DECEMBER 31, 2002

Exhibit A

Participating States:
Washington
Oregon

CHIEF EXAMINER AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Unigard Indemnity Company of Bellevue, Washington. This report shows the financial condition and related corporate matters as of December 31, 2002.

Patrick H. McNaughton
Chief Examiner

10-19-04
Date

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Seattle, Washington
October 19, 2004

The Honorable Kevin McCarty,
Chair, Financial Condition (E) Committee, NAIC
Director of Insurance Regulation
Florida Department of Financial Services
The Larson Building
200 E. Gaines Street, Room 101
Tallahassee, FL 32399-0301

The Honorable Joel Ario
Insurance Administrator, Oregon Insurance Division
350 Winter Street NE, Room 440
Salem, OR 97310-3883

The Honorable John Morrison
Commissioner, Montana Department of Insurance
NAIC Secretary, Western Zone
840 Helena Avenue
Helena, MT 59601

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance 5000 Building
5000 Capital Blvd.
Tumwater, WA 98504-0255

Dear Commissioners:

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

UNIGARD INDEMNITY COMPANY
of
Bellevue, Washington

hereinafter referred to as "UID" or the "Company," at the location of its home office, 15805 NE 24th Street, Bellevue, Washington. This report is respectfully submitted showing the condition of the Company as of December 31, 2002.

SCOPE OF THE EXAMINATION

This examination covers the period January 1, 1997 through December 31, 2001, carried forward through December 31, 2002, and comprises a comprehensive review of the accounts and records of the Company. The examination followed the statutory requirements contained in the Washington Administrative Code (WAC), Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. 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 along with external reference materials from the NAIC and the Internal Revenue Service (IRS) along with 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 and internal audit work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

INSTRUCTIONS

The examiners reviewed the Company's filed 2002 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the 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's Accounting Practices and Procedures Manual.

Based on our materiality threshold, no adjustments were required. Reclassification and adjusting entries are shown for informational purposes only. The following summarizes the exceptions noted while performing this examination.

1. Stock Register

The Company does not maintain a stock register or stock transfer book that tracks changes in ownership of the Company. A stock certificate indicated that Unigard Insurance Company (UIC) owns all authorized and issued shares of UID. The examination staff asked to view the stock register to insure that this certificate was the only one outstanding. The Company was unable to produce a stock register or other official company record showing the history of the Company's ownership. It is a customary business practice for a corporation to maintain a stock register so that it can keep track of stock certificates, capital stock issued, dates of changes, changes in treasury stock, and to record future changes in ownership. RCW 48.05.280 states: "Every insurer

shall keep full and adequate accounts and records of its assets, obligations, transactions and affairs."

The Company is instructed to maintain a stock register in order to meet the full and adequate accounts and records pursuant to RCW 48.05.280.

2. Investment Management Fee

The Company receives investment management services from Winterthur Investment Management Corporation (WIMCO) an affiliate. The Investment Management Agreement which was approved by OIC requires management fees to be based on actual costs incurred by WIMCO. The Company was not able to provide records to support the costs incurred by WIMCO in providing investment management services to the Company. The Company did provide a summary record on the billing allocation method used by WIMCO which is based on actual costs but without the records and details to support those costs we were not able to determine the reasonableness of the billings charged to the Company.

This is in violation of the Insurer Holding Company Act (RCW 48.31B.030), which states "...the books, accounts, and records of each party...must be so maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties."

The Company is instructed to comply with RCW 48.31B.030 by maintaining its books, accounts, and records so that they clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges.

3. Prior Approval Required for Cost-Sharing Agreement

The Company's Cost-Sharing Agreement involved the following affiliates within the Unigard Insurance Company Group: National Merit Insurance Company (NMIC), Unigard Pacific Insurance Company, Unigard Insurance Company (UIC) and Unigard Indemnity Company (UID). The agreement was implemented on January 1, 1998, which was prior to the Commissioner's approval date of April 6, 1999, and prior to its filing of Form D on January 7, 1999. RCW 31B.030(1)(b) states that a service agreement "...involving a domestic insurer and a person in its holding company system may not be entered into unless the insurer has notified the commissioner in writing of its intention to enter into the transaction and the commissioner declares the notice to be sufficient at least sixty days before, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within that period." The Company implemented its Cost-Sharing Agreement with its affiliates prior to receiving approval from the OIC.

The Company is instructed to comply with RCW 48.31B.030(1)(b) which requires prior approval of agreements involving persons in its holding company system.

COMMENTS AND RECOMMENDATIONS

1. Inter-Company Tax Agreement

The Inter-Company Tax Agreement with the parent company, Unigard Inc., requires UID to prepare its tax return on a stand-alone basis. UID is required to file reports and make payments to the parent company on a timely basis in accordance with the Inter-Company Tax Agreement. UID was late in paying its accrued tax liability of $684,030 for 2002 and its first quarter estimated tax of $223,000 for 2003.

It is recommend that the Company settle its tax liabilities and any estimated tax payments with its parent company in a timely fashion in order to comply with the Inter-Company Tax Agreement.

COMPANY PROFILE

History

Unigard Indemnity Company (UID) was incorporated as the Unigard Carolina Insurance Company on November 8, 1972 under the laws of North Carolina. The Company changed its name to Unigard Indemnity Company on April 5, 1977. On August 9, 1990, 100% ownership of the Company was transferred from Unigard, Inc., to Unigard Insurance Company. On June 30, 1994, the Company re-domesticated from Raleigh, North Carolina to Bellevue, Washington, where the administrative offices are located.

Territory and Plan of Operation

UID operates primarily in the six (6) western states of Arizona, California, Idaho, Oregon, Utah, and Washington. The Company underwrites both personal and commercial lines, mainly under the multi-peril and auto lines of business, but is authorized to write private passenger auto liability, auto physical damage, homeowners, commercial auto liability, commercial multi-peril, farm-owners, fire, and other liability insurance policies.

Acquisitions, Mergers, Disposals, Dissolutions, Purchases, And Sales

UID is a wholly-owned subsidiary of Unigard Insurance Company (UIC), which is a subsidiary of Unigard, Inc. On July 1, 1993, Unigard, Inc., and its subsidiaries were purchased by Winterthur U.S. Holdings, Inc., a Delaware Corporation and wholly-owned subsidiary of Winterthur Swiss Insurance Company. Winterthur Swiss Insurance Company and its subsidiaries are members of the Credit Suisse Group.

Growth of Company

The following schedule shows the Company's growth for selected categories as reported in its NAIC Annual Statements:

Year	Net Premiums Written	Net Losses Paid	Admitted Assets	Surplus as Regards Policyholders
1997	$ 34,115,850	$ 23,615,149	$ 71,395,704	$ 24,520,131
1998	17,430,119	21,333,226	60,791,274	28,090,984
1999	20,417,635	13,683,085	47,715,407	18,399,025
2000	21,996,659	12,930,840	48,565,267	19,279,090
2001	25,182,209	13,714,340	54,371,482	21,702,353
2002	27,483,911	14,662,752	58,452,876	23,275,747

AFFILIATED COMPANIES

The Company's outstanding stock is owned by Unigard Insurance Company (UIC), which is a subsidiary of Unigard, Inc. All of the voting stock of Unigard, Inc., is owned by Winterthur U.S. Holdings, Inc., a Delaware Corporation and a wholly-owned subsidiary of Winterthur Swiss Insurance Company. Winterthur Swiss Insurance Company and its affiliates are members of the Credit Suisse Group. As a member of an insurer holding company system, registration statements are required to be filed in accordance with RCW 48.31B.025 and WAC 284-18-300. Winterthur U.S. Holdings, Inc., filed the registration statements for each year under examination on behalf of the Unigard Insurance Group.

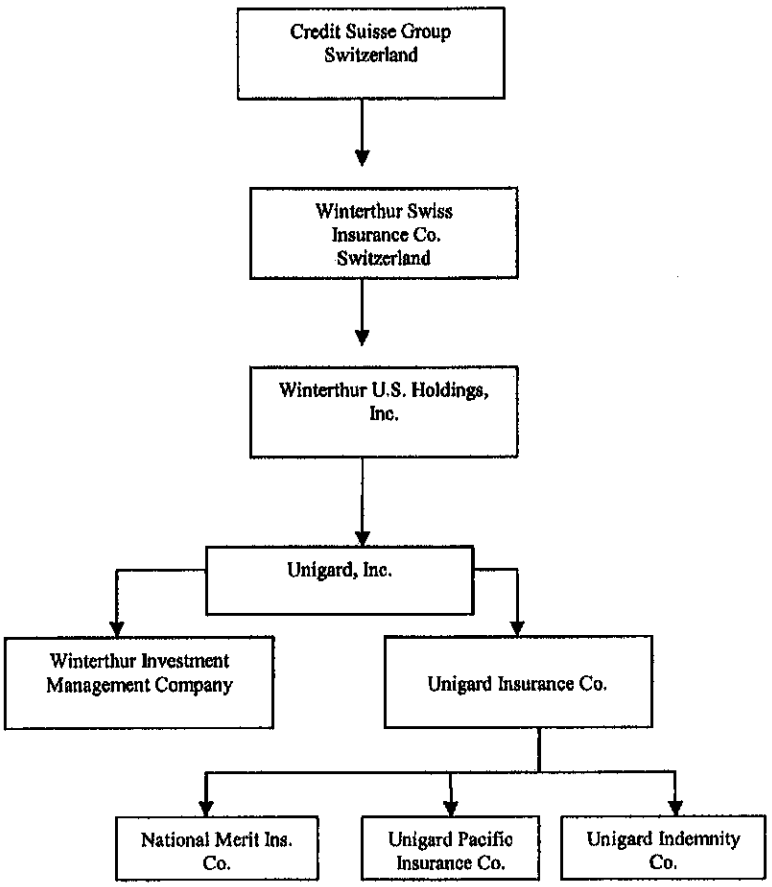
Unigard Insurance Company (UIC) provides all operating services for Unigard Pacific Insurance Company (UPIC), Unigard Indemnity Company (UID), and National Merit Insurance Company (NMIC), with reimbursement pursuant to service agreements between the parties.

Winterthur Investment Management Corporation (WIMCO), an affiliate, provides all the investment services for UID pursuant to an asset management/investment services agreement dated January 1, 1999.

Beginning in 1993, the income tax return of UID has been consolidated with Winterthur U.S. Holdings, Inc., and its subsidiaries. The method of allocation between the companies is subject to a written agreement that became effective on December 10, 1993 and was amended on December 9, 1997. The agreement requires taxes to be allocated based on separate return calculations. These calculations result in a tax charge (or refund) of not more than the amount each company would have paid (or received) had they filed separate returns with the IRS.

On January 1, 1998, UIC entered into an inter-company pooling agreement with two of its wholly-owned subsidiaries, UID and UPIC. Under the terms of this agreement, UIC assumes all of UID's and UPIC's net underwriting activity. UIC then cedes back to UID and UPIC, 10% and 4%, respectively, of the pooled business net of cessions to third party reinsurers.

The following organization chart depicts the direct organizational reporting structure of the Unigard group of companies as of December 31, 2002:



MANAGEMENT AND CONTROL

Ownership

On August 9, 1990, 100% ownership of the Company was transferred from Unigard, Inc., to UIC. The original authorized capital of the Company was $900,000, which consisted

of 9,000 shares of $100 par value stock. On March 2, 1977, an additional 21,000 shares of $100 par value stock were issued, which increased contributed surplus by $2,100,000. On March 5, 1980, the Board approved the repayment of $1,700,000 paid in surplus to its parent company, thus reducing the paid in and contributed surplus from $3,000,000 to $1,300,000.

On December 13, 1994, UIC contributed $5,000,000 to the Company. This transfer increased gross paid in surplus to $6,300,000.

On December 15, 1999, the Company paid a cash dividend of $11,000,000 to its parent company, UIC. This dividend was considered an extraordinary dividend under Washington and California state laws and was approved by the insurance departments of both states prior to payment.

Currently, the authorized capital of the Company is $3,000,000 consisting of 30,000 common shares at $100 par value per share. All authorized shares are outstanding.

Board of Directors

Article I, Section 1 of the Bylaws states that the business affairs of the Company shall be conducted by a Board of not less than seven (7) or more than seventeen (17) directors. The directors are elected at each annual shareholder meeting and hold office for one year.

The following directors, officers and committee members were serving the Company as of December 31, 2002:

Directors	Principal Business Affiliation	Residence
Peter Christen	Chairman, President & CEO Unigard Insurance Group	Washington
John P. McPeak	Vice President & CFO Unigard Insurance Group	Washington
Toni G. Rotz	Vice President, Personal Lines Unigard Insurance Group	Washington
L. Arnold Chatterton	Vice President, Marketing Services Unigard Insurance Group	Washington
Cheryl L. Lang	Vice President, Human Resources Unigard Insurance Group	Washington
Jeffrey R. Dehn	Vice President, Commercial Lines Unigard Insurance Group	Washington

Kenneth C. Dedrick	Vice President, Claims Unigard Insurance Group	Washington
Paul D. Neuss	Vice President, Operations Unigard Insurance Group	Washington

Article I, Section 4 of the Bylaws provides that the Board shall appoint from among its members an Executive Committee composed of not less than three (3) members, including the President and the Chairman of the Board. The Executive Committee shall have full power to act for the Board ad interim. The following individuals were serving on the Executive Committee as of December 31, 2002:

Peter Christen
Cheryl Lang
John McPeak

Officers

Elected Officers

Article I, Section 2 of the Bylaws provides that the following key positions of the Company shall be elected by the Board of Directors: Chairman of the Board, President, Executive Vice President, General Counsel, and such number of Senior Vice Presidents and Vice Presidents as the Board may determine. The elected positions as of December 31, 2002 were as follows:

Name	Title
Peter Christen	Chairman of the Board, President & CEO
John P. McPeak	Vice President & Chief Financial Officer
Andreas F. Braendle	Vice President, Information Systems
L. Arnold Chatterton	Vice President, Marketing Services
Kenneth C. Dedrick	Vice President, Claims
Jeffrey R. Dehn	Vice President, Commercial Lines
Cheryl L. Lang	Vice President, Human Resources
Paul D. Neuss	Vice President, Operations
Toni G. Rotz	Vice President, Personal Lines
Scott A. Kallander	General Counsel

Appointed Officers

Article I, Section 3 of the Bylaws provides that the Chief Executive Officer may from time to time designate a Controller, Treasurer, Secretary and any number of Assistant Vice Presidents and Assistant Secretaries. The appointed officers as of December 31, 2002 were as follows:

Name	Title
Scott Kallander	Secretary
LeAnn Weese	Assistant Vice President, Accounting & Treasurer
Chris Alberghini	Assistant Vice President, Marketing Services
Deirdre Ashlock	Assistant Vice President, Commercial Lines
Sherida Bradley	Assistant Vice President, Northwest Field Operations
Norm Donelson	Assistant Vice President, Actuarial
John Doocy	Assistant Vice President, Information Systems Operations
Doug Furman	Assistant Vice President, Claims
Jerry Lemmon	Assistant Vice President, Information Systems
John Scott	Assistant Vice President, Claims
Eric Spencer	Assistant Vice President, Claims
Diana Van Horn	Assistant Vice President, Intermountain Field Operations
Cindy Woodford	Assistant Vice President, Personal Lines

Conflict of Interest

The Company has policies and procedures to identify any conflicts of interest of the directors, officers and exempt employees. Each officer and director submits a signed conflict of interest statement to the corporate legal department on an annual basis. Each exempt employee submits a signed conflict of interest statement to the corporate legal department every three years. Any reported exceptions that might be considered conflicts of interest are reported to the Board of Directors or its Executive Committee. No material exceptions were noted.

Fidelity Bond and Other Insurance

Winterthur U. S. Holdings, Inc., an affiliate, has a financial institution bond policy that includes coverage for its subsidiaries. The aggregate liability covered by the bond is $10,000,000, which exceeds the NAIC recommended amount.

The Company's property and general liability coverage is provided through an independent agency, i.e., they are underwritten by insurance companies other than those in the Unigard Group.

Winterthur U.S. Holdings, Inc., also has a program of coverage for its subsidiaries that includes: casualty excess, umbrella, employment practices, professional liability, directors and officer's liability, and fiduciary liability insurance.

Officer's, Employees', and Agents' Welfare and Pension Plans
UID does not have any employees. The employees of UIC provide all operational services for UID as required by the various inter-company contracts and service agreements. The officers of UID are also officers of UIC and are eligible for benefits under UIC's plans.

CORPORATE RECORDS

The Company amended its Bylaws on December 11, 2000 to reflect administrative changes required by the operating parent company, UIC. The amended document was filed with the OIC.

The Company's minutes from the Stockholder, Director, and Committee meetings documented disclosure and approval of the Company's transactions and events. The previous examination report was reviewed by the Company's directors.

LOSS EXPERIENCE

The reserves carried by the Company for unpaid losses and loss adjustment expenses were $15,661,730 and $3,610,560, respectively, as of December 31, 2002.

The reserves and an actuarial report prepared by the Company's consulting actuarial firm, Tillinghast-Towers Perrin, were reviewed by the OIC's actuarial staff. Company personnel provided loss and loss adjustment expense development data by accident year and line of business as of December 31, 2002.

Based on the analysis of data through December 31, 2002, the OIC's actuarial staff concluded that the Company's booked reserves for unpaid losses and unpaid loss adjustment expenses as of December 31, 2002 were within a reasonable range. Therefore, the reserves were accepted as shown in the 2002 Annual Statement.

REINSURANCE

The Company cedes and assumes reinsurance. UID is in compliance with the RCW and NAIC guidelines regarding authorized and unauthorized reinsurers. All reinsurance agreements include the insolvency clause required under RCW 48.12.160(2). All reinsurance agreements in effect as of December 31, 2002 were reviewed and the coverage is summarized as follows:

Reinsurance Ceded

The Company, its parent (UIC), and its affiliates UPIC and NMIC, are collectively reinsured under a variety of reinsurance treaties. The following schedule summarizes the Companies' ceded reinsurance treaty coverage in force as of December 31, 2002:

Property	Company Retention	Reinsurers' Limits
First Per Risk Excess	$500,000 $750,000 annual aggregate deductible	$1,500,000 excess of retention, $4,500,000 per occurrence $3,000,000 for terrorism
Second Per Risk Excess	$2,000,000	$3,000,000 excess of retention, $6,000,000 per occurrence $3,000,000 for terrorism
Third Per Risk Excess	$5,000,000	$5,000,000 excess of retention, $5,000,000 per occurrence $5,000,000 for terrorism
Facultative Excess Binding Agreement	$10,000,000 per risk	$20,000,000 excess of retention per risk
First Catastrophe Excess	$5,000,000	95% of $5,000,000 excess of retention, ultimate net loss per occurrence
Second Catastrophe Excess	$10,000,000	95% of $110,000,000 excess of retention, ultimate net loss per occurrence
Equipment Breakdown Coverage	$0	$25,000,000 per accident

Yacht	Company Retention	Reinsurers' Limits
Yacht Excess Automatic Facultative Note: This agreement was cancelled 4/1/02 and provides one year of runoff coverage for policies inforce on that date.	Hull $250,000 P&I $300,000	Hull $1,250,000 excess of retention P&I $700,000 excess of retention

Casualty	Company Retention	Reinsurers' Limits
First Excess	$500,000 per occurrence	$500,000 excess $500,000 per occurrence
Second Excess	$1,000,000 per occurrence	$4,000,000 excess $1,000,000 per occurrence
Third Excess	$5,000,000 per occurrence	$5,000,000 excess $5,000,000 per occurrence
Fourth Workers' Compensation (WC) Excess	$10,000,000 per occurrence	$10,000,000 excess $10,000,000 per occurrence
Personal Umbrella Quota Share	$200,000 (20% First $1,000,000)	80% First $1,000,000
Automatic Facultative		100% Next $4,000,000
Commercial Umbrella Quota Share	$150,000 (15% First $1,000,000)	85% First $1,000,000
Automatic Facultative		100% Next $14,000,000

Reinsurance Assumed

The Company's assumed reinsurance is derived primarily from the participation in the inter-company pooling arrangement.

UID, as part of the inter-company pooling agreement (effective January 1, 1998), automatically cedes to UIC all gross liabilities incurred under or in connection with all contracts and policies issued by UID. Other affiliates also cede 100% of their business to UIC, creating a "business pool". UIC cedes back 10% of the pooled business to UID.

STATUTORY DEPOSITS

At December 31, 2002, UID had the following statutory deposits:

State	Type	Book Value	Market Value
Arizona	Bonds	$ 550,000	$ 659,903
California	Bonds	$ 1,525,000	$ 1,828,094
Idaho	Bonds	$ 300,000	$ 359,625
Nevada	Bonds	$ 225,000	$ 262,265
North Carolina	Bonds	$ 500,000	$ 565,819
Ohio	Bonds	$ 100,000	$ 111,062
Oregon	Bonds	$ 500,000	$ 554,685
Tennessee	Bonds	$ 3,800,000	$ 4,456,955
Washington	Bonds	$ 6,300,000	$ 7,453,830

ACCOUNTING RECORDS AND PROCEDURES

The Company's accounting functions are performed by UIC at its home office in Bellevue, Washington. Data is processed on UIC's computers using purchased software. Accounting services are also provided by UIC per the inter-company service and management agreement. In addition, the Company receives investment services from WIMCO, according to an investment management agreement.

Data for UPIC, UIC, NMIC, and UID are entered into the same general ledger system. Company codes are used to identify and separate each company's data. This system produces a trial balance that can be downloaded into a Lotus spreadsheet and used for financial reporting. Booke software is used to prepare the NAIC Annual Statement. Investment accounting for marketable securities is processed by Sunguard, a personal computer (PC) based software package. Sunguard produces the NAIC Annual Statement investment schedules. Supporting details are recorded in the subsidiary ledgers, journals, and tabulations which are maintained by the UIC's accounting department.

SUBSEQUENT EVENTS

The following subsequent events were noted:

1. During the fourth quarter of 2003, Winterthur US Holdings, Inc., the parent of Unigard, Inc., announced that it would create a new service company called Winterthur North America (WNA) which will be located in Wisconsin. WNA will provide actuarial, financial, human resource, information technology, legal, and

corporate marketing services to companies within Winterthur US Holdings, including UIC and its affiliates. It was announced that about 40 positions in information technology, human resources, and accounting would be eliminated. Most of the financial and accounting functions will be phased out near the end of 2004 and handled by the new service company, WNA. Transition to the new service arrangement will involve significant system conversions, training, and reporting line changes.

2. During the first quarter of 2003, the Company appointed Andreas F. Braendle, (Vice-President of Information Systems) to the Board of Directors. He replaced Paul D. Neuss, the former Vice-President of Operations.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

There were no instructions, comments, or recommendations made during the last examination.

FINANCIAL STATEMENTS

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Statement of Liabilities, Surplus and Other Funds..... Page 15
Statement of Income..... Page 16
Capital and Surplus Account..... Page 17
Five Year Reconciliation of Capital and Surplus ..... Page 18

UNIGARD INDEMNITY COMPANY

STATEMENT OF ASSETS
DECEMBER 31, 2002

	PER COMPANY	ADJUSTMENTS	EXAMINATION
Assets			
Bonds	$ 45,274,981		$ 45,274,981
Cash and short-term investments	11,260,006		11,260,006
Subtotal, cash and invested assets	**56,534,987**		**56,534,987**
Federal income tax recoverable and interest thereon	1,237,000		1,237,000
Interest, dividends and real estate income due and accrued	670,549		670,549
Aggregate write-ins for other than invested assets	10,340		10,340
Total Assets	**$ 58,452,876**	**0**	**$ 58,452,876**

UNIGARD INDEMNITY COMPANY

STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2002

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
Liabilities			
Losses	$ 15,661,730		$ 15,661,730
Loss adjustment expenses	3,610,560		3,610,560
Commissions payable, contingent commissions and other similar charges	2,358,700		2,358,700
Taxes, licenses, and fees	88,855		88,855
Federal and foreign income taxes	684,030		684,030
Unearned premiums	12,524,976		12,524,976
Payable to parent, subsidiaries and affiliates	248,279		248,279
Total Liabilities	**35,177,130**		**35,177,130**
Surplus and Other Funds			
Common capital stock	3,000,000		3,000,000
Gross paid in and contributed surplus	6,300,000		6,300,000
Unassigned funds (surplus)	13,975,747		13,975,747
Surplus as Regards Policyholders	**23,275,747**		**23,275,747**
Total Liabilities, Surplus, and Other Funds	**$ 58,452,877**	**0**	**$ 58,452,877**

UNIGARD INDEMNITY COMPANY

STATEMENT OF INCOME
DECEMBER 31, 2002

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
Underwriting Income			
Premiums earned	$ 25,901,188		$ 25,901,188
Deductions:			
Losses incurred	15,453,901		15,453,901
Loss expenses incurred	3,358,335		3,358,335
Other underwriting expenses incurred	8,443,452		8,443,452
Total underwriting deductions	27,255,688		27,255,688
Net underwriting gain or (loss)	(1,354,500)		(1,354,500)
Investment Income			
Net investment income earned	2,717,380		2,717,380
Net realized capital gains or (losses)	1,093,513		1,093,513
Net investment gain or (loss)	3,810,893		3,810,893
Other Income			
Net income before dividends to policyholders and before federal and foreign income taxes	2,456,393		2,456,393
Net income, after dividends to policyholders but before federal and foreign income taxes	2,456,393		2,456,393
Federal and foreign income taxes incurred	(925,000)		(925,000)
Net Income	$ 1,531,393	0	$ 1,531,393

UNIGARD INDEMNITY COMPANY

CAPITAL AND SURPLUS ACCOUNT
DECEMBER 31, 2002

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
Surplus as Regards Policyholders, December 31 Prior Year	**$ 21,702,353**		**$ 21,702,353**
Gains and Losses in Surplus			
Net income	1,531,393		1,531,393
Change in net deferred income tax	(42,000)		(42,000)
Change in non-admitted assets	84,000		84,000
Change in surplus as regards policyholders for the year	1,573,393		1,573,393
Surplus as Regards Policyholders, December 31 Current Year	**$ 23,275,746**	**0**	**$ 23,275,746**

UNIGARD INDEMNITY COMPANY

RECONCILIATION OF CAPITAL AND SURPLUS ACCOUNT
FOR THE FIVE YEARS ENDING DECEMBER 31

	2002	2001	2000	1999	1998
Capital and Surplus as Regards Policyholders, December 31 Prior Year	**$ 21,702,353**	**$ 19,279,090**	**$ 18,399,024**	**$ 28,090,980**	**$ 24,520,131**
Gains and (Losses) in Surplus					
Net Income	1,531,393	1,380,250	880,066	1,232,044	3,429,849
Change in net deferred income tax	(42,000)	103,000			
Change in non-admitted assets	84,000	(10,000)			
Change in excess of statutory reserves statement reserves				76,000	141,000
Cumulative effect of changes in accounting principles		1,012,000			
Dividends to stockholders (cash)				(11,000,000)	
Extraordinary amounts of taxes for prior years					
Aggregate write-ins for gains and losses in surplus		(61,987)			
Change in surplus as regards policyholders for the year	1,573,393	2,423,263	880,066	(9,691,956)	3,570,849
Capital and Surplus as Regards Policyholders, December 31 Current Year	**$ 23,275,746**	**$ 21,702,353**	**$ 19,279,090**	**$ 18,399,024**	**$ 28,090,980**

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers of Unigard Indemnity Company during the course of this examination.

In addition to the undersigned, Mike Jordan, CPA, CFE, MHP; Carl Baker, CPA, CISA, AFE; Bert Karau, CPA; Jeanette Liao; Kathy Hicks, CPA; Mitch Coe, CPA; Tarik Subbagh, CPA; D. Lee Barclay, FCAS, MAAA; Eric Slavich; and John Jacobson, AFE; all from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,

Timoteo L. Navaja, CFE, CIE
Examiner-in-Charge
State of Washington

Timothy Hurley, CFE
Representing State of Oregon and
NAIC Western Zone

AFFIDAVIT

STATE OF WASHINGTON }
} **ss**
COUNTY OF KING }

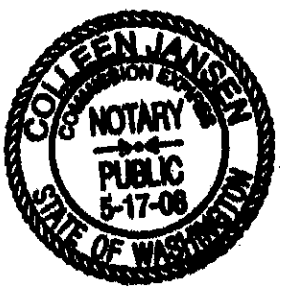
Timoteo L. Navaja, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Unigard Indemnity Company was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).

Timoteo L. Navaja, CFE, CIE
Examiner-in-Charge
State of Washington

Subscribed and sworn to before me this 19th day of October, 2004.

Notary Public in and for the
State of Washington.



MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. G04-60
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
UNIGARD INDEMNITY COMPANY	)	AND ORDER ADOPTING REPORT
	)	OF
	)	FINANCIAL EXAMINATION
A Domestic Insurer.		

BACKGROUND

An examination of the financial condition of **UNIGARD INDEMNITY COMPANY** (the Company) as of December 31, 2002, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on September 10, 2004. On October 15, 2004, the Company provided comments.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 18 of the report.

Mailing Address: P.O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **UNIGARD INDEMNITY COMPANY** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-3.

1. The Company is ordered to maintain a stock register in order to meet the full and adequate accounts and records requirement pursuant to RCW 48.05.280. Instruction 1, Examination Report, page 2.

2. The Company is ordered to comply with RCW 48.31B.030 by maintaining its books, accounts, and records so that they clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges. Instruction 2, Examination Report, page 2.

3. Pursuant to RCW 48.31B.030(1)(b), the Company is ordered to obtain prior approval from the OIC of its cost-sharing agreements involving persons in its holding company system. Instruction 3, Examination Report, page 3.

4. The Company is ordered to consider settlement of its tax liabilities and any estimated tax payments with its parent company, Unigard, Inc., in a timely fashion in compliance with the Inter-Company Tax Agreement. Comments and Recommendations 1, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 26th day of October, 2004.

MIKE KREIDLER
Insurance Commissioner

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

FINANCIAL EXAMINATION
OF

Unigard Insurance Company
Bellevue, Washington

NAIC CODE 25747
DECEMBER 31, 2002

Exhibit A

Participating States:
Washington
Oregon

CHIEF EXAMINER AFFIDAVIT

I hereby certify I have read the attached Report of the Financial Examination of Unigard Insurance Company of Bellevue, Washington. This report shows the financial condition and related corporate matters as of December 31, 2002.

Patrick H. McNaughton
Chief Examiner

10-19-04
Date

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Seattle, Washington
October 19, 2004

The Honorable Kevin McCarty
Chair, NAIC Financial Condition (E) Committee
Director of Insurance Regulation
Florida Dept. of Financial Services
The Larson Bldg., 200 E. Gaines St., Room 101
Tallahassee, FL 32399-0301

The Honorable Joel Ario
Insurance Administration, Oregon Insurance Division
350 Winter Street NE Room 440
Salem, OR 97301-3883

The Honorable John Morrison
Commissioner, Montana Department of Insurance
NAIC Secretary, Western Zone
840 Helena Avenue
Helena, MT 59601

The Honorable Mike Kreidler, Commissioner
Washington State Office of the Insurance Commissioner (OIC)
Insurance 5000 Building
5000 Capital Blvd.
Tumwater, WA 98504-0255

Dear Commissioners:

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

Unigard Insurance Company
of
Bellevue, Washington

hereinafter referred to as "UIC" or the "Company," at the location of its home office, 15805 NE 24th Street, Bellevue, Washington 98008-2409. This report is respectfully submitted showing the financial condition of the Company as of December 31, 2002.

SCOPE OF THE EXAMINATION

This examination covers the period January 1, 1997 through December 31, 2001, carried forward through December 31, 2002, 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), Revised Code of Washington (RCW), and the guidelines recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. 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 along with external reference materials from the NAIC and the Internal Revenue Service (IRS) along with 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 and internal audit work papers were reviewed and utilized, where possible, to facilitate efficiency in the examination.

INSTRUCTIONS

The examiners reviewed the Company's filed 2002 NAIC Annual Statement as part of the statutory examination. This review was performed to determine if the Company completed the 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's Accounting Practices and Procedures Manual.

Based on our materiality threshold, no adjustments were required. Reclassification and adjusting entries are shown for informational purposes only. The following summarizes the exceptions noted while performing this examination.

1. Misclassification of Vehicle and Auto and Related Accumulated Depreciation
The Company incorrectly classified the costs for vehicles and related accumulated depreciation, as Other Assets Not Admitted. The 2002 NAIC Annual Statement Instructions state: "Automobiles, airplanes and other vehicles..." should be included on the Aggregate Write-Ins for Other than Invested Assets line. As of December 31, 2002, the total amount misclassified for vehicles and related accumulated depreciation was $290,346 and $96,829 respectively.

The Company is instructed to record vehicle and auto costs, and related depreciation, on the correct NAIC Annual Statement line as required by RCW

48.05.250 and the NAIC Annual Statement Instructions. In order to properly reflect the amount of vehicle and auto costs, the following reclassifications are needed:

	Debit	Credit
Aggregate write-ins other than invested assets non-admitted	$290,346	
Other assets non-admitted		$290,346
Other assets non-admitted	$96,829	
Aggregate write-ins for other than invested assets non-admitted		$96,829

Subsequent to the date of this examination and prior to the last day of field work, the Company made these reclassification entries.

2. Misclassification of Non-Admitted Qualified Pension Plan Assets

The Company incorrectly classified non-admitted qualified pension plan assets as Other Assets Non-admitted. Other Assets Non-admitted is limited to the following pre-printed line items:

- Bills receivable that are not for premiums
- Furniture, equipment and supplies
- Leasehold improvements
- Loans on personal security

Non-admitted qualified pension plan assets should be included in Aggregate Write-ins for Other Than Invested Assets. The Aggregate Write-ins for Other Than Invested Assets line is for assets for which there is no pre-printed line. The total misclassification as of December 31, 2002 was $78,979.

The Company is instructed to properly classify non-admitted qualified pension plan assets in the NAIC Annual Statement as required by RCW 48.05.250 and the NAIC Annual Statement Instructions. In order to properly reflect the amount of non-admitted qualified pension plan assets, the following reclassification is needed:

	Debit	Credit
Aggregate write-ins for other than invested assets non-admitted	$78,979	
Other assets non-admitted		$78,979

Subsequent to the date of this examination and prior to the last day of field work, the Company made this reclassification entry.

3. Misclassification of Drafts Outstanding

The Company incorrectly classified drafts outstanding in its 2002 NAIC Annual Statement as Amounts Withheld or Retained by Company for Account of Others. Drafts outstanding should be recorded in the NAIC Annual Statement as Drafts Outstanding. The total misclassification as of December 31, 2002 was $58,280.

The Company is instructed to properly classify drafts outstanding in the NAIC Annual Statements as required by RCW 48.05.250 and the NAIC Annual Statement Instructions. In order to properly reflect the amount of drafts outstanding, the following reclassification is needed:

	Debit	Credit
Amounts withheld or retained by company for account of others	$58,280	
Drafts outstanding		58,280

Subsequent to the date of this examination and prior to the last day of field work, the Company made this reclassification entry.

4. Misclassification of Commission Payable

The Company incorrectly classified commissions payable in its Annual Statement as Other Expenses. Commissions Payable should be recorded as Commissions Payable, Contingent Commissions and Other Similar Charges in the Annual Statement.

The NAIC Annual Statement Instructions state: "Commissions Payable, Contingent Commissions and Other Similar Charges include contingent commissions based upon profitability of the business produced, its persistency, loss ratio development and other criteria." The total amount misclassified as of December 31, 2002 was $2,233,751.

The Company is instructed to properly classify commissions payable in the NAIC Annual Statement as required by RCW 48.05.250 and the NAIC Annual Statement Instructions. In order to properly reflect the amount of commissions payable, the following reclassification is needed:

	Debit	Credit
Other expenses (excluding taxes, licenses and fees)	$2,233,751	
Commissions payable, contingent commissions...		$2,233,751

Subsequent to the date of this examination and prior to the last day of field work, the Company made this reclassification entry.

5. Misclassification of Taxes, Licenses and Fees

The Company incorrectly classified Washington State sales tax as Other Expenses in its NAIC Annual Statement. Washington State sales tax should be recorded as Taxes, Licenses and Fees.

The Company is instructed to properly classify Washington State sales tax in the NAIC Annual Statements as required by RCW 48.05.250 and the NAIC Annual Statement Instructions. No reclassifying entry is required due to immateriality.

Subsequent to the date of this examination and prior to the last day of field work, the Company made this reclassification entry.

6. Misclassification of Furniture and Equipment Operating Lease

The Company incorrectly included accrued expenses for an operating lease as Remittances and Items not Allocated in the NAIC Annual Statement. Accrued expenses for operating leases should be included as Other Expenses in the NAIC Annual Statement. Based on paragraph 9 of SSAP 67, "Remittances and Items not Allocated is reserved for cash receipts which can't be identified for a specific purpose." The appropriate statement line for accrued expenses related to an operating lease would be Other Expenses. The NAIC Annual Statement Instructions state that Other Expenses should include "...incurred but unpaid other underwriting and investment expense, excluding taxes, licenses and fees."

The Company is instructed to properly classify accrued expenses for operating leases as required by RCW 48.05.073 and the NAIC Annual Statement Instructions. No reclassification entry was required due to immateriality.

Subsequent to the date of this examination and prior to the last day of field work, the Company made this reclassification entry.

7. Stock Register

The Company does not maintain a stock register or stock transfer book that tracks changes in ownership of the Company. We reviewed three stock certificates that indicate Unigard Inc., owns all of the authorized and issued shares of Unigard Insurance Company. The examination staff asked to view the Company's stock register to determine if the three certificates represent the only shares outstanding. The Company was unable to produce a stock register, or any other official Company record. It is a customary business practice for a corporation to maintain a stock register to keep track of stock certificates, capital stock issued, dates of changes, changes in treasury stock, and to

record future changes in ownership. RCW 48.05.280 states: "Every insurer shall keep full and adequate accounts and records of its assets, obligations, transactions and affairs.

The Company is instructed to maintain a stock register in order to meet the full and adequate accounts and records requirement of RCW 48.05.280.

8. Investment Management Fees

The Company receives investment management services from Winterthur Investment Management Corporation (WIMCO) an affiliate. The Investment Management Agreement which was approved by OIC requires management fees to be based on actual costs incurred by WIMCO. The Company was not able to provide records to support the costs incurred by WIMCO in providing investment management services to the Company. The Company did provide a summary record on the billing allocation method used by WIMCO which is based on actual costs but without the records and details to support those costs we were not able to determine the reasonableness of the billings charged to the Company.

This is in violation of the Insurer Holding Company Act (RCW 48.31B.030), which states "...the books, accounts, and records of each party...must be so maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties."

The Company is instructed to comply with RCW 48.31B.030 by maintaining its books, accounts, and records so that they clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges.

9. Prior Approval Required for Cost-Sharing Agreement

The Company's Cost-Sharing Agreement involved the following affiliates within the Unigard Insurance Company Group: National Merit Insurance Company (NMIC), Unigard Pacific Insurance Company, Unigard Insurance Company (UIC) and Unigard Indemnity Company (UID). The agreement was implemented on January 1, 1998, which was prior to the Commissioner's approval date of April 6, 1999, and prior to its filing of Form D on January 7, 1999. RCW 31B.030(1)(b) states that a service agreement "...involving a domestic insurer and a person in its holding company system may not be entered into unless the insurer has notified the commissioner in writing of its intention to enter into the transaction and the commissioner declares the notice to be sufficient at least sixty days before, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within that period." The Company implemented its Cost-Sharing Agreement with its affiliates prior to receiving approval from the OIC.

The Company is instructed to comply with RCW 48.31B.030(1)(b) which requires prior approval of agreements involving persons in its holding company system.

10. Earned But Unbilled (EBUB) Premium

The Company did not disclose and record EBUB correctly in its Annual Statements for the five years under examination. EBUB refers to the additional premium charged due to changes of insurance risk exposure during the policy period. Almost all commercial policies of Unigard Insurance Company are subject to such after-period audits and adjustments. SSAP 53 requires that EBUB be estimated as of the statement date and that 10% be recorded as a non-admitted asset. The Company estimated the amount of EBUB but failed to record 10% as a non-admitted asset. In addition, the Company did not disclose EBUB in the description column of the balance sheet line, Premiums and Agents' Balances and Installments Booked but Deferred and Not Yet Due, as required in the NAIC Annual Statement Instructions. The non-disclosure and 10% non-admission error occurred during the entire examination period of January 1, 1997 to December 31, 2002.

Pursuant to RCW 48.05.073, the Company is instructed to correctly record EBUB in the NAIC Annual Statement as required by SSAP 53, paragraph 9, and to properly disclose the amount of EBUB as required in the NAIC Annual Statement Instructions.

Subsequent to the date of this examination, the Company has corrected its method of recording EBUB, and the related non-admitted assets.

11. Amortization of Goodwill in Operating Statement

The Company incorrectly recorded $758,563 of goodwill amortization directly to the Statement of Income. The recorded amortization was from the Company's purchase of Federated American Insurance Company (now UPIC), and NMIC. Both companies are considered subsidiary, controlled, and affiliated (SCA) entities. SSAP No. 68 paragraph 7 states "Positive or negative goodwill resulting from the purchase of a SCA shall be amortized to Unrealized Capital Gains and Losses on investments over the period in which the acquiring entity benefits economically, not to exceed 10 years." Recording goodwill amortization to the Statement of Income instead of directly to Capital and Surplus understates net income but does not affect surplus.

The Company is instructed to properly classify goodwill amortization on the NAIC Annual Statement as required by RCW 48.05.073 and SSAP No. 68. In order to properly reflect goodwill amortization in our examination report, the following reclassification is needed:

	Debit	Credit
Net unrealized capital gains or (losses)	$758,563	
Net investment income earned		$758,563

Subsequent to the date of this examination and prior to the last day of field work, the Company made the above entry.

12. Indemnity Agreement - Non Admitted Assets

The Company incorrectly reduced Incurred but Not Reported (IBNR) reserves by $8,516,000 based on a threshold clause that was triggered in the year 2002 in an Indemnity Agreement with John Hancock Property and Casualty Holding Company. This is a non-collateralized indemnity agreement which meets the requirement of SSAP No. 4 as a non-admitted asset. Non-admitted assets cannot be included as an admitted asset, or as an offset to an existing liability account for statutory accounting principles. SSAP No. 4 paragraph 3 states that for statutory accounting principles, a non-admitted asset shall be defined as:

a. "Specifically identified within the Accounting Practices and Procedures Manual as a non-admitted asset; or

b. Not specifically identified as an admitted asset within the Accounting Practices and Procedures Manual."

SSAP No. 20 paragraph 4.b. specifically identifies receivables that are not for premiums and that are not collateralized as a non-admitted asset.

Pursuant to RCW 48.05.073, the Company is instructed to non admit offsets to reserves based on the Indemnity Agreement with John Hancock. However, no adjustment was required for the Examination period ending December 31, 2002 due to OIC's actuarial review. The OIC review determined that reserves, which were reduced for the Indemnity Agreement offset, were adequate or within a reasonable range as stated in the 2002 NAIC Annual Statement. On a go forward basis, there is no guarantee the reserves would remain adequate after the offset is applied, therefore the offset must be non-admitted in future reserve calculations.

COMMMENTS AND RECOMMENDATIONS

None

COMPANY PROFILE

History

Unigard Insurance Company (UIC), the lead company of the Unigard Insurance Group, was incorporated as Northwestern Security Insurance Company on September 29, 1960 under the laws of the state of Washington. The name of the company was changed to Unigard Insurance Company on September 14, 1968.

Territory and Plan of Operation

UIC is a multi-line, property and casualty insurance company operating primarily in the 6 western states of Arizona, California, Idaho, Oregon, Utah, and Washington. In Washington, UIC is authorized to write participating and non-participating policies for disability, property, marine and transportation, vehicle, general casualty and surety as defined in RCW 48.11.030 through RCW 48.11.080.

Acquisitions, Mergers, Disposals, Dissolutions, Purchases, And Sales

UIC is a wholly-owned subsidiary of Unigard, Inc., a non-insurance holding company, which also owns Wincorp, Inc., a commercial insurance premium finance company. On July 1, 1993, Unigard Security Insurance Company (USIC), the former parent of Unigard, Inc., sold Unigard, Inc., and its subsidiaries to Winterthur U.S. Holdings, Inc., a Delaware Corporation and wholly-owned subsidiary of Winterthur Swiss Insurance Company. Winterthur Swiss Insurance Company and its subsidiaries are members of the Credit Suisse Group.

On December 9, 1997, UIC purchased all of the outstanding shares of Federated American Insurance Company (FAIC), now named Unigard Pacific Insurance Company (UPIC), and its subsidiary, National Merit Insurance Company (NMIC). Shortly thereafter, NMIC became a wholly-owned subsidiary of UIC, and a sister company of FAIC, through an approved dividend transaction.

Growth of Company

The following schedule shows the Company's growth for selected categories as reported in its NAIC annual statements:

Year	Net Premiums Written	Net Losses Paid	Admitted Assets	Surplus as Regards Policyholders
1997	$ 209,568,794	$ 145,064,485	$ 496,356,381	$ 199,484,815
1998	184,392,831	118,920,150	517,905,309	235,234,584
1999	175,591,660	117,674,534	448,257,474	181,577,879
2000	189,171,262	111,205,228	464,317,555	178,471,010
2001	216,566,995	117,943,317	457,039,758	187,100,228
2002	236,361,632	126,099,664	470,705,098	167,791,337

AFFILIATED COMPANIES

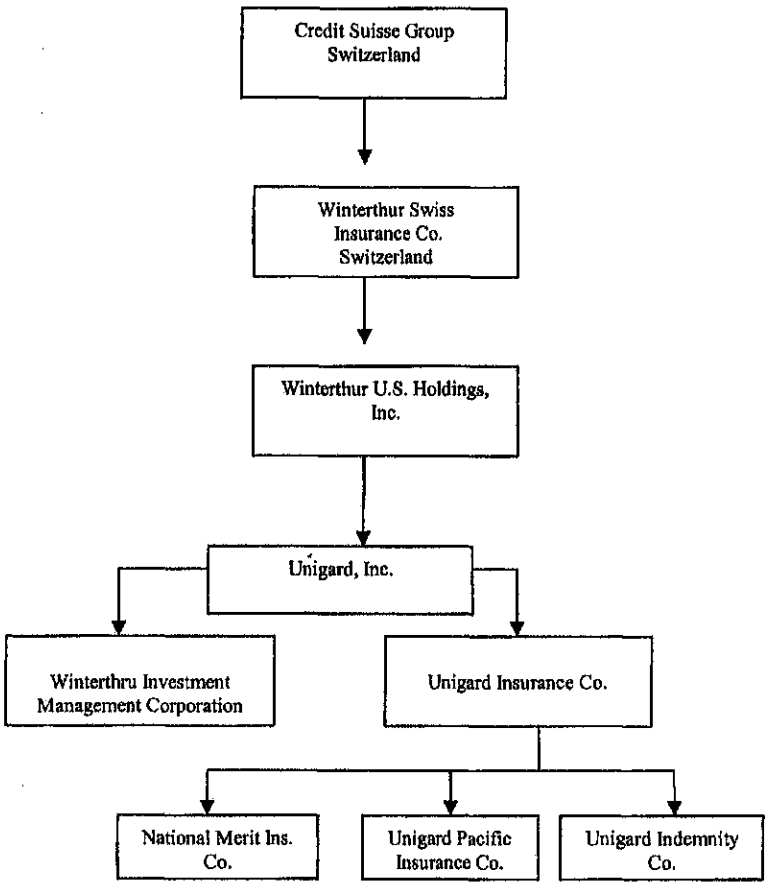
The Company is a wholly-owned subsidiary of Unigard, Inc. All of the voting stock of Unigard, Inc., is owned by Winterthur U.S. Holdings, Inc., a Delaware Corporation and a wholly-owned subsidiary of Winterthur Swiss Insurance Company. Winterthur Swiss Insurance Company and its affiliates are members of the Credit Suisse Group. As a member of an insurance holding company system, registration statements are required to be filed in accordance with RCW 48.31B.025 and WAC 284-18-300. Winterthur U.S. Holdings, Inc., filed registration statements for each year under examination on behalf of the Unigard Insurance Group. The Company provides all operating services for UID, UPIC, and NMIC, with reimbursement pursuant to service agreements between the parties.

Winterthur Investment Management Corporation, an affiliate, provides all the investment services for UIC pursuant to an asset management/investment services agreement dated January 1, 1999.

Beginning in 1993, the income tax return of UIC has been consolidated with Winterthur U.S. Holdings, Inc., and its subsidiaries. The method of allocation between the companies is subject to a written agreement that became effective on December 10, 1993 and amended on December 9, 1997. The agreement requires taxes to be allocated based on separate return calculations. These calculations result in a tax charge (or refund) of not more than the amount each company would have paid (or received) had it filed a separate return with the IRS.

On January 1, 1998, the Company entered into an amended inter-company pooling agreement with two of its wholly owned subsidiaries, UID and UPIC. Under the terms of this agreement, UIC assumes all of UID's and UPIC's net underwriting activity. The Company then cedes back to UID and UPIC, 10% and 4%, respectively, of the pooled business net of cessions to third party reinsurers.

The following organization chart depicts the direct organizational reporting structure of the Unigard group of companies as of December 31, 2002:



MANAGEMENT AND CONTROL

Ownership

The original authorized capital of UIC was $1,000,000 which consisted of 10,000 shares of $100 par value common stock. Unigard Security Insurance Company (USIC) subscribed and purchased all the authorized stock at $300 per share for a total of $3,000,000 with allocation of $1,000,000 to paid-up capital and $2,000,000 to paid-in surplus. On September 30, 1985, USIC contributed $5,100,000 capital to Unigard, Inc., which in turn contributed the same amount to UIC.

On May 8, 1986, the Board of Directors approved the increase of capital stock from $1,000,000 to $2,500,000. The $1,500,000 was transferred from paid in surplus to capital stock.

On August 9, 1990, the Board of Directors approved a resolution transferring 100% ownership of Unigard Indemnity Company (UID) from Unigard, Inc., to the Company

and declared USIC's contribution of $10,000,000 of capital assets to the Company. On November 30, 1990, Unigard, Inc., transferred stock ownership of UID to the Company. On December 21, 1990, USIC contributed $10,000,000 to the Company which increased gross paid in surplus to $28,482,063.

On December 15, 1993, Unigard, Inc., contributed $66,071,508 to the Company. This transfer increased gross paid in surplus to $94,053,571. On November 30, 1994, Unigard, Inc., contributed $25,000,000 to the Company which increased gross paid in surplus to $119,053,571.

Currently, the authorized capital of the Company is $3,000,000 consisting of 30,000 common shares at $100 par value per share. All authorized shares are outstanding.

Over the course of the time period under examination, the Company paid the following dividends to its parent, Unigard, Inc.:

Date	Dollar Amount
March 13, 1997	$ 2,100,000
June 12, 1997	$ 1,200,000
December 15, 1999	$ 60,000,000
December 15, 2000	$ 7,000,000
September 12, 2002	$ 2,500,000
December 20, 2002	$ 2,500,000

The $60,000,000 dividend paid on December 15, 1999, considered an extraordinary dividend under Washington and California state law, was approved by the insurance departments of both states prior to payment.

Board of Directors

Article I, Section 1 of the Bylaws states that the business affairs of the Company shall be conducted by a Board of not less than seven (7) or more than seventeen (17) directors. The directors are elected at each annual shareholder meeting and hold office for one year.

The following directors, officers and committee members served the Company as of December 31, 2002:

Directors	Principal Business Affiliation	Residence
Peter Christen	Chairman, President & CEO Unigard Insurance Group	Washington
John P. McPeak	Vice President & CFO	

	Unigard Insurance Group	Washington
Toni G. Rotz	Vice President, Personal Lines Unigard Insurance Group	Washington
L. Arnold Chatterton	Vice President, Marketing Services Unigard Insurance Group	Washington
Cheryl L. Lang	Vice President, Human Resources Unigard Insurance Group	Washington
Jeffrey R. Dehn	Vice President, Commercial Lines Unigard Insurance Group	Washington
Kenneth C. Dedrick	Vice President, Claims Unigard Insurance Group	Washington
Paul D. Neuss	Vice President, Operations Unigard Insurance Group	Washington

Article 1 Section 4 of the Bylaws provides that the Board shall appoint from among its members an Executive Committee composed of not less than three (3) members, including the President and the Chairman of the Board. The Executive Committee shall have full power to act for the Board ad interim. The Executive Committee is comprised of the following individuals:

Peter Christen
Cheryl Lang
John McPeak

Officers

Elected Officers

Article I, Section 2 of the Bylaws provide that the following key positions of the Company shall be elected by the Board of Directors: Chairman of the Board, President, Executive Vice President, such number of Senior Vice Presidents, and Vice Presidents as the Board may determine, and General Counsel. The elected positions as of December 31, 2002 were as follows:

Name	Title
Peter Christen	Chairman of the Board, President & CEO
John P. McPeak	Vice President & Chief Financial Officer
Andreas F. Braendle	Vice President, Information Systems
L. Arnold Chatterton	Vice President, Marketing Services

Kenneth C. Dedrick	Vice President, Claims
Jeffrey R. Dehn	Vice President, Commercial Lines
Cheryl L. Lang	Vice President, Human Resources
Paul D. Neuss	Vice President, Operations
Toni G. Rotz	Vice President, Personal Lines
Scott A. Kallander	General Counsel

Appointed Officers

Article I, Section 3 of the Bylaws provides that the Chief Executive Officer may from time to time designate a Controller, Treasurer, Secretary and any number of Assistant Vice Presidents and Assistant Secretaries. The appointed officers as of December 31, 2002 were as follows:

Scott Kallander	Secretary
LeAnn Weese	Assistant Vice President, Accounting & Treasurer
Chris Alberghini	Assistant Vice President, Marketing Services
Deirdre Ashlock	Assistant Vice President, Commercial Lines
Sherida Bradley	Assistant Vice President, Northwest Field Operations
Norm Donelson	Assistant Vice President, Actuarial
John Doocy	Assistant Vice President, Information Systems Operations
Doug Furman	Assistant Vice President, Claims
Jerry Lemmon	Assistant Vice President, Information Systems
John Scott	Assistant Vice President, Claims
Eric Spencer	Assistant Vice President, Claims
Diana Van Horn	Assistant Vice President, Intermountain Field Operations
Cindy Woodford	Assistant Vice President, Personal Lines

Conflict of Interest

The Company has policies and procedures to identify any conflict of interest of the directors, officers, and exempt employees. Each officer and director submits a signed conflict of interest statement to the Corporate Legal Department on an annual basis. Each exempt employee submits a signed conflict of interest statement to the Corporate Legal Department every three years. Any reported exceptions that might be considered conflicts of interest are reported to the Board of Directors or its Executive Committee. No material exceptions were noted

Fidelity Bond and Other Insurance

Winterthur U. S. Holdings, Inc., an affiliate, has a financial institution bond policy that includes coverage for its subsidiaries. The aggregate liability covered by the bond is $10,000,000 which exceeds the NAIC recommended amount.

Winterthur U.S. Holdings, Inc., also has a program of coverage for its subsidiaries that includes: casualty excess, umbrella, employment practices, professional liability, directors and officer's liability, and fiduciary liability insurance.

The Company's property and general liability coverage are provided through an independent agency, i.e., they are underwritten by insurance companies other than those in the Unigard Group.

Officer's, Employees', and Agents' Welfare and Pension Plans
The Company provides its employees and their dependents with medical, dental, vision care, life and AD&D benefits. In addition, under Unigard's Pre-Tax Flexible Benefit Plan, employees can take advantage of paying their share of the expense in the plans with pre-tax or tax free dollars.

The Company's employees are eligible to participate in the Company's pension plan, a long term disability plan, and a voluntary defined contribution savings plan. The Company made adequate provisions in the financial statements for its obligations under these plans.

CORPORATE RECORDS

The Company's minutes from the Stockholder, Director, and Committee meetings documented disclosure and approval of the Company's transactions and events. The previous examination report was reviewed by the Company's directors.

LOSS EXPERIENCE

The reserves carried by the Company for unpaid losses and loss adjustment expenses were $134,690,874 and $31,050,818, respectively, as of December 31, 2002.

The reserves and an actuarial report prepared by the Company's consulting actuarial firm, Tillinghast-Towers Perrin, were reviewed by the OIC's actuarial staff. Company personnel provided loss and loss adjustment expense development data by accident year and line of business as of December 31, 2002.

Based on the analysis of data through December 31, 2002, the OIC's actuarial staff concluded that the Company's booked reserves for unpaid losses and unpaid loss adjustment expenses as of December 31, 2002 were within a reasonable range. Therefore, the reserves were accepted as shown in the 2002 Annual Statement.

REINSURANCE

The Company cedes and assumes reinsurance. All reinsurance agreements in effect as of December 31, 2002 were reviewed and the coverage is summarized as follows:

Reinsurance Ceded

The Company and its subsidiaries, UID, UPIC, and NMIC are collectively reinsured under a variety of reinsurance treaties. The Company is in compliance with the Washington Insurance Code and NAIC guidelines regarding authorized and unauthorized reinsurers. The agreements include the insolvency clause required under RCW 48.12.160(2).

The following schedule summarizes the Companies' ceded reinsurance treaty coverage in force as of December 31, 2002:

Property	Company Retention	Reinsurers' Limits
First Per Risk Excess	$500,000 $750,000 annual aggregate deductible	$1,500,000 excess of retention, $4,500,000 per occurrence $3,000,000 for terrorism
Second Per Risk Excess	$2,000,000	$3,000,000 excess of retention, $6,000,000 per occurrence $3,000,000 for terrorism
Third Per Risk Excess	$5,000,000	$5,000,000 excess of retention, $5,000,000 per occurrence $5,000,000 for terrorism
Facultative Excess Binding Agreement	$10,000,000 per risk	$20,000,000 excess of retention per risk
First Catastrophe Excess	$5,000,000	95% of $5,000,000 excess of retention, ultimate net loss per occurrence
Second Catastrophe Excess	$10,000,000	95% of $110,000,000 excess of retention, ultimate net loss per occurrence

Equipment Breakdown Coverage	$0	$25,000,000 per accident

Yacht	**Company Retention**	**Reinsurers' Limits**
Yacht Excess Automatic Facultative	Hull $250,000	Hull $1,250,000 excess of retention
Note: This agreement was cancelled 4/1/02 and provides one year of runoff coverage for policies in force on that date.	P&I $300,000	P&I $700,000 excess of retention

Casualty	**Company Retention**	**Reinsurers' Limits**
First Excess	$500,000 per occurrence	$500,000 excess $500,000 per occurrence
Second Excess	$1,000,000 per occurrence	$4,000,000 excess $1,000,000 per occurrence
Third Excess	$5,000,000 per occurrence	$5,000,000 excess $5,000,000 per occurrence
Fourth Workers' Compensation (WC) Excess	$10,000,000 per occurrence	$10,000,000 excess $10,000,000 per occurrence
Personal Umbrella Quota Share	$200,000 (20% First $1,000,000)	80% First $1,000,000
Automatic Facultative		100% Next $4,000,000
Commercial Umbrella Quota Share	$150,000 (15% First $1,000,000)	85% First $1,000,000
Automatic Facultative		100% Next $14,000,000

Reinsurance Assumed

The Company's assumed reinsurance is derived primarily from its subsidiary, UID, and its former affiliate, USIC.

UID, as part of the inter-company pooling agreement which became effective July 1, 1993, automatically cedes to the Company all gross liabilities incurred under or in connection with all contracts and policies of insurance issued by the UID. Subsequently, UIC retro-ceded 14% of this business to UID. This agreement was modified on January 1, 1998 as a result of the Company purchasing UPIC. Under the new agreement, the Company assumes all of UID's and UPIC's net underwriting activity and cedes back to

UID and UPIC 10% and 4%, respectively, of the pooled business net of cessions to third party reinsurers.

Unigard Security Insurance Company and Winterthur U.S. Holdings, Inc., entered into a stock purchase agreement as of September 24, 1993 which provided for the sale of all the capital stock of Unigard, Inc., the holder of all the issued and outstanding capital stock of UIC (holder of all the issued and outstanding capital stock of UID).

Under the terms of the Stock Purchase Agreement, the Company and UID entered into a 100% quota share agreement with USIC as of December 10, 1993. The Company agreed to assume "...on the terms and conditions and for considerations hereinafter contained, a 100% Quota Share of the Ceding Company's, i.e. USIC's, insurance liabilities and obligations, after reduction for collectible Third Party Reinsurance, and all risks, past, present and future with respect to all business conducted or to be conducted by the Ceding Company but excluding the Excluded Business (the "Business Covered")."

Amendment Number One dated December 31, 1996 states that the Stock Purchase Agreement shall continue in full force and effect through December 31, 1997. The parties agreed that the Ceding Company will not write any new business after December 31, 1996.

STATUTORY DEPOSITS

At December 31, 2002, the Company had the following statutory deposits:

State	Type	Par Value	Market Value
Arizona	Bonds	$ 3,250,000	$ 3,828,903
California	Bonds	$ 8,500,000	$10,039,375
Idaho	Bonds	$ 70,000	$ 77,743
New Mexico	Bonds	$ 350,000	$ 388,717
North Carolina	Bonds	$ 350,000	$ 389,561
Oregon	Bonds	$ 800,000	$ 887,496
Washington	Bonds	$ 2,700,000	$ 2,998,674

ACCOUNTING RECORDS AND PROCEDURES

The Company's accounting functions are processed through a purchased accounting software program operated at its home office in Bellevue, Washington. The Company provides accounting services to its affiliates through an inter-company service and management agreement. In addition, the Company and its affiliates receive investment services from WIMCO according to an investment management agreement.

Data for all four affiliates (UPIC, UIC, NMIC, and UID) are entered into the same general ledger system. Company codes are used to identify and separate each company's data. This system produces a trial balance that can be downloaded into a Lotus spreadsheet and used for financial reporting. Booke software is used to prepare the NAIC Annual Statement. Investment accounting for marketable securities is processed by Sunguard, a personal computer (PC) based software package.

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the planning phase of the examination and a trial balance prepared for the year ended December 31, 2002. No exceptions were noted.

SUBSEQUENT EVENTS

The following subsequent events were noted:

1. During the fourth quarter of 2003, Winterthur US Holdings, Inc., the parent of Unigard, Inc., announced that it would create a new service company called Winterthur North America (WNA), which will be located in Wisconsin. WNA will provide actuarial, financial, human resource, information technology, legal, and corporate marketing services to companies within Winterthur US Holdings, including Unigard Insurance Company and its affiliates. It was announced that about 40 positions in information technology, human resources, and accounting would be eliminated. Most of the financial and accounting functions will be phased out near the end of 2004 and handled by the new service company, WNA. Transition to the new service arrangement will involve significant system conversions, training, and reporting line changes.

2. National Merit Insurance Company (NMIC), a direct writer of property and casualty insurance products was sold to Response Insurance effective after close of business on December 31, 2003.

3. On February 24, 2003, the Company paid a $2,500,000 dividend to its parent Unigard, Inc.

4. In the first quarter of 2003, the Company appointed Andreas F. Braendle (Vice-President of Information Systems) to the Board of Directors. He replaced Paul D. Neuss, the former Vice-President of Operations.

5. On August 21, 2003, the Company paid a $2,500,000 dividend to its parent, Unigard, Inc.

FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

There were no instructions, comments, or recommendations made during the last examination.

FINANCIAL STATEMENTS

Statement of Assets..... Page 20
Statement of Liabilities, Surplus and Other Funds..... Page 21
Statement of Income..... Page 22
Capital and Surplus Account..... Page 23
Five Year Reconciliation of Capital and Surplus ..... Page 24

UNIGARD INSURANCE COMPANY

STATEMENT OF ASSETS
AS OF DECEMBER 31, 2002

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
Assets			
Bonds	$ 258,295,650		$ 258,295,650
Stocks:			
Common stocks	59,779,821		59,779,821
Real estate:			
Properties occupied by the company	31,717,461		31,717,461
Properties held for production of income	4,579,749		4,579,749
Cash and short-term investments	27,476,442		27,476,442
Other invested assets	5,135,353		5,135,353
Subtotals, cash and invested assets	**386,984,476**		**386,984,476**
Agents' balances or uncollected premiums:			
Premiums and agents' balances in course of collection	8,899,810		8,899,810
Premiums, agents' balances and installments booked but deferred and not yet due	45,177,866		45,177,866
Reinsurance recoverables on loss and loss adjustment expense payments	4,557,213		4,557,213
Federal income tax recoverable and interest thereon	19,305,763		19,305,763
Electronic data processing equipment & software	1,285,945		1,285,945
Interest, dividends and real estate income due and accrued	2,819,510		2,819,510
Receivable from parent, subsidiaries and affiliates	759,224		759,224
Aggregate write-ins for other than invested assets:	915,291		915,291
Total Assets	**$ 470,705,098**	**0**	**$ 470,705,098**

UNIGARD INSURANCE COMPANY
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS
AS OF DECEMBER 31, 2002

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
Liabilities			
Losses	$ 134,690,874		$ 134,690,874
Loss adjustment expenses	31,050,818		31,050,818
Commissions payable, contingent commissions & other similar charges	6,934,829		6,934,829
Other expenses (excluding taxes, licenses and fees)	11,451,268		11,451,268
Taxes, licenses and fees (excluding federal and foreign income taxes)	918,799		918,799
Borrowed money interest thereon	48,561		48,561
Unearned premiums	107,714,792		107,714,792
Advance premiums	3,471,607		3,471,607
Ceded reinsurance premiums payable (net of ceding commissions)	2,806,197		2,806,197
Funds held by company under reinsurance treaties	26,800		26,800
Amounts withheld or retained by company for account of others	388,017		388,017
Remittances and items not allocated	20,966		20,966
Provision for reinsurance	402,200		402,200
Aggregate write-ins for liabilities	2,988,033		2,988,033
Total Liabilities	302,913,761		302,913,761
Surplus and Other Funds			
Common capital stock	3,000,000		3,000,000
Gross paid in and contributed surplus	119,053,571		119,053,571
Unassigned funds (surplus)	45,737,766		45,737,766
Surplus as regards policyholders	167,791,337		167,791,337
Total Liabilities, Surplus and Other Funds	$ 470,705,098	$ 0	$ 470,705,098

UNIGARD INSURANCE COMPANY

STATEMENT OF INCOME
FOR THE YEAR-ENDED DECEMBER 31, 2002

Loss expenses incurred	28,881,673		28,881,673
Other underwriting expenses incurred	72,613,704		72,613,704
Total underwriting deductions	234,398,930		234,398,930
Net underwriting gain or (loss)	(11,648,711)		(11,648,711)
Investment Income			
Net investment income earned	11,595,819		11,595,819
Net realized capital gains or (losses)	(18,920,204)		(18,920,204)
Net investment gain or (loss)	(7,324,385)		(7,324,385)
Other Income			
Net gain or (loss) from agents' or premium balances charged off	(501,552)		(501,552)
Finance and service charges not included in premiums	2,117,860		2,117,860
Aggregate write-ins for miscellaneous income	(11,011,670)		(11,011,670)
Total other income	(9,395,362)		(9,395,362)
Net income before dividends to policyholders and before federal and foreign income taxes	(28,368,458)		(28,368,458)
Net income, after dividends to policyholders but before federal and foreign income taxes	(28,368,458)		(28,368,458)
Federal and foreign income taxes incurred	4,906,000		4,906,000
Net Income	$ (23,462,458)	$ 0	$ (23,462,458)

UNIGARD INSURANCE COMPANY

CAPITAL AND SURPLUS ACCOUNT
AS OF DECEMBER 31, 2002

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
Surplus as Regards Policyholders, December 31 Prior Year	**$ 187,100,230**		**$ 187,100,230**
Gains and (Losses) in Surplus			
Net income	(23,462,458)		(23,462,458)
Net unrealized capital gains or (losses)	3,362,227		3,362,227
Change in net deferred income tax	4,672,000		4,672,000
Change in non-admitted assets	1,521,538		1,521,538
Change in provision for reinsurance	(337,400)		(337,400)
Dividends to stockholders (cash)	(5,000,000)		(5,000,000)
Aggregate write-ins for gains and losses in surplus	(64,800)		(64,800)
Change in surplus as regards policyholders for the year	**(19,308,893)**		**(19,308,893)**
Surplus as Regards Policyholders, December 31 Current Year	**$ 167,791,337**	**0**	**$ 167,791,337**

UNIGARD INSURANCE COMPANY

RECONCILIATION OF SURPLUS FOR THE PERIOD SINCE THE LAST EXAMINATION
FOR THE FIVE YEARS ENDING DECEMBER 31

Policyholders, December 31 Prior Year	**$187,100,230**	**$178,471,010**	**$181,577,877**	**$235,234,584**	**$199,484,815**
Gains and (Losses) in Surplus					
Net Income	(23,462,458)	2,934,423	7,624,916	28,729,449	22,106,297
Net unrealized capital gains or (losses)	3,362,227	(671,386)	(3,599,964)	(22,817,834)	12,080,621
Change in net deferred income tax	4,672,000	2,840,000			
Change in non-admitted assets	1,521,538	(4,687,277)	(531,818)	(86,322)	493,851
Change in provision for reinsurance	(337,400)	(11,400)	11,600	268,600	(33,600)
Cumulative effect of changes in accounting principles		8,963,452			
Change in excess of statutory reserves over statement reserves				518,000	969,000
Dividends to stockholders (cash)	(5,000,000)	-	(7,000,000)	(60,000,000)	-
Aggregate write-ins for gains and losses in surplus	(64,800)	(738,592)	388,399	(268,600)	133,600
Change in surplus as regards policyholders for the year	(19,308,893)	8,629,220	(3,106,867)	(53,656,707)	35,749,769
Capital and Surplus as Regards Policyholders, December 31 Current Year	**$167,791,337**	**$187,100,230**	**$178,471,010**	**$181,577,877**	**$235,234,584**

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers of Unigard Insurance Company during the course of this examination.

In addition to the undersigned, Mike Jordan, CPA, CFE, MHP; Carl Baker, CPA, CISA, AFE; Bert Karau, CPA; Jeanette Liao; Kathy Hicks, CPA; Mitch Coe, CPA; Tarik Subbagh, CPA; D. Lee Barclay, FCAS, MAAA; Eric Slavich; and John Jacobson, AFE, all from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,

Timoteo L. Navaja, CFE, CIE
Examiner-in-Charge
State of Washington

Timothy Hurley, CFE
Representing State of Oregon and
NAIC Western Zone

AFFIDAVIT

STATE OF WASHINGTON }
} **ss**
COUNTY OF KING }

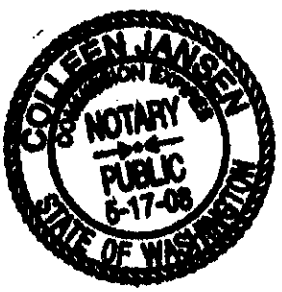
Timoteo L. Navaja, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Unigard Insurance Company was performed in a manner consistent with the standards and procedures required or prescribed by the Washington State Office of Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).

Timoteo L. Navaja, CFE, CIE
Examiner-In-Charge
State of Washington

Subscribed and sworn to before me this 19th day of October, 2004.

Notary Public in and for the
State of Washington.



MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No. G04-60
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
UNIGARD INDEMNITY COMPANY	)	AND ORDER ADOPTING REPORT
	)	OF
	)	FINANCIAL EXAMINATION
A Domestic Insurer.		

BACKGROUND

An examination of the financial condition of **UNIGARD INDEMNITY COMPANY** (the Company) as of December 31, 2002, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on September 10, 2004. On October 15, 2004, the Company provided comments.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by the Company.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 18 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **UNIGARD INDEMNITY COMPANY** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented the Instructions and Recommendations prior to the date of this order. The Instructions and Recommendations in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-3.

1. The Company is ordered to maintain a stock register in order to meet the full and adequate accounts and records requirement pursuant to RCW 48.05.280. Instruction 1, Examination Report, page 2.

2. The Company is ordered to comply with RCW 48.31B.030 by maintaining its books, accounts, and records so that they clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges. Instruction 2, Examination Report, page 2.

3. Pursuant to RCW 48.31B.030(1)(b), the Company is ordered to obtain prior approval from the OIC of its cost-sharing agreements involving persons in its holding company system. Instruction 3, Examination Report, page 3.

4. The Company is ordered to consider settlement of its tax liabilities and any estimated tax payments with its parent company, Unigard, Inc., in a timely fashion in compliance with the Inter-Company Tax Agreement. Comments and Recommendations 1, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Tumwater, Washington, this 26th day of October, 2004.

MIKE KREIDLER
Insurance Commissioner

DEBORAH SENN
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

Phone: (360) 407-0542
Fax: (360) 407-0540

January 28, 1998

Mr. Laurence P. O'Connor
President & CEO
Unigard Insurance Company
15805 NE 24th Street
Bellevue, WA 98008-2409

RE: Report of Examination—UNIGARD INSURANCE COMPANY

Dear Mr. O'Connor:

Pursuant to RCW 48.03.040(5), and RCW 48.03.040(6)(a), enclosed is the final adopted report of examination and a copy of the official order of adoption of Unigard Insurance Company issued by the Commissioner on January 28, 1998. In accordance herewith, the report contents will be held private and confidential for a period of five (5) days.

If you have any questions, please do not hesitate to contact the undersigned at the Washington Office of the Insurance Commissioner in Lacey, Washington at (360) 407-0420.

Sincerely,

JAMES T. ODIORNE, CPA, JD
Deputy Commissioner, Company Supervision
Acting Chief Examiner

Enclosure

DEBORAH SENN
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 407-0542
Fax: (360) 407-0540

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of	)	No G 98 - 12
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
UNIGARD INSURANCE COMPANY,	)	AND ORDER ADOPTING REPORT
	)	
A Domestic Insurer.		

BACKGROUND

An examination of the financial condition of **UNIGARD INSURANCE COMPANY** (the Company) as of December 31, 1996, was conducted by examiners of the Washington state Office of the Insurance Commissioner (OIC). The company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions and comments and recommendations was transmitted to the Company for its comments on October 14, 1997.

The Commissioner or a designee has considered the report, the relevant portions of the examiner's work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48 04 and 34 05 RCW, the Commissioner adopts the following findings, conclusions, and order

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 4 through 21 of the report.

Mailing Address: P.O Box 40259 • Olympia, WA 98504-0259
Street Address: Lacey Financial Plaza Building Suite 102 • 420 Golf Club Road • Lacey WA 98503

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **UNIGARD INSURANCE COMPANY** and to order the company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The comments and recommendations in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Comments and Recommendations contained in the examination report on page 3:

1. It is recommended that the Company follow NAIC Annual Statement Instructions, and book actual rather than estimated amounts on the annual statement line "Premiums, agents' salaries and installments booked but deferred and not yet due."

ENTERED at Lacey, Washington, this 28th day of January, 1998.

DEBORAH SENN
Insurance Commissioner

By:

JAMES T. ODIORNE, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division

REPORT OF EXAMINATION

UNIGARD INSURANCE COMPANY

Bellevue, Washington

December 31, 1996

States Participating

Washington

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify that the attached Report of Examination shows the financial condition and affairs of **UNIGARD INSURANCE COMPANY** of Bellevue, Washington, as of December 31, 1996.

JAMES T. ODIORNE, CPA, JD
Deputy Insurance Commissioner
Acting Chief Examiner

1-28-98
Date

UNIGARD INSURANCE COMPANY

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UNIGARD INSURANCE COMPANY

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UNIGARD INSURANCE COMPANY

Bellevue, Washington
June 20, 1997

Hon. Josephine W. Musser
Commissioner, Wisconsin Insurance Dept.
Chair, NAIC Financial Condition (EX4)
121 E. Wilson
Madison, Wisconsin 53707-7873

Hon. Marianne K. Burke
Director, Alaska Division of Insurance
NAIC Secretary, Western Zone
P.O. Box 110805
Juneau, Alaska 99811-0805

Hon. Deborah Senn
Commissioner, Washington Insurance Department
Insurance Building, 14th & Water
Olympia, Washington 98504-0255

Dear Commissioners:

In accordance with your instructions and in compliance with the statutory requirements of Chapter 48 03 RCW, an examination was made of the corporate affairs and financial records of

UNIGARD INSURANCE COMPANY

of

Bellevue, Washington

hereinafter referred to as the "Company" or "UIC," at its home office located at 15805 NE 24th Street, Bellevue, Washington 98008-2409

The Report of Examination is respectfully submitted showing the condition of the Company as of December 31, 1996.

SCOPE OF EXAMINATION

Per RCW 48.03.010, the examination covered the five-year period from January 1, 1991 through December 31, 1995 and was carried forward through December 31, 1996. Concurrently, the examiners conducted the examination of the Company's subsidiary, Unigard Indemnity Company or "UID." Occasionally, reference to "the Companies" indicates that the items or discussion is equally applicable to the Unigard Insurance Company and Unigard Indemnity Company. The examiners from the states of Nevada and Washington examined the Company as of December 31, 1990. No NAIC Zone examiners participated in the current examination.

The examination followed the statutory requirements contained in the Washington Insurance Laws and the guidelines prescribed in the NAIC Financial Condition Examiner's Handbook. UIC's operating procedures and financial records were reviewed as considered necessary to ascertain the financial condition of the Company and conformity with related laws. These matters are discussed in various sections of the report. The examination included identification and disposition of material transactions and events occurring subsequent to December 31, 1996, and a limited review of market conduct issues.

UNIGARD INSURANCE COMPANY

INSTRUCTIONS

The examination detected no violations of Regulation or Law that require instructions to the Company.

COMMENTS AND RECOMMENDATIONS

The Company estimates the amount shown on the annual statement line, "Premiums, agents' balances and installments booked but deferred and not yet due." The Company should book the actual amount rather than estimated amount, in accordance with NAIC annual statement instructions.

UNIGARD INSURANCE COMPANY

HISTORY

Unigard Insurance Company, the lead carrier of the Unigard Insurance Group, was incorporated as Northwestern Security Insurance Company on September 29, 1960 under the laws of the state of Washington. It began business on September 30, 1960. On September 14, 1968, UIC adopted its present name.

On December 31, 1981, all issued stock passed (as a surplus contribution) from Unigard Mutual Insurance Company, to its downstream holding company, Unigard, Inc. Effective September 30, 1984, Unigard Mutual completed a plan of demutualization. It changed its name to Unigard Security Insurance Company (USIC) at the same time Hanseco Insurance Company acquired USIC. On December 31, 1984, John Hancock Property and Casualty Holding Company obtained ownership of USIC. John Hancock Mutual Life Insurance Company indirectly owned John Hancock Property and Casualty Holding Company.

On August 9, 1990, the Company's Board of Directors approved the transfer of 100% ownership of Unigard Indemnity Company (UID) from Unigard, Inc. to UIC. Effective July 1, 1993, John Hancock Property and Casualty Holding Company sold to Winterthur U.S. Holdings, Inc., USIC's continuing operations business as well as 100% of the stock of USIC's wholly owned subsidiary, Unigard, Inc., and its wholly owned subsidiaries: UIC, UID, Unigard Service Corporation and Unigard Service Corporation of California. Winterthur U.S. Holdings, Inc. is a wholly owned subsidiary of Winterthur Swiss Insurance Company of Switzerland.

CAPITAL AND SURPLUS

The original authorized capital of the Company was $1,000,000 which consisted of 10,000 shares of common capital stock with par value of $100 per share. Unigard Mutual Insurance Company, currently Unigard Security Insurance Company (USIC), subscribed and purchased all the authorized stock at $300 per share for a total of $3,000,000 with allocation of $1,000,000 to paid up capital and $2,000,000 to paid in surplus. On September 30, 1985, USIC contributed $5,100,000 capital to Unigard, Inc., which in turn contributed the same amount to the Company

On May 8, 1986, the Board of Directors approved the increase of capital stock from $1,000,000 to $2,500,000. The $1,500,000 was transferred from paid in surplus to capital stock.

On August 9, 1990, the Board of Directors approved a resolution transferring the 100% ownership of UID from Unigard, Inc. to the Company and declaring USIC's contribution of $10,000,000 of capital assets to the Company On November 30, 1990 Unigard, Inc. transferred stock ownership of UID to the Company. On December 21, 1990, USIC contributed $10,000,000 to the Company which increased gross paid in surplus to $28,482,063.

On December 15, 1993, Unigard, Inc contributed $66,071, 508 to the Company. This transfer increased gross paid in surplus to $94,053,571. On November 30, 1994, Unigard, Inc. contributed $25,000,000 to the Company which increased gross paid in surplus to $119,053,571.

Currently, the authorized capital of the Company is $3,000,000 consisting of 30,000 common shares at $100 par value per share. All authorized shares are outstanding.

UNIGARD INSURANCE COMPANY

MANAGEMENT

Board of Directors

Article I, Section 1 of the Bylaws state that the business affairs of the Company shall be conducted by a Board of not less than seven (7) nor more than seventeen (17) directors. The directors are to be elected at each annual shareholders' meeting and are to hold office for one year.

The following directors, officers and committee members are serving the Company as of December 31, 1996:

Directors	Principal Business Affiliation	Residence
Dr. Hans-Rudolf Stucki	Gen. Manager, North America Dept. Winterthur Swiss Insurance Group	Winterthur, Switzerland
Laurence P. O'Connor	Chairman, President & CEO Unigard Insurance Group	Bellevue, WA
Dale E. Abbrederis	Sr. Vice President & CFO Unigard Insurance Group	Bellevue, WA
Mary K. Dawson	Vice President, Personal Lines Unigard Insurance Group	Bellevue, WA
Nelson A. Habenicht	Vice President, Marketing Unigard Insurance Group	Issaquah, WA
Cheryl L. Lang	Vice President, Human Resources Unigard Insurance Group	Redmond, WA
Gordon S. McLaren	Vice President, Commercial Lines Unigard Insurance Group	Redmond, WA
Paul B. Swank	Vice President, Claims Unigard Insurance Group	Issaquah, WA

UNIGARD INSURANCE COMPANY

Elected Officers

Article I, Section 2 of the Bylaws provide that the following officers of the Company shall be elected by the Board of Directors: Chairman of the Board, President, Executive Vice President, such number of Senior Vice Presidents, and Vice Presidents as the Board may determine, and General Counsel. Section 3 provides that the Chief Executive Officer may from time to time designate a Controller, Treasurer, Secretary and any number of Assistant Vice Presidents and Assistant Secretaries.

Name	Title
Laurence P. O'Connor	Chairman of the Board, President & Chief Executive Officer
Dale E. Abbrederis	Senior Vice President & Chief Financial Officer
Mary K. Dawson	Vice President, Personal Lines
Jerry L. Epler	Vice President & Controller
Nelson A. Habenicht	Vice President, Marketing
Cheryl L. Lang	Vice President, Human Resources
Gordon S. McLaren	Vice President, Commercial Lines
Paul. D. Neuss	Vice President, Information Systems
Paul B. Swank	Vice President, Claims
L. Arnold Chatterton	Vice President, Corporate Automation & Agency Management

Appointed Officers

Theodore R. Olson	Treasurer
Catherine E. Jacoy	Secretary
Francis P. Hogan	Assistant Vice President
William M. Clumpner	Assistant Secretary
Meredith L. Lehr	Director of Corporate Legal Affairs & Assistant Vice President
Ann Marie Davis	Assistant Vice President
Norman E. Donelson	Assistant Vice President
Ralph A. Mill	Assistant Vice President
Joan E. Pierce	Assistant Vice President

Section 4 provides that the Board shall appoint from among its members an Executive Committee composed of not less than three (3) members, including the President and the Chairman of the Board. The Executive Committee shall have full power to act for the Board ad interim.

Executive Committee

Dale E. Abbrederis
Laurence P. O'Connor - Chairman
Hans-Rudolf Stucki

Investment Committee

The Investment Committee was discontinued effective February, 1994 when Winterthur took over the Unigard Insurance Group.

Conflict of Interest

The Company has an established conflict of interest procedure for its directors, officers and exempt employees. Each officer and director submits a signed conflict of interest statement to the Corporate Legal Department on an annual basis. Each exempt employee submits a signed conflict of interest statement to the Corporate Legal Department every three years. Any reported exceptions that might be considered conflicts of interest will be reported to the Board of Directors or its Executive Committee. No material exceptions were noted.

Minutes

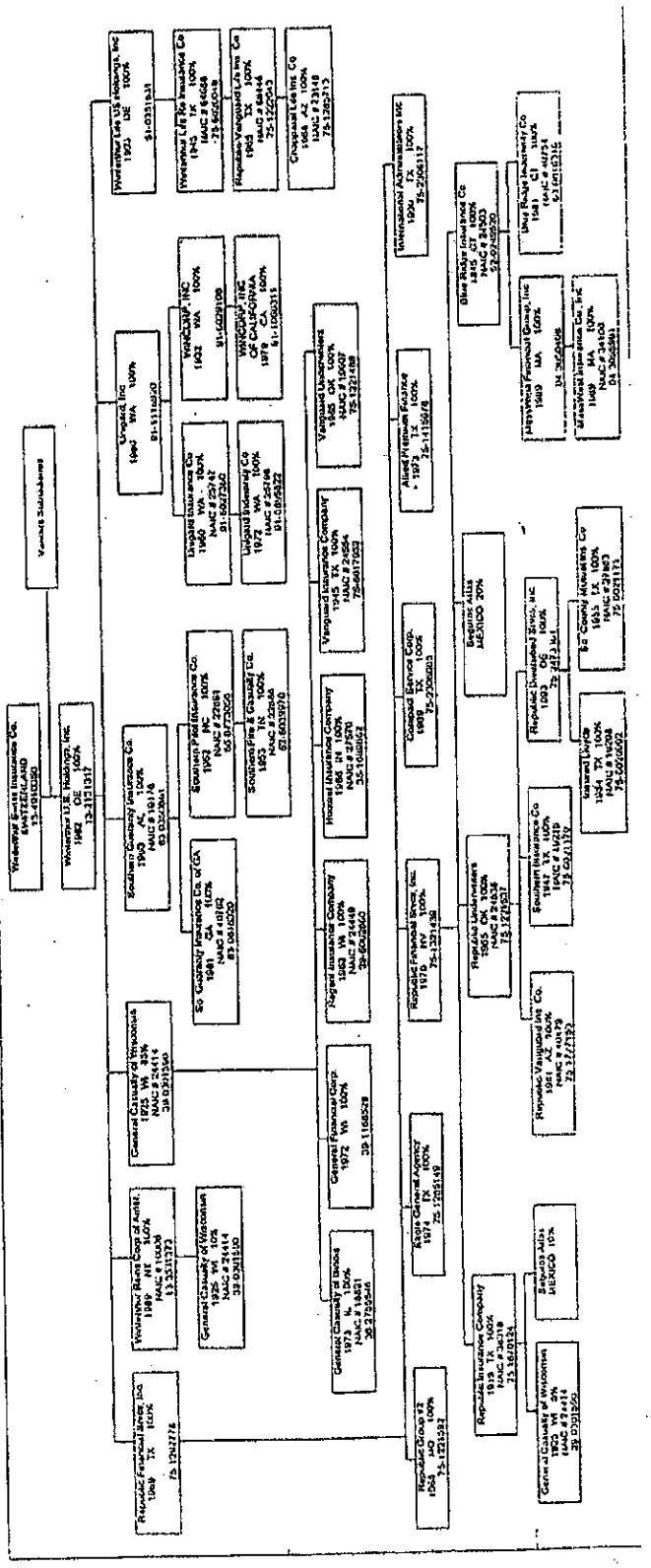
The examiners reviewed the minutes of the Shareholders, Board of Directors and committees of the Board for the period covered under examination. The Board adequately approved investment transactions. The meetings were well attended.

AFFILIATED COMPANIES

The Company is a wholly owned subsidiary of Unigard, Inc. All of the voting stock of Unigard, Inc., is owned by Winterthur U.S. Holdings, Inc., with its ultimate parent, Winterthur Swiss Insurance Company of Switzerland. As a member of an Insurance Holding Company System, registration statements are required to be filed in accordance with RCW 48.31B.025 and WAC 284-18-300. John Hancock or Winterthur U.S. Holdings, Inc., filed the registration statements for each year under examination on behalf of the Unigard Insurance Group.

The following organization chart is taken in part from the filed 1996 annual statement:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



CORPORATE RECORDS

Contracts/Service Agreements

On and after December 1, 1993, the Company provides all operating services for Unigard Indemnity Company with reimbursement pursuant to a Service Agreement between the parties dated January 18, 1994. Prior to December 1, 1993, all of the activities and functions of the Company were performed by employees of Unigard Security Insurance Company.

Winterthur Reinsurance Corporation of America, an affiliate, provides all the investment services relating to the Company's assets held in a custody account at the Bank of New York pursuant to the Investment Service Agreement/Asset Management Agreement dated December 10, 1993, as amended June 14, 1995, February 13, 1996, and February 20, 1997. The amendments incorporated by reference revised Investment Policy Guidelines approved by the Company's Board of Directors.

The Company's income tax returns have been consolidated with Winterthur U.S. Holdings, Inc and its subsidiaries as shown in Schedule Y of the annual statement beginning December, 1993. The method of allocation between the Company, Unigard Indemnity Company and Unigard, Inc. is subject to a written agreement that was effective on December 10, 1993. The terms and conditions of this agreement require an allocation of taxes based upon separate return calculations resulting in a tax charge or refund of not more than the amount each company would have paid or received if it had filed on a separate return basis.

INTERNAL SECURITY

Fidelity Bonds

Winterthur U. S. Holdings, Inc., the parent, has a Financial Institution Bond policy that includes coverage for its subsidiaries. The aggregate liability covered by the bond is $10,000,000

Other Insurance

Property and liability coverages are generally provided through a brokerage firm and are primarily underwritten by an appropriate Unigard company, depending on the risks being underwritten. Coverages written on Unigard policies are covered under Unigard's reinsurance program. Excess coverage and other special needs are provided for and underwritten by insurance companies other than those in the Unigard Group.

Winterthur U.S. Holdings, Inc. also has a program of coverages for its subsidiaries for Professional Liability, Directors and Officers Liability and Fiduciary Liability insurance.

Internal Controls

The Company retained the firm of Ernst & Young, Certified Public Accountants, to audit its statutory financial statements for the years covered by this examination. The firm issued a report on internal controls as part of the audits with no material weaknesses noted. The examiners also independently tested internal controls and found no material weaknesses.

Internal Audit Function

The internal audit department for the North American subsidiaries of Winterthur U.S. Holdings, Inc , is located at Republic Financial Services, Inc., in Dallas, Texas, and performs various operational audits to support and supplement the audits of the CPA

Invested Asset Security

Winterthur Reinsurance Corporation of America manages the Company's invested assets held in a custody account at The Bank of New York under an investment service agreement. Examination of the custody agreement with The Bank of New York indicates that proper safeguards are in place to secure the Company's assets.

OFFICERS AND EMPLOYEES WELFARE AND PENSION PLANS

The Company provides its employees and their dependents with medical, dental, vision care, and life and AD&D benefits. In addition, under Unigard's Pre-Tax Flexible Benefit Plan, employees can take advantage of paying their share of the expense in the plans with pre-tax or tax free dollars.

The Company's employees are eligible to participate in the Company's pension plan; a long term disability plan and a profit sharing savings plan. The Company made adequate provisions in the financial statements for its obligations under these plans.

TERRITORY AND PLAN OF OPERATION

The Company is authorized to write participating and nonparticipating policies for the following kinds of insurance in Washington: Disability, Property, Marine and Transportation, Vehicle, General Casualty and Surety as defined in RCW 48.11.030 through RCW 48.11.080.

The Company was licensed to operate in the following states as of December 31, 1996:

Alaska	Arizona	California	Colorado
District of Columbia	Idaho	Illinois	Indiana
Louisiana	Massachusetts	Montana	Nevada
New Mexico	New York	North Carolina	North Dakota
Ohio	Oregon	Pennsylvania	Rhode Island
Tennessee	Texas	Utah	Virginia
Washington	West Virginia	Wisconsin	Wyoming

The Winterthur Swiss Group represents the U.S. based operations of Winterthur Swiss Insurance Company, one of the world's largest multiline insurers offering a full array of insurance coverage principally in Europe, North America, Australia and Asia. The group entered the United States in 1936 through the establishment of the United States Branch of the Winterthur Swiss Insurance Company of Winterthur, Switzerland. The parent company, founded in 1875, is one of the largest insurance companies in Switzerland.

The consolidated operations of the U.S. group represent approximately 14% of the Switzerland based parent and are integral to their international insurance strategy. The Winterthur Swiss Group(U.S.) consists of 24 insurance subsidiaries that provide a complete array of property/casualty and life/health products Property/casualty products are offered by six distinct regional, multiline business units that operate independently of one another. A.M. Best assigns six rating units as follows:

The first rating unit is based on the consolidation of General Casualty Company of Wisconsin and three affiliates that pool with it. This operation, which generates 33% of Winterthur Swiss' property/casualty net premiums in the U.S., writes a balanced book of personal lines and mainstream commercial lines business largely in the Midwest.

The second rating unit is based on the consolidation of Republic Insurance Company and its seven affiliates. This group, which generates 16% of Winterthur Swiss' net premiums, writes personal lines through independent agents, predominantly in its home state of Texas, and the surrounding eight state area. Commercial business is written for the U.S. operations of international companies insured by the group's ultimate parent, Winterthur Swiss Insurance Company. A majority of this business is then ceded back to the parent and its foreign subsidiaries.

The third rating unit is based on the operating performance and financial condition of Winterthur Reinsurance Corporation of America, which generates 15% of the Winterthur Swiss Group's net premiums. The company operates as a treaty and facultative reinsurer writing business through brokers, and is among the top fifteen professional reinsurers in the country. The company predominantly underwrites treaty business targeting small-to-medium regional insurers, with approximately 35% of its business generated through a quota share arrangement with the General Casualty Group, an affiliate.

A fourth rating unit is based on the consolidated operating performance and financial condition of Unigard Insurance Company and its subsidiary, UID. The companies, which account for 19% of Winterthur Swiss Group's net premiums, write both commercial and personal lines through independent agents predominantly in the Northwest and Western states.

The fifth rating unit is based on the consolidation of the Southern Guaranty Insurance Company and two subsidiaries that fully reinsure with it, as well as its recently acquired Southern Pilot Group. This operation generates 10% of Winterthur Swiss's property/casualty net premiums by writing homeowners, personal auto, commercial auto and commercial multiple peril insurance primarily in the Southeast.

A sixth rating unit is assigned to Blue Ridge Insurance Group. In 1995, this operation generated approximately 7% of Winterthur Swiss' property/casualty net premium which represents personal lines in the Northeast.

GROWTH OF COMPANY

The following schedule shows the growth of the Company taken from the filed annual statements and also from the Insurance Department's reports of examination:

Year	Net Premiums Written	Net Losses Paid	Admitted Assets	Surplus as Regards Policyholders
1990*	$ 11,714,315	$ 9,804,530	$ 67,895,114	$ 39,441,653
1991	8,424,800	8,203,500	66,251,633	43,722,067
1992	9,015,788	7,677,653	65,821,427	46,990,721
1993#	183,381,583	(85,474,283)	421,583,958	109,391,465
1994	219,529,845	128,060,661	460,638,718	148,345,385
1995	224,264,525	139,703,906	482,220,163	166,989,565
1996*	215,397,456	143,034,387	495,211,689	181,982,998

***Per Insurance Department Examination** **#Result of the sale to Winterthur in 1993**

MARKET CONDUCT

The Washington Insurance Department conducted a limited market conduct examination of the Company as of December 31, 1996. The following states conducted full market conduct examinations: California conducted a market conduct examination as of June 9, 1995; North Carolina conducted a market conduct examination as of January 13, 1995, and Illinois conducted a market conduct examination as of December 22, 1995.

The current examination includes a review of personal lines and commercial lines business and the Company's procedures as follows:

Treatment of Policyholders

1. Complaints were resolved reasonably.
2. Response to complaints appears to be timely.
3. Complaint logs appear to be properly used.
4. The Company appears to be in compliance with the requirements of the NAIC model act for complaint recording.

REINSURANCE

The Company cedes and assumes reinsurance. All reinsurance agreements in effect as of December 31, 1996 were reviewed and the coverage is summarized as follows:

Reinsurance Ceded

The Company and its subsidiary, Unigard Indemnity Company, are collectively reinsured under a variety of reinsurance treaties. The following schedule summarizes the Companies' ceded reinsurance treaty coverage in force as of December 31, 1996:

Property	Company Retention	Reinsurers' Limits
First Per Risk Excess	$ 300,000, subject to $ 750,000 annual aggregate deductible	$1,200,000 excess of retention, $3,600,000 per occurrence
Second Per Risk Excess	$1,500,000	$3,500,000 excess of retention, $10,500,000 per occurrence
First Catastrophe Excess	$ 5,000,000	95% of $7,500,000 excess of retention, ultimate net loss per occurrence
Second Catastrophe Excess	$12,500,000	95% of $7,500,000 excess of retention, ultimate net loss per occurrence
Third Catastrophe Excess	$20,000,000	95% of $15,000,000 excess of retention, ultimate net loss per occurrence
Fourth Catastrophe Excess	$35,000,000	95% of $15,000,000 excess of retention, ultimate net loss per occurrence
Fifth Catastrophe Excess	$50,000,000	95% of $20,000,000 excess of retention, ultimate net loss per occurrence
Yacht Excess	$250,000 Hull $300,000 P&I	$1,250,000 Hull} both excess $700,000 } of retention
Casualty	**Company Retention**	**Reinsurers' Limits**
First Excess	$ 500,000 per occurrence,	$4,500,000 excess $500,000 per occurrence
Second Excess	$5,000,000 per occurrence	$5,000,000 excess $5,000,000 per occurrence
Workers' Compensation (WC) Gap Excess	$5,000,000 per occurrence	$5,000,000 excess $5,000,000 per occurrence

Third WC Excess	$10,000,000 per occurrence	$10,000,000 excess $10,000,000 per occurrence
Fourth WC Excess	$20,000,000 per occurrence	$42,500,000 excess $20,000,000 per occurrence
Personal Umbrella Quota Share Automatic Facultative	$200,000 (20%)	80% First $1,000,000 100% Next $4,000,000
Commercial Umbrella QS, Automatic Facultative	$150,000 (15%)	85% First $1,000,000 100% Next $4,000,000
Minimum Premium, Commercial Umbrella QS, Automatic Facultative	$ 150,000 (15%)	85% First $1,000,000 100% Next $4,000,000
Commercial Umbrella Excess	$5,000,000	$5,000,000 excess $5,000,000

Reinsurance Assumed

The Company's reinsurance assumed is derived primarily from its subsidiary, Unigard Indemnity Company, and its former affiliate, Unigard Security Insurance Company.

Unigard Indemnity Company as part of the intercompany pooling agreement which became effective July 1, 1993, agreed to cede automatically to Unigard Insurance Company all gross liabilities incurred under or in connection with all contracts and policies of insurance issued by the subsidiary. Unigard Insurance Company then retrocedes 14% of this business to Unigard Indemnity Company.

Unigard Security Insurance Company and Winterthur U.S. Holdings, Inc. entered into a stock purchase agreement as of September 24, 1993 which provided for the sale of all the capital stock of Unigard, Inc., the holder of all the issued and outstanding capital stock of Unigard Insurance Company (holder of all the issued and outstanding capital stock of Unigard Indemnity Company).

Under the terms of the Stock Purchase Agreement, the Company and Unigard Indemnity Company entered into a 100% quota share reinsurance agreement with Unigard Security Insurance Company as of December 10, 1993. The Company agreed to assume "on the terms and conditions and for considerations hereinafter contained, a 100% Quota Share of the Ceding Company's, i.e. Unigard Security Insurance Company's, insurance liabilities and obligations, after reduction for collectible Third Party Reinsurance, and all risks, past, present and future with respect to all business conducted or to be conducted by the Ceding Company but excluding the Excluded Business (the "Business Covered")."

Amendment Number One dated December 31, 1996, states that the agreement "shall continue in full force and effect through December 31, 1997. The parties agreed that the Ceding Company will not write any new business after December 31, 1996."

Intercompany Pooling Agreement

This agreement became effective July 1, 1993 between the Company and Unigard Indemnity Company, its wholly owned property and casualty subsidiary. The reinsurance provided under this agreement is part of an intra-group pooling agreement between affiliated companies and is in excess of any third party reinsurance available to either company. The Company agreed to reinsure and assume, and Unigard Indemnity Company agreed to cede automatically from inception, all gross liabilities of UID incurred under or in connection with all contracts and policies of insurance issued by UID.

The Company and UID agreed that all reinsurance ceded to third party reinsurers should be ceded by UIC. Within this pooling agreement, the Company retains 86% of the "pooled" business and cedes, and/or retro-cedes, 14% to UID.

The Company appears to be in compliance with the Washington Insurance Code and NAIC guidelines regarding authorized and unauthorized reinsurers. The agreements include the insolvency clause in compliance with RCW 48.12.160(2).

ACCOUNTING RECORDS AND PROCEDURES

Accounting Records

The Company's accounting functions are processed through accounting software for mainframe computers marketed by McCormick & Dodge and operated on the Company's computer located at its home office in Bellevue, Washington. Accounting services are also provided through the same program under separate Service Agreements with affiliated and formerly affiliated companies: Unigard, Inc , Unigard Security Insurance Company, Unigard Indemnity Company, Wincorp, Inc. (a Washington corporation), and Wincorp, Inc. (a California corporation).

Companies' data is entered into the same general ledger program with an identifying company code for separation of each company's data. The general ledger is maintained on the GL: M system. This system produces a trial balance that is downloaded to a Lotus Spreadsheet for financial reporting. The FREEDOM software is used to prepare the financial pages and exhibits of the NAIC annual statement. Investment accounting for marketable securities is performed using SUNGARD a PC based software package. This system produces the NAIC annual statement investment schedules. Supporting details are recorded in the subsidiary ledgers, journals, and tabulations maintained by the Company's accounting department.

The Company's accounting procedures, internal controls and transaction cycles were reviewed during the planning phase of the examination and a trial balance prepared for the year ended December 31, 1996.

Actuarial Opinion

The actuarial staff of the Insurance Commissioner's Office reviewed the reserves for the combined companies' unpaid loss and loss adjustment expenses. The actuarial staff's estimates indicate that the companies booked reserves for both losses and allocated loss adjustment expenses are in a reasonable range.

SUBSEQUENT EVENTS

On February 18, 1997, the Board of Directors unanimously approved a resolution declaring a cash dividend of $2,100,000 on the 30,000 shares of common stock of the Company owned by Unigard, Inc., the stockholder of record on the same date. The dividend was paid on March 13, 1997 from the Company's earned surplus, as defined by RCW 48.08 030(1)

On June 3, 1997, Unigard Insurance Group announced its plans to build four three-story buildings, each with 45,000 square feet of office space and two levels of underground parking on the 47 acres that is home to its corporate headquarters. One building will be occupied by Unigard, and the rest will be leased to one or more tenants. Construction is scheduled to start early next year, with occupancy of the first building set for late 1998.

COMMENTS ON RECOMMENDATIONS FROM PREVIOUS EXAMINATION

The comments and recommendations made in the last examination have been addressed. The OIC's actuary suggested that the required annual report of the Company's pollution reserves filed in the Office of Insurance Commissioner be discontinued.

FINANCIAL STATEMENTS

The following statements present the financial condition of the Company as of December 31, 1996 as determined by this examination.

UNIGARD INSURANCE COMPANY

BALANCE SHEET

AS OF DECEMBER 31, 1996

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION	Notes
ASSETS				
Bonds	$317,076,263		$317,076,263	1
Common stocks	85,891,605		85,891,605	2
Mortgage loans on real estate	2,890,118		2,890,118	3
Real estate:				
Properties occupied by the company	23,633,409		23,633,409	4
Other properties	779,062		779,062	
Cash on hand and on deposit	(5,346,065)		(5,346,065)	
Short-term investments	17,055,405		17,055,405	
Other invested assets	849,969		849,969	
Aggregate write-ins for invested assets	2,579,000		2,579,000	
Agents' balances or uncollected premiums:				
Premiums in course of collection less ceded reinsurance	16,939,801		16,939,801	
Premiums booked but deferred and not yet due	19,340,309		19,340,309	
Funds held by or deposited with reinsured companies	1,228,300		1,228,300	
Reinsurance recoverable on loss & loss adj. expense pmts.	2,314,857		2,314,857	
Federal income tax recoverable	785,950		785,950	5
Electronic data processing equipment	3,009,671		3,009,671	
Interest, dividends and real estate income due and accrued	5,142,094		5,142,094	
Receivable from parent, subsidiaries and affiliates	863,529		863,529	
Aggregate write-ins for other than invested assets	178,412		178,412	
Total Assets	$495,211,689	$0	$495,211,689	
LIABILITIES				
Losses	$180,173,150		$180,173,150	6
Loss adjustment expenses	28,177,036		28,177,036	6
Contingent commissions and other charges	2,179,444		2,179,444	
Other expenses (excluding taxes, licenses & fees)	8,160,952		8,160,952	
Taxes, licenses & fees (excl. fed. inc tax)	299,171		299,171	
Unearned premiums	89,079,746		89,079,746	7
Funds held by company under reinsurance treaties	86,723		86,723	
Amounts withheld by company for others	440,522		440,522	
Provision for reinsurance	703,091		703,091	
Excess of statutory reserves over statement reserves	1,825,000		1,825,000	
Drafts outstanding	1,254,499		1,254,499	
Aggregate write-ins for liabilities	849,357		849,357	
Total liabilities	313,228,691	0	313,228,691	
SURPLUS AND OTHER FUNDS				
Common capital stock	3,000,000		3,000,000	
Gross paid in and contributed surplus	119,053,571		119,053,571	
Unassigned funds (surplus)	59,929,427		59,929,427	
Surplus as regards policyholders	181,982,998	0	181,982,998	
Total liabilities, surplus and other funds	$495,211,689	$0	$495,211,689	

UNIGARD INSURANCE COMPANY

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1996

	BALANCE PER COMPANY	EXAMINATION ADJUSTMENTS	BALANCE PER EXAMINATION
UNDERWRITING INCOME			
Premiums earned	$215,834,790		$215,834,790
DEDUCTIONS:			
Losses incurred	147,567,664		147,567,664
Loss expenses incurred	19,606,079		19,606,079
Other underwriting expenses incurred	64,520,718		64,520,718
Total underwriting deductions	231,694,461	0	231,694,461
Net underwriting gain or (loss)	(15,859,671)	0	(15,859,671)
INVESTMENT INCOME			
Net Investment Income earned	22,171,875		22,171,875
Net realized capital gains or (losses)	5,763,911		5,763,911
Net investment income gain or (loss)	27,935,786	0	27,935,786
OTHER INCOME			
Net gain or loss from agents' or premium balances charged off	(253,859)		(253,859)
Finance and service charges not included in premiums	1,645,488		1,645,488
Miscellaneous interest income	178,333		178,333
Total other income	1,569,962	0	1,569,962
Net income before dividends to policyholders and before federal and foreign income taxes	13,646,077	0	13,646,077
Dividends to policyholders	821,265		821,265
Net income before federal and foreign income taxes	12,824,812	0	12,824,812
Federal and foreign income taxes incurred	2,424,354		2,424,354
Net income	$10,400,458	$0	$10,400,458

CAPITAL AND SURPLUS ACCOUNT
AS OF DECEMBER 31, 1996

Surplus as regards policyholders, December 31, previous year	$166,989,565		$166,989,565
GAINS AND (LOSSES) IN SURPLUS			
Net income	10,400,458	0	10,400,458
Net unrealized capital gains or (losses)	5,455,117		5,455,117
Change in non-admitted assets	143,858		143,858
Change in provision for reinsurance	(19,068)		(19,068)
Change in excess of statutory reserves over statement reserves	(1,006,000)		0 (1,006,000)
Reserve for potential losses on uncollectible reinsurance balances	19,068		0 19,068
Changes in surplus	14,993,433	0	14,993,433
Surplus as regards policyholders, December 31, current year	$181,982,998	$0	$181,982,998

UNIGARD INSURANCE COMPANY

COMPARATIVE BALANCE SHEET
AS OF DECEMBER 31,

	1996	1995
ASSETS		
Bonds	$317,076,263	$319,988,957
Common stocks	85,891,605	68,028,761
Mortgage loans on real estate	2,890,118	3,778,396
Real estate:		
Properties occupied by the company	23,633,409	23,483,122
Other properties	779,062	586,344
Cash on hand and on deposit	(5,346,065)	(5,814,256)
Short-term investments	17,055,405	22,538,085
Other invested assets	849,969	317,371
Aggregate write-ins for invested assets	2,579,000	1,901,418
Agents' balances or uncollected premiums:		
Premiums in course of collection less ceded reinsurance	16,939,801	21,143,719
Premiums booked but deferred and not yet due	19,340,309	16,611,879
Funds held by or deposited with reinsured companies	1,228,300	0
Reinsurance recoverable on loss & loss adj. expense pmts.	2,314,857	2,474,586
Federal income tax recoverable	785,950	0
Electronic data processing equipment	3,009,671	527,791
Interest, dividends and real estate income due and accrued	5,142,094	5,443,415
Receivable from parent, subsidiaries and affiliates	863,529	967,123
Aggregate write-ins for other than invested assets	178,412	243,452
Total Assets	$495,211,689	$482,220,163
LIABILITIES		
Losses	$180,173,150	$175,639,873
Loss adjustment expenses	28,177,036	33,694,799
Contingent commissions and other charges	2,179,444	3,475,895
Other expenses (excluding taxes, licenses & fees)	8,160,952	9,068,697
Taxes, licenses & fees (excl. fed. inc. tax)	299,171	331,826
Unearned premiums	89,079,746	89,517,081
Funds held by company under reinsurance treaties	86,723	82,042
Amounts withheld by company for others	440,522	307,029
Provision for reinsurance	703,091	684,023
Excess of statutory reserves over statement reserves	1,825,000	819,000
Drafts outstanding	1,254,499	627,012
Aggregate write-ins for liabilities	849,357	868,425
Total liabilities	313,228,691	315,230,598
SURPLUS AND OTHER FUNDS		
Common capital stock	3,000,000	3,000,000
Gross paid in and contributed surplus	119,053,571	119,053,571
Unassigned funds (surplus)	59,929,427	44,935,994
Surplus as regards policyholders	181,982,998	166,989,565
Total liabilities, surplus and other funds	$495,211,689	$482,220,163

UNIGARD INSURANCE COMPANY

COMPARATIVE STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31,

	1996	1995
UNDERWRITING INCOME		
Premiums earned	$215,834,790	$221,426,235
DEDUCTIONS:		
Losses incurred	147,567,664	144,655,692
Loss expenses incurred	19,606,079	21,792,296
Other underwriting expenses incurred	64,520,718	69,218,964
Total underwriting deductions	231,694,461	235,666,952
Net underwriting gain or (loss)	(15,859,671)	(14,240,717)
INVESTMENT INCOME		
Net investment income earned	22,171,875	22,633,149
Net realized capital gains or (losses)	5,763,911	4,570,525
Net investment income gain or (loss)	27,935,786	27,203,674
OTHER INCOME		
Net gain or loss from agents' or premium balances charged off	(253,859)	(290,646)
Finance and service charges not included in premiums	1,645,488	1,704,051
Miscellaneous interest income	178,333	219,066
Total other income	1,569,962	1,632,471
Net income before dividends to policyholders and before federal and foreign income taxes	13,646,077	14,595,428
Dividends to policyholders	821,265	1,041,177
Net income before federal and foreign income taxes	12,824,812	13,554,251
Federal and foreign income taxes incurred	2,424,354	5,474,104
Net income	$10,400,458	$8,080,147

COMPARATIVE CAPITAL AND SURPLUS ACCOUNT
AS OF DECEMBER 31,

	1996	1995	1994	1993	1992
Surplus as regards policyholders, December 31, previous year	$166,989,565	$148,345,384	$109,391,465	$46,990,719	$43,722,067
GAINS AND (LOSSES) IN SURPLUS					
Net income	10,400,458	8,080,147	10,889,721	1,988,220	2,036,187
Net unrealized capital gains or (losses)	5,455,117	10,488,313	(1,017,160)	(192,906)	265,465
Change in non-admitted assets	143,858	(287,858)	1,533,111	(4,534,702)	
Change in provision for reinsurance	(19,068)	121,897	762,912	(1,568,832)	
Change in excess of statutory reserves over statement reserves	(1,006,000)	(819,000)			967,000
Capital changes	0			500,000	
Surplus adjustments	0		25,000,000	65,571,508	
Reserve for potential losses on uncollectible reinsurance balances	19,068	1,060,682	(48,975)	637,458	
Changes in surplus	14,993,433	18,644,181	38,953,919	62,400,746	3,268,652
Surplus as regards policyholders, December 31, current year	$181,982,998	$166,989,566	$148,345,384	$109,391,465	$46,990,719

NOTES TO FINANCIAL STATEMENTS

1. Bonds

Bonds, not backed by other loans, are valued at lower of amortized cost or investment value based on the NAIC Valuation of Securities. Discount or premium on bonds is amortized using the effective interest method. For loan-backed bonds, anticipated prepayments at the date of purchase are considered when determining the amortization of discount of premium. There have been no significant changes in estimated cash flows from the original purchase assumptions.

2. Common Stocks

Common stocks of unaffiliated companies are reported at market as determined by the NAIC Valuation of Securities. Common stocks of affiliated companies are reported at the affiliated company's net statutory equity, with the change in equity reflected as a direct credit or charge to unassigned surplus.

3. Mortgage Loans on Real Estate

Mortgage loans on real estate are stated at the aggregate unpaid balance. Fire insurance is required on all properties covered by mortgage loans. This insurance is at least equal to the excess of the loan over the maximum loan that would be permitted by law on the land without the buildings.

4. Real Estate

The Company uses the straight-line method of depreciation for all real estate owned and occupied over the estimated useful lives of the properties. Investment income and operating expense include rent for the Company's occupancy of those properties. Land is reported at cost and other real estate is reported at depreciated cost.

5. Federal Income Tax Allocation

The Company's operations are consolidated with Unigard, Inc. and its subsidiaries, which is included in a consolidated federal income tax return with Winterthur U.S. Holdings, Inc. and all its subsidiaries. The method of allocation of taxes is subject to a written agreement with Unigard, Inc. The allocation of taxes is based upon separate return calculations resulting in a tax charge or refund of not more than the amount each company would have paid or received if it had filed on a separate return basis. If, on the basis of separate return calculations, a subsidiary would be entitled to refunds of federal income taxes, Unigard, Inc. will pay to the subsidiary an amount equal to the refunds that the subsidiary would have received from the Internal Revenue Service.

6. Loss and Loss Adjustment Expense Reserves

These liabilities represent the estimated ultimate net cost of all reported and unreported losses incurred but not paid through the end of the year. The unpaid losses and loss adjustment expenses, which are not discounted except for tabular discounts on workers' compensation claims, and include anticipated salvage and subrogation recoveries, are estimated using individual case-basis valuations and statistical analyses as required by the Insurance Department.

7. Unearned Premiums

The Company's total unearned premium reserve represents the unearned premium liability for all policies in force. At the expiration of an insurance contract or policy, the entire premium has been earned. At any point prior to expiration, the Company is required to establish a pro rata portion of the premium as a liability to cover the remaining policy term.

COMMENTS ON FINANCIAL STATEMENTS

Bonds **$317,076,263**

The Company's investment in bonds represents 64% of total admitted assets as of December 31, 1996. The bond portfolio consisted of the following:

Classification	Statement Value	Par Value	Market Value
U.S. Government	$195,761,047	$186,145,000	$190,754,450
Industrial & Misc	121,315,216	120,000,000	120,315,056
Total	$317,076,263	$306,145,000	$311,069,506

The Company uses the effective yield method to amortize bond premiums and discounts. Premiums and discounts on bonds classified as other than collateralized mortgage obligations are amortized in accordance with the NAIC Annual Statement Instructions manual. Collateralized mortgage obligation bond premiums and discounts are accounted for as prescribed by FASB 91, which requires that amortization be accelerated when prepayments of principal are received. The testing of amortized values to maturity in accordance with the NAIC Examiners Handbook revealed no material differences.

Agents' Balances or Uncollected Premiums **$36,280,110**

Although the total premium receivable shown on the sub-lines of annual statement Line 10 are correct, the amounts shown on sub-lines 10 1 and 10.2 are based on the Company's estimated allocation of the total. In the 1995 annual statement, $14,137,184 of the $16,611,879 reported was estimated. The Company should have booked the actual amount rather than an estimated balance in accordance with NAIC annual statement instructions.

Losses and Loss Adjustment Expenses **$208,350,186**

The reserves for the combined companies' unpaid loss and loss adjustment expenses were reviewed by the casualty actuarial staff employed by the Insurance Commissioner's Office. Company personnel provided loss and allocated loss adjustment expense development data by line of business, as well as additional information. Actuarial staff also reviewed actuarial reports prepared by the companies' consulting actuarial firm, Tillinghast, a Towers Perrin Company.

The actuarial staff's estimates indicate that the companies' booked reserves for both losses and allocated loss adjustment expenses are in a reasonable range. Actuarial staff also concluded that the companies' methods of establishing bulk and IBNR reserves, including reserves for unallocated loss adjustment expenses, are reasonable. Therefore, the reserves carried by the companies are accepted as they appear on the companies' 1996 Annual Statements.

ACKNOWLEDGMENT

The cooperation and assistance of the officers and employees of the Company during the examination are hereby acknowledged.

In addition, Timoteo L. Navaja, CFE, CIE, Examiner in Charge, Peter M. Mendoza, CFE, CIE, Larry A. Omdal, Martin Severeid, CIE and D. Lee Barclay, FCAS, MAAA, Actuary and Joshua Ligosky all from the Washington Insurance Commissioner's Office participated in the examination and preparation of this report.

UNIGARD INSURANCE COMPANY

AFFIDAVIT OF EXAMINER IN CHARGE

STATE OF WASHINGTON)
)ss
COUNTY OF KING)

TIMOTEO L. NAVAJA, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of Unigard Insurance Company was performed in a manner consistent with the standards and procedures required or prescribed by the Washington Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).

TIMOTEO L. NAVAJA, CFE, CIE
Examiner in Charge
State of Washington

Subscribed and sworn to before me on this 4th day of December, 1997.

Collee Jansen
Notary Public in and of the State
of Washington, residing at Seattle.

Exhibit A

DEPARTMENT OF INSURANCE
State of North Carolina

P.O. BOX 26387

RALEIGH, N.C. 27611

JIM LONG
COMMISSIONER OF INSURANCE

COMPANY SERVICES GROUP
FINANCIAL EVALUATION DIVISION
FIELD AUDIT SECTION
(919) 733-5631

August 24, 1989

CERTIFIED--RETURN RECEIPT REQUESTED

Mr. Donald K. Shanks
President and Chief Operating Officer
Unigard Indemnity Company
3515 Glenwood Avenue
Raleigh, North Carolina 27612

Re: Report on Examination as of December 31, 1988
Unigard Indemnity Company
Raleigh, North Carolina

Dear Mr. Shanks:

In accordance with the Insurance Laws of North Carolina, an Examination has been made on the condition and affairs of Unigard Indemnity Company as of December 31, 1988.

The major part of the work on this examination was completed at the Home Office of the Company, with subsequent work being done at the Department of Insurance in Raleigh, North Carolina. The final completion date of the Report is August 24, 1989, and such Report will become a public document thirty days from the date of August 24, 1989 if the Company has neither notified the Commissioner of its acceptance and approval of the Report nor requested to be heard thereon. Requests for a hearing on the Report on Examination should be made in accordance with the North Carolina Administrative Code and General Statute 58-16.2 after informal settlement efforts have been made in this matter pursuant to 11 NCAC 1.0402. The Company may accept the Report prior to the expiration of the thirty days by written acceptance to the Commissioner, at which time the Report on Examination will become a public document.

We are hereby submitting to the Company the master copy to be used in reproducing the Report and one additional copy for purposes of review. The master copy is to be returned to this office after the

completion of reproduction, along with the requested copies of the Report. At the time such Report becomes a public document as outlined above, it is requested that the Company proceed to reproduce from the master copy sufficient copies of the Report to furnish the Department of Insurance with eight (8) bound copies. In addition, the Company should reproduce sufficient copies for the future operational needs of the Company.

Upon receipt of the required number of copies, the Department will submit a certified copy of the Report to all jurisdictions in which the Company is licensed to transact business.

In addition, after acceptance of the Report by the Company, it is requested that a letter be furnished this office signed by each member of the Board of Directors of the Company, stating that each director has carefully examined and is familiar with the contents of the Report of Examination.

Please inform this Department within ninety days of the corrective action taken on any deviations cited in this report. In addition, any changes included in the financial statements of this report from the amounts reported by the company in its 1988 annual statement should be included, if not already corrected, in the next financial statement filed with this Department.

Sincerely yours,

E. Joy Little

E. Joy Little, CFE
Chief Examiner
Field Audit Section

EJL:ab

Enclosures

REPORT ON EXAMINATION

of the

UNIGARD INDEMNITY COMPANY

Raleigh, North Carolina

BY REPRESENTATIVES OF THE

NORTH CAROLINA DEPARTMENT OF INSURANCE

as of

December 31, 1988

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Raleigh, North Carolina
August 24, 1989

Honorable David H. Thornberry, Chairman
(EX4) Subcommittee, Financial Condition
National Association of Insurance Commissioners
Member - State Board of Insurance
State of Texas
Austin, Texas

Honorable Elaine McReynolds
Secretary, Southeastern Zone, NAIC
Commissioner of Insurance
State of Tennessee
Nashville, Tennessee

Honorable James E. Long
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sirs:

Pursuant to your instructions and in accordance with Section 58-16 of the General Statutes of North Carolina, an examination has been made of the financial condition and affairs of the

UNIGARD INDEMNITY COMPANY
Raleigh, North Carolina

hereinafter generally referred to as the Company, at its home office located at 3515 Glenwood Avenue, Raleigh, North Carolina. A report thereon is submitted as follows:

INTRODUCTION

The Company was last examined as of December 31, 1985 for the period of January 1, 1983 through December 31, 1985. Examiners from the State of North Carolina participated therein.

SCOPE OF EXAMINATION

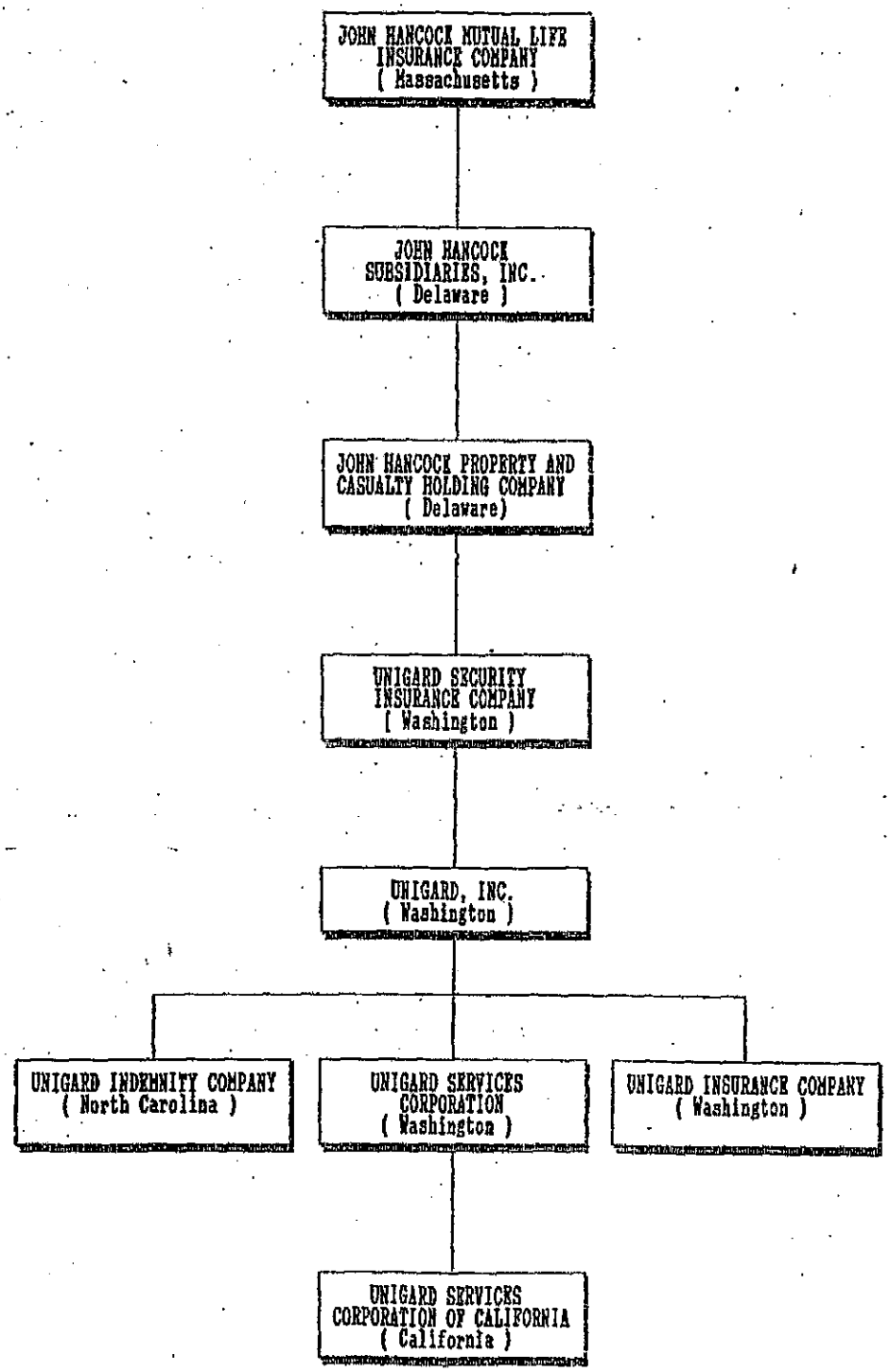
This examination commenced on May 15, 1989 and covered the period from January 1, 1986 through December 31, 1988. The examination was arranged and conducted under the association plan of the National Association of Insurance Commissioners by the North Carolina Department of Insurance. Examiners from the State of North Carolina participated therein.

This examination was made in accordance with auditing standards as established by the North Carolina Department of Insurance and procedures established by the National Association of Insurance Commissioners and accordingly included such tests of the accounting records and such other auditing procedures as were considered necessary under the circumstances.

The Financial Statement and Exhibits included herein are not presented in accordance with generally accepted accounting principles but are presented in accordance with reporting practices prescribed by the General Statutes of North Carolina and/or the National Association of Insurance Commissioners. The Financial Statement and Exhibits are presented on a basis consistent with the last examination report which was as of December 31, 1985.

ORGANIZATIONAL CHART

At December 31, 1988, the Company was a wholly owned subsidiary of Unigard, Inc., a downstream holding Company of Unigard Security Insurance Company (formally Unigard Mutual Insurance Company), Washington. There follows a chart showing the corporate structure of John Hancock Mutual Life Insurance Company as of December 31, 1988:


JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY (Massachusetts)
JOHN HANCOCK SUBSIDIARIES, INC. (Delaware)
JOHN HANCOCK PROPERTY AND CASUALTY HOLDING COMPANY (Delaware)
UNIGARD SECURITY INSURANCE COMPANY (Washington)
UNIGARD, INC. (Washington)
UNIGARD INDEMNITY COMPANY (North Carolina)
UNIGARD SERVICES CORPORATION (Washington)
UNIGARD INSURANCE COMPANY (Washington)
UNIGARD SERVICES CORPORATION OF CALIFORNIA (California)

For a more detailed presentation of the John Hancock Mutual Life Insurance Company's organizational chart, refer to Schedule Y of the Company's 1988 annual statement.

HISTORY

The Company was incorporated on November 8, 1972, under the laws of the State of North Carolina as contained in Chapter 55 of the General Statutes of North Carolina and Chapter 58 of the General Statutes of North Carolina and the several amendments thereto, as Unigard Carolina Insurance Company, a stock insurance company, with its home office in Raleigh, North Carolina. The name of Unigard Carolina Insurance Company was changed to Unigard Indemnity Company effective April 5, 1977 by an amendment to the Charter as approved by the board of directors at a regularly scheduled meeting held on March 2, 1977. The amendment was approved and certified to the Office of the Secretary of State of North Carolina for filing by the Commissioner of Insurance on April 4, 1977.

The purpose for which the Company is organized is to engage in and conduct the business of property, casualty and surety insurance, and allied lines, to carry on such business activities which are reasonably and necessarily incidental to such insurance business; and to engage in any other business activities which are or shall become lawful under North Carolina law.

The total authorized capital stock of the Company shall be 30,000 shares of common capital stock of the par value of $100.00 per share, aggregating $3,000,000.00. The Company commenced business with a paid-up capital of $900,000.00 and paid-in surplus of $900,000.00. The paid-in capital and paid-in surplus were further increased by a resolution passed by the shareholders and board of directors of the Company at meetings held on March 2, 1977. The Company was authorized to sell an additional 21,000 shares of the common capital stock to Unigard Insurance Company, the parent corporation at

this date, with a par value of $100.00 per share, for a total selling price of $4,200,000.00. As a result of the aforementioned sale of 21,000 shares of additional common capital stock, the Company's authorized and issued capital stock was 30,000 shares of the par value of $100.00 per share, aggregating $3,000,000.00. The Company's paid-in and contributed surplus was $3,000,000.00.

At the annual meeting of the board of directors held on March 5, 1980, the board approved a resolution authorizing the officers of the Company to repay to the parent corporation $1,700,000.00 of paid-in surplus. This repayment of paid-in surplus was approved by the North Carolina Department of Insurance by letter dated April 22, 1980. The Company's paid-in and contributed surplus was reduced to the present $1,300,000.00.

On September 30, 1984, Unigard Mutual Insurance Company completed a plan of demutualization, changed its name to Unigard Security Insurance Company, and was acquired by Hanseco Insurance Company. Three months later on December 31, 1984, Hanseco Insurance Company transferred its ownership to John Hancock Property and Casualty Holding Company which is indirectly owned by John Hancock Mutual Life Insurance Company.

MANAGEMENT AND CONTROL

Shareholders

The Company's bylaws provide that the annual meeting of the shareholders shall be held at the principal office of the Company or at such other place either within or without the State of North Carolina as may be designated in the notice of the meeting. The annual meeting of shareholders shall be held on the second Thursday of February of each year.

Special meetings of the shareholders may be called by the president or the board of directors, chairman of the board or president and shall be called by

the secretary when so requested by any holder of common stock of the Company. Notice shall be mailed to each holder of the common stock of the Company sufficiently in advance of the time of such meeting to enable such shareholders to attend.

At all shareholders' meetings a majority of the shareholders of the Common Capital stock shall be necessary to constitute a quorum. If there is no quorum, those present may adjourn the meeting to some other day. Each share of common stock shall be entitled to one vote on all matters coming before the meeting, including the election of directors, and shareholders may be present in person or represented by proxy. A vote of the majority of the common stock represented in person or by proxy shall be necessary for an election or the transaction of any business. Any action at a meeting of the shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the shareholders entitled to vote with respect to the subject matter thereof. The consent shall have the same force and effect as a unanimous vote of shareholders, and may be stated as such in any articles or documents describing the action of the shareholders.

Board of Directors

The business and property of the Company shall be managed and conducted by a board to consist of not less than seven nor more than 15 directors. Directors shall be elected for a term of one year and shall serve until their successors are elected. No person shall be eligible for election to director after the director's 70th birthday. The board shall have power to fill all vacancies occurring in the board, and directors so elected to fill vacancies shall serve the entire unexpired term of the vacancy to which they are elected unless such term sooner ends because of the age of the director.

Meetings of the board of directors may be held within or without the State of North Carolina. The board of directors shall hold a regular meeting immediately following the annual meeting of shareholders. The board shall from time to time adopt such regulations and make such orders as it shall deem for the best interests of the Company. The board shall have authority to elect the officers.

Special meetings of the board may be called at any time by the chairman of the board, president, or any two members thereof. Meetings maybe called by giving such notice to the members of the board as will enable them to attend. Five days written or oral notice shall in any event be sufficient.

A majority of the members of the board then in office shall constitute a quorum.

Any action required by law to be taken at a meeting of the board, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all the directors. Such consent shall have the same effect as a unanimous vote.

The following persons duly elected to the board of directors by the shareholders and holding office at December 31, 1988 were as follows:

Name and Address	Principal Business Affiliation
Horace R. Baker, Jr. Hingham, Massachusetts	Retired Insurance Executive
William L. Bryan Boston, Massachusetts	Insurance Executive, John Hancock Mutual Life Insurance Company
Laurence Paul O'Connor Boston, Massachusetts	President & Chief Executive Officer John Hancock Property & Casualty Holding Co.; Chairman of the Board & Chief Executive Officer of the Company
Mary Maxwell Gates Seattle, Washington	Independent Director

(Continued)

Name and Address	Principal Business Affiliation
James Donald Koehnen Carmel, California	Retired Insurance Executive
William J. Rieck Seattle, Washington	Senior Vice President and Chief Financial Officer of the Company
Donald K. Shanks Seattle, Washington	President and Chief Operating Officer
Paul L. Sweeney Seattle, Washington	Senior Vice President, John Hancock Property and Casualty Insurance Company

Officers

The elective officers of the Company shall be a president, chairman of the board, executive vice president, such number of vice presidents as the board may determine, a secretary and a treasurer and general counsel each of whom shall be elected by the board at its first meeting after each annual meeting of the shareholders. The president and chairman of the board shall be chosen from among the board of directors. The other officers may or may not be members of the board of directors. The board may elect or designate one individual to occupy more than one office, and may or may not fill vacancies in the various offices as they occur. The board may designate either the chairman or the president as chief executive officer of the Company.

The board of directors may from time to time designate a controller and any number of assistant vice presidents, assistant secretaries, and assistant treasurers as the board may determine, and may confer other titles and fix such duties for them as may be required to handle the affairs of the Company.

The following officers were either elected or appointed and were serving at December 31, 1988.

Officer	Title
Lawrence P. O'Connor	Chairman of the Board and Chief Executive Officer
Donald K. Shanks	President and Chief Operating Officer
William J. Riech	Senior Vice President and Chief Financial Officer
Jerry L. Epler	Vice President and Controller
Hugh Richard McGough	General Counsel and Secretary
Theodore R. Olson	Treasurer
James R. Woolston*	Assistant General Counsel
Patricia A. Barom*	Assistant Secretary
Gerald W. Bell*	Assistant Secretary
Louise F. Stringer*	Assistant Secretary

*appointed officers

Executive Committee

The board of directors shall, by resolution adopted by a majority of the number of directors then in office, appoint from among its members an executive committee composed of not less than three members including the president and when designated, the chairman of the board. The executive committee shall have full power to act for the board of directors in the interim except as the power of the executive committee is limited by law. A majority of the committee shall constitute a quorum. The executive committee shall meet upon the call of the chairman of the board, president, chairman of the committee, or any two members thereof.

The following directors were appointed to the executive committee and were serving at December 31, 1988:

Laurence P. O'Connor, Chairman
Mary M. Gates
Donald K. Shanks

The board of directors shall appoint an investment committee of not less than three members, who need not be members of the board of directors. The chairman of the committee shall be chosen by the board of directors. The investment committee shall meet upon the call of the board, president, chairman of the committee, or any two members thereof.

The investment committee consisted of the following members on December 31, 1988:

William J. Rieck, Chairman
Barry L. Shemin
Paul L. Sweeney

Statement of Conflict of Interest

The Company has adopted a policy statement pertaining to conflict of interest in accordance with Question 8(c) of the General Interrogatories of the annual statement. Each director, officer and responsible employee is required annually to sign an interrogatory which is designed to disclose any such conflict. A review of these signed statements disclosed no conflict of interest.

CORPORATE RECORDS

Minutes of meetings of shareholders, board of directors and committees were reviewed for the period covered by this examination and they appear to properly reflect the acts of these corporate bodies.

There were no amendments to the Articles of Incorporation or the Company's bylaws for the period under review.

TERRITORY AND PLAN OF OPERATION

Territory

The Company was licensed to transact business in the states of New York and North Carolina as of December 31, 1988.

Plan of Operation

The Company's operation is on the agency basis with all business being placed with the Company through independent agents. The agency contracts are generally uniform and grant to the agent the full power and authority to receive and accept proposals for insurance for such classes of risks as the Company may, from time to time, authorize to be insured, to countersign policies of insurance pertaining to the lines of insurance covered by this contract; to collect, receive and receipt for premiums on insurance tendered by the agent and accepted by the Company; and to retain out of premiums, so collected as full compensation on business so placed with the Company, commissions as listed in the contract. Where elected by the agent, premium statements can be tendered directly to the insured by the Company and a monthly commission statement rendered to the agent. As discussed elsewhere in this report under the caption "Reinsurance," all premiums are reinsured 100% under a Quota Share Reinsurance Agreement with Unigard Security Insurance Company. The Company also conducts an excess and surplus lines business in a number of states, on an approved but non-admitted basis.

REINSURANCE

At December 31, 1988, the Company had a 100% Quota Share Reinsurance Agreement with Unigard Security Insurance Company of Seattle, Washington (hereinafter called the Reinsurer). This agreement became effective on February 5, 1973, and shall remain in force until cancelled by either party giving to the other, 90 days' prior notice of cancellation.

The Company agrees to cede and the reinsurer agrees to accept by way of reinsurance a 100% quota share interest in all business written by the Company. Any "outside" reinsurance which may be needed is to be ceded by the reinsurer, not by the Company. The reinsurer's liability shall attach simultaneously with that of the Company and shall be subject to the same conditions as are or may be assumed by the Company under its policies.

Within 60 days of the end of each month the Company shall pay the reinsurers 100% of the Company's written premiums less return premiums for the month, less commission equal to the amounts actually expended by the Company in the conduct of its business, excluding investment expenses and less policyholders' dividends paid by the Company during the month.

The reinsurer shall be liable for 100% of all losses (less salvage and subrogation recoveries) paid by the Company and shall pay the Company promptly upon receipt of notice of the amount due. Any loss settlement made by the Company, whether under the strict policy conditions or by way of compromise, shall be binding upon the reinsurer.

The Company shall not be a member of or subject to the bylaws of the reinsurer or be subject to any liability for assessment.

In the event of cancellation of this agreement as provided for in the first paragraph of this agreement, all reinsurance in force hereunder shall be cancelled as of the date of the cancellation of this agreement. The reinsurer shall return to the Company the unearned premiums less commission and less accrued policyholders' dividends. The reinsurer shall not be liable for losses occurring after the cancellation.

This agreement provides for the standard insolvency clause that is usually incorporated into a reinsurance contract.

ACCOUNTS AND RECORDS

General Comments

The Company's accounting functions are performed by Unigard Security's corporate headquarters accounting department in Seattle, Washington. The corporate headquarters accounting system is extensively automated. The system features a highly complex and extensive means of processing data, a network of processors and input and output devices, and on-line input (for certain data) with inquiry from many points in the system covering branches with widespread geographical locations.

The general ledger and all significant accounting and statistical reports are prepared electronically. Premium and loss information is reported directly to Unigard Security's corporate headquarters from the Company. Premiums are generally collected and deposited by Unigard Security's Administrative Service Center in Bellevue, Washington. Losses are paid by the Company by drafts which are drawn on a local Seattle bank. The Administrative Service Center checks all drafts for proper authorization and endorsement and issues a memo to the bank authorizing withdrawal of funds to cover all properly submitted drafts.

Based upon the premium and loss information, along with other income and expense records and miscellaneous pertinent data, Unigard Security's corporate headquarters accounting department prepares journal entries to update the automated general ledger. The general ledger along with certain nonledger reserve adjustments are used as the basis for developing internal management reports and external statutory statements.

Trial balances of ledger accounts were prepared for each year under examination and were traced into the respective annual statements. Income and

disbursements for the period under review were verified to the extent deemed necessary.

The following Company records pertaining to each month's activity are forwarded each month to the Company from Unigard Security's corporate headquarters accounting department:

Original trial balance (for month of December, preliminary, final and post-closing trial balances are received)
Original general ledger (for month of December, preliminary, final, post-closing and cumulative ledger are received)
Original collection reports
Original disbursement vouchers
Original journal entries
Monthly financial statements
Two premium and loss runs
Bank reconciliations
Copies of most working papers

Internal Control

A general review was made of the Company's system of internal control and it appears that the Company's accounting system is adequate.

Payroll

The Company has no employees as all personnel are employed by Unigard Security Insurance Company. Based upon the inter-company service agreement, the Company is allocating its share of payroll costs along with other general underwriting, investment and unallocated claim expenses.

Service Agreement

Allocation of expenses between the Company and Unigard Security Insurance Company is set forth in the following service agreement dated February 5, 1973:

1. Unigard Security Insurance Company, hereinafter called "Security" and Unigard Indemnity Insurance Company, hereinafter called "Indemnity," make this agreement for the purpose of achieving in their affairs the greatest possible efficiency consistent with the interests of the policyholders of each. The purpose of this agreement is to accomplish an equitable distribution of the expenses of joint operations of the parties.

2. Security agrees to provide all services for the operation of Indemnity, including collecting monies and paying expenses. Security shall remit premiums (less return premiums) within forty-five (45) days after the end of the month in which the policy is recorded as a premium on the general books, and all other monies within thirty (30) days after receipt, after first deducting:

   (a) All expenses paid by it due solely to Carolina operations, including specifically, but not limited to, losses on insured risks, agents' commissions, agents' profit-sharing commissions, policyholder dividends, taxes, license fees, rating bureau fees, reinsurance premiums, allocated claims adjustment expense, and specifically incurred investment expense, and

   (b) Payment for operation services, to be computed as set forth below.

3. Payment for operation services, shall be such share of the total operation service expense for the two companies as shall be determined by Security's corporate headquarters department in accordance with the uniform accounting instructions of the National Association of Insurance Commissioners and generally accepted principals of cost accounting. Such determination shall be made annually as soon as feasible after the close of the year and shall be divided into three (3) classes: Underwriting expenses, investment expenses and unallocated claims adjusting expenses. There shall then be determined the percentage relationship between underwriting expenses and net premium income (gross premiums less return premiums), between investment expense and net investment income (excluding capital gains or losses), between unallocated claims adjustment expense and net fire and allied lines losses and between unallocated claims adjustment expense and net casualty losses. To compute current monthly balances, these percentages for the immediately preceding year shall be applied to the figure for that month in the appropriate category; for example, the underwriting expense percentage for the previous year will be applied to the net premium income for the month to determine the amount of underwriting expense charged for that month. After the final determination of Indemnity's share of operation service expense for the year, any difference between the sum of such monthly payments and the amount due as finally determined shall be adjusted by a lump sum payment.

4. All income from premiums financed by Security will be retained by Security and any exchange or premium adjustments will be absorbed by Security.

5. This agreement applies to all operations on and after February 5, 1973 and is subject to cancellation by either party giving sixty (60) days written notice thereof.

FINANCIAL STATEMENT AND EXHIBITS

There follows a statement of assets and liabilities, as determined by this examination, showing the financial condition of the Company on December 31, 1988, together with an underwriting and investment exhibit, capital and surplus account for the year 1988:

ANALYSIS OF ASSETS

	Ledger Assets	Nonledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$10,440,416.02			$10,440,416.02
Cash on Deposit	92,192.55			92,192.55
Short Term Investments	1,274,824.00			1,274,824.00
Interest income due and accrued	217,361.76			217,361.76
Totals	$12,024,794.33			$12,024,794.33

LIABILITIES, SURPLUS AND OTHER FUNDS

Payable to parent, subsidiaries and affiliates			$ 117,739.43
Accounts payable			54,594.15
Total Liabilities			172,333.58
Common capital stock		$3,000,000.00	
Gross paid-in and contributed surplus	$1,300,000.00		
Unassigned funds (surplus)	7,552,460.75		
Net surplus		8,852,460.75	
Surplus as regards policyholders			11,852,460.75
Total liabilities, surplus and other funds			$12,024,794.33

The accompanying Notes are an integral part of the Financial Statement and Exhibits.

UNDERWRITING AND INVESTMENT EXHIBITS

STATEMENT OF INCOME

Underwriting Income		$ -0-
Investment Income		
Net investment income earned	$792,364.57	
Net investment capital gain	139,443.78	
Net investment gain		931,808.35
Net income		$ 931,808.35

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders December 31, previous year	$10,920,652.40
Net income	931,808.35
Change in surplus as regards policyholders for the year	931,808.35
Surplus as regards policyholders December 31, current year	$11,852,460.75

The accompanying Notes are an integral part of the Financial Statement and Exhibits.

GENERAL COMMENTS

1. Basis of Presentation

The accompanying Financial Statements and Exhibits have been prepared in accordance with reporting practices prescribed by the General Statutes of North Carolina and/or the National Association of Insurance Commissioners. These reporting practices differ in some respects from generally accepted accounting principles.

2. Significant Accounting Policies

A. Investments Other Than Real Estate

The valuation of bonds is governed by the rules of the Valuation Committee of the National Association of Insurance Commissioners unless otherwise specified by statute. Bonds generally are presented at amortized value. Bonds not qualified for amortization are valued at market or through other procedures of the Valuation Committee when market value is unavailable or deemed to be inappropriate.

B. Policy Acquisition Cost

Premium income is taken into earnings on a pro rata basis over the periods covered by the policies, whereas the related acquisition costs (e.g. commissions, premium taxes, and other items) are charged against income when incurred.

C. Losses and Loss Adjustment Expenses

The loss reserve is determined through evaluation of subsequent development of losses outstanding at December 31, 1988 and losses incurred but not reported as of December 31, 1988, except as otherwise provided by statute. The developed reserve is adjusted for reinsurance, salvage, subrogation and future adverse development.

The loss adjustment expense reserve is determined through similar evaluation procedures as outlined above for the loss reserve.

D. Unearned Premiums

The unearned premium reserve is computed on the unearned portions of the gross premiums charged on unexpired or unterminated policies and risks in accordance with Section 58-35 of the General Statutes of North Carolina.

E. Excess of Statutory Reserves Over Statement Reserves

The excess of statutory reserves over statement reserves is computed by application of specified percentages to the yearly earned premiums on certain lines of business. The reserve is established when the computed amounts of yearly earned premiums exceed the respective yearly total of losses and loss expense incurred on the applicable lines of business.

F. Reinsurance

The Company reinsures 100% of its risks with Unigard Security Insurance Company. The Company would be liable for any obligations that the reinsurance company is unable to meet under the reinsurance agreement.

SUMMARY

The following exhibit shows, in summary form, the condition of the Company per examination report as of December 31, 1985 as compared with December 31, 1988, the date of this examination:

	December 31, 1985	December 31, 1988
Admitted assets	$9,798,864.98	$12,024,794.33
Liabilities	$ 226,304.11	$ 172,333.58
Capital paid up	3,000,000.00	3,000,000.00
Gross paid-in and contributed surplus	1,300,000.00	1,300,000.00
Unassigned funds (surplus)	5,232,560.87	7,552,460.75
Totals	$9,798,864.98	$12,024,794.33

CONCLUSION

In our opinion, the accompanying Financial Statement properly presents the statutory financial position of Unigard Indemnity Company at December 31, 1988 and statutory results of operations for the period then ended. The supporting exhibits properly present the information required to be included therein, all in conformity with the reporting practices prescribed by the General Statutes of North Carolina and/or the National Association of Insurance Commissioners.

We conclude that the Company is in compliance with the Capital and Surplus requirements of North Carolina General Statute 58-77 for the kinds of insurance which the Company is authorized to write.

In addition to the undersigned, representatives of the North Carolina Department of Insurance participated in this examination.

Respectfully submitted,

Charles F. Glover

Charles F. Glover, CFE
Supervisory Examiner
State of North Carolina