Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking

William P. White
Commissioner

# BEFORE THE INSURANCE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Re: Report on Examination - **Attorneys Insurance Mutual of the South Inc., Risk Retention Group,** as of December 31, 2010

## ORDER

An Examination of **Attorneys Insurance Mutual of the South Inc., Risk Retention Group,** ("Company"), as of December 31, 2010 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("Department").

It is hereby ordered on this 23rd of April 2012, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

William P. White
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

REPORT ON EXAMINATION

# Attorneys Insurance Mutual of the South, Inc., Risk Retention Group

AS OF

DECEMBER 31, 2010

**NAIC NUMBER 33677**

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Washington, D.C.
February 13, 2012

Honorable William P. White
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
810 First Street, NE, Suite 701
Washington, D.C. 20002

Dear Commissioner White:

In accordance with Section 31-3931.14 of the District of Columbia Official Code, we have examined the financial condition and activities of

**Attorneys Insurance Mutual of the South, Inc.,**
**Risk Retention Group**

hereinafter referred to as the "Company" or "AIM", located at 200 Inverness Parkway, Birmingham, Alabama 35242.

## SCOPE OF EXAMINATION

This full-scope examination, covering the period from January 1, 2006 through December 31, 2010, including any material transactions and/or events noted occurring subsequent to December 31, 2010, was conducted by the District of Columbia Department of Insurance, Securities and Banking ("Department"). The last examination was completed as of December 31, 2005 by the State of Alabama Department of Insurance.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook ("Handbook") and the policies and standards established by the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, annual statement instructions, and compliance with domestic jurisdiction laws and regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In

planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2006 through 2010. We placed substantial reliance on the audited financial statements for calendar years 2006 through 2009, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2010. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2010. We placed reliance on the work of the auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's work papers.

## SUMMARY OF SIGNIFICANT FINDINGS

The results of this examination disclosed no material adverse findings, significant non-compliance findings, or material changes in financial statements.

## STATUS OF PRIOR EXAMINATION FINDINGS

This is the first financial examination of the Company performed by the Department. The last examination was performed as of December 31, 2005 and was conducted by the Alabama Department of Insurance.

## HISTORY

General:

The Company was incorporated as a mutual insurance corporation under the laws of Alabama on May 19, 1988 and commenced business on July 1, 1989, providing professional liability insurance to attorneys who were residents of, and practiced law in the State of Alabama.

On August 11, 2010, the Company re-domiciled from the State of Alabama to the District of Columbia, licensed as a mutual captive insurer, operating as a risk retention group under the captive insurance laws of the District of Columbia.

As the date of this report, the Company is registered with and writes business in states of Alabama and Tennessee. AIM is a self-managed captive insurer and its daily business operations are managed by its employees, officers, and directors.

Membership and Capitalization:

As a mutual risk retention group, the Company's policyholders are its members. The policyholders/members ultimately own and control the Company. At December 31, 2010, the Company had approximately 1,200 active policies eligible for membership that covered over 2,000 attorneys. Each covered attorney is counted as one member and is entitled to one vote in the election of directors and all other matters submitted to a vote at a meeting of the members. Members must be individuals engaged in the practice of law.

Per the Company's bylaws, the board of directors is authorized to require that each applicant for membership pay fees, or other contributions, and/or purchase surplus debentures of the Company when the board of directors determine as necessary to secure and maintain the Company's operations and surplus under applicable law. The Company's initial capital was obtained by issuing eight (8) percent series subordinated surplus debentures ("Debentures") to its initial policyholders. A portion of each Debenture was redeemable and a portion was considered a non-refundable surplus contribution. Investment in the Debentures was required of all policyholders until May 15, 2000, at which time the requirement was suspended due to the Company's favorable gross written premium to surplus ratio. Effective April 15, 2005, by agreement with the Alabama Insurance Commissioner, the Company received permission to buy back all Debentures. During 2006, the Company redeemed all Debentures for a total of $1,914,000. As of December 31, 2010, the Company reported members' contributed surplus of $1,111,186, which represents paid in surplus from the non-refundable portions of the surplus debentures. No membership fees, contributions, or surplus debentures have been required of members since the May 15, 2000 suspension of the surplus debentures requirement.

Dividends:

The Company did not declare or pay any dividends, or other distributions during the period under examination, except the redemption of surplus debentures discussed previously in the "Membership and Capitalization" section of this report.

## MANAGEMENT

Board of Directors and Officers:

The Company's directors serving as of December 31, 2010 were as follows:

| Name and State of Residence | Principal Occupation |
|---|---|
| Henry T. Henzel, Chairman<br>Alabama | Chairman and President<br>Attorneys Insurance Mutual of the South, Inc.,<br>Risk Retention Group |
| Lee R. Benton<br>Alabama | Attorney-at-Law<br>Benton & Centeno |

| | |
|---|---|
| Claire A. Black<br>Alabama | Attorney-at-Law<br>Self-Employed |
| Thomas E. Drake<br>Alabama | Attorney-at-Law<br>Drake & Drake |
| P. Richard Hartley<br>Alabama | Attorney-at-Law<br>Hartley & Hickman |
| L. Tennent Lee, III<br>Alabama | Attorney-at-Law<br>Retired |
| Charles H. Moses, III<br>Alabama | Attorney-at-Law<br>Moses & Moses, P.C. |
| James J. Odom, Jr.<br>Alabama | Attorney-at-Law<br>Self-Employed |
| Phillip E. Stano<br>District of Columbia | Attorney-at-Law<br>Sutherland, Asbill & Brennan, LLP |
| Sharon D. Stuart<br>Alabama | Attorney-at-Law<br>Christian & Small |

The Company's officers serving as of December 31, 2010 were as follows:

| Name | Title |
|---|---|
| Henry T. Henzel | Chairman and President |
| Charles H. Moses, III | Treasurer and Secretary |
| Wilma S. Fields | Vice President |

Committees:

As of December 31, 2010, the Company's board of directors had established the following committees:

| *Executive Committee:* | *Investment/Audit Committee:* |
|---|---|
| Henry T. Henzel, Chair | Charles H. Moses, III, Chair |
| James J. Odom, Jr. | Thomas E. Drake |
| L. Tennent Lee, III | James J. Odom, Jr. |
| Charles H. Moses, III | Lee R. Benton |
| Sharon D. Stuart | P. Richard Hartley |

*Claims Committee:*
L. Tennent Lee, III, Chair
P. Richard Hartley
Phillip E. Stano
Claire A. Black
Lee R. Benton

*Personnel Committee:*
Claire A. Black, Chair
Henry T. Henzel
Charles H. Moses, III
Sharon D. Stuart
Lee R. Benton

*Legislative Committee:*
P. Richard Hartley, Chair
James J. Odom, Jr.
Thomas E. Drake
Henry T. Henzel

*Underwriting Committee:*
Phillip E. Stano, Chair
Henry T. Henzel
Charles H. Moses, III
Sharon D. Stuart
Lee R. Benton

*Marketing Committee:*
Sharon D. Stuart, Chair
James J. Odom, Jr.
Henry T. Henzel
Charles H. Moses, III
L. Tennent Lee, III

*Nominating Committee:*
L. Tennent Lee, III, Chair
Thomas E. Drake
Phillip E. Stano

Conflicts of Interest:

The Company has an established procedure for the disclosure of any material interest or affiliation on the part of its officers and key management personnel. Our review of the conflict of interest statements completed by the Company's directors, officers and key personnel for the period under examination disclosed that there were no conflicts of interest reported that would adversely impact the Company.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors and members for the period under examination. Based on our review, it appears that the minutes have documented the board of director's review and approval of the Company's significant transactions and events.

## FIDELITY BOND AND OTHER INSURANCE

The Company maintained a fidelity bond coverage up to $2,200,000, which exceeds the NAIC's suggested minimum amount for fidelity coverage. The Company also maintained directors and officers (D&O) liability insurance coverage with limits of $1,000,000, as well as general business and employment liability coverage.

## PENSION AND INSURANCE PLANS

The Company maintained a defined contribution pension plan and a 401(k) deferred compensation plan as of December 31, 2010. The Company makes pension contributions equal to eight (8) percent of employees' annual salaries. The Company also makes a matching 401(k contribution equal to one hundred (100) percent of up to six (6) percent of participating employee's annual contributions.

In addition, the Company provides health insurance including medical and dental insurance to its employees.

## TERRITORY AND PLAN OF OPERATION

As of December 31, 2010, the Company was licensed in the District of Columbia and registered as a risk retention group in Alabama. The Company wrote business solely in Alabama during the examination period. In May 2011, the Department approved the Company's request to register in and write business in Tennessee. In June 2011, the Company registered with the state of Tennessee and started writing business in Tennessee in September 2011.

The Company provided professional liability insurance coverage exclusively to its members, who were attorneys practicing law in the state of Alabama. Coverage included lawyers professional liability insurance on a claims-made basis, as well as extended reporting (discovery or tail) endorsements. Limits offered were up to $10,000,000 per claim and annual aggregate, in excess of policyholders' deductibles ranging from $1,000 to $50,000 for each loss. At a minimum, policy limits offered were $100,000 per claim and $300,000 annual aggregate. Most of the Company's active policies were written with limits of $1,000,000. Insurance policies with limits up to $20,000,000 per claim and annual aggregate were available through facultative placement. However, there were no policies at December 31, 2010 written with limits in excess of $10,000,000. The Company retains the first $125,000 of each claim, reinsuring the excess with various reinsurers. See the "Reinsurance" section of this report for details regarding the Company's reinsurance.

AIM's policyholders and members consist of sole practitioners and firms with fewer than 50 attorneys and consist primarily of general practitioners.

From inception of operations, the Company has performed all major functions in-house and does not utilize a captive manager. Major functions performed include direct underwriting, claims, accounting and marketing.

## COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The financial position of the Company and its loss experience for the years under examination is presented in the following table, which is prepared from information contained in the Company's annual statements filed with the applicable department of insurance. The amounts reported in the table for the year ended December 31, 2010 are determined by this examination.

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Total admitted assets | $ 15,156,888 | $ 16,279,300 | $ 16,000,530 | $ 17,607,818 | $ 16,853,355 |
| Total liabilities | $ 7,268,767 | $ 8,197,167 | $ 8,297,436 | $ 8,658,834 | $ 9,272,874 |
| Total capital and surplus | $ 7,888,121 | $ 8,082,133 | $ 7,703,094 | $ 8,948,984 | $ 7,580,481 |
| | | | | | |
| Net cash from operations | $ (883,390) | $ 73,247 | $ (240,178) | $ 831,965 | $ 987,391 |
| | | | | | |
| Total adjusted risk-based capital | $ 7,888,121 | $ 8,082,133 | $ 7,703,094 | $ 8,948,984 | $ 7,580,481 |
| Authorized control level risk-based capital | $ 973,887 | $ 1,009,940 | $ 1,038,040 | $ 915,835 | $ 929,335 |
| | | | | | |
| Gross written premium* | $ 3,501,725 | $ 3,752,283 | $ 3,879,651 | $ 4,210,262 | $ 4,151,525 |
| Ceded premiums written | $ 1,266,914 | $ 946,374 | $ 903,535 | $ 1,131,778 | $ 1,413,629 |
| Premiums earned | $ 2,295,342 | $ 2,850,436 | $ 3,086,173 | $ 3,080,651 | $ 2,716,560 |
| Net underwriting gain (loss) | $ (276,523) | $ (235,166) | $ (488,189) | $ 1,941,315 | $ 8,946 |
| Net investment income | $ 117,033 | $ 220,780 | $ 457,014 | $ 447,603 | $ 515,360 |
| Net realized capital gains (losses) | $ 150,056 | $ (69,082) | $ 11,189 | $ 130,893 | $ - |
| Net income (loss) | $ (3,132) | $ (5,526) | $ 36,254 | $ 1,808,009 | $ 448,737 |
| | | | | | |
| Net underwriting gain to PHS | -3.5% | -2.9% | -6.3% | 21.7% | 0.1% |
| Net written premium to PHS | 28.3% | 34.7% | 38.6% | 34.4% | 36.1% |
| | | | | | |
| Losses and LAE incurred | $ 696,462 | $ 1,213,491 | $ 1,731,399 | $ (402,922) | $ 1,505,072 |
| Other underwriting expenses incurred | $ 1,875,403 | $ 1,872,111 | $ 1,842,963 | $ 1,542,258 | $ 1,302,542 |
| | | | | | |
| Net loss ratio | 30.3% | 42.6% | 56.1% | -13.1% | 51.7% |
| Expense ratio* | 83.9% | 66.7% | 61.9% | 50.1% | 47.6% |

*During the period under examination, the Company experienced a steady decline in premiums. According to management, the decline in premiums was due mainly to the effects of the recession in 2008, as well as the soft market and perceived underpricing by commercial competitors. The Company also experienced a high underwriting expense ratio that increased

over the examination period. According to management, the high expense ratio was partially attributable to on-going expenses related to the previous financial examination.

## REINSURANCE

Assumed Reinsurance:

The Company did not assume any business during the examination period.

Ceded Reinsurance:

The Company ceded business to various reinsurers under four layers of excess of loss treaties and one facultative agreement. Under these reinsurance arrangements, the Company's maximum retention in any one risk per occurrence was $125,000 on a claims-made basis. The four layers of excess of loss coverage provide coverage up to $10,000,000 in excess of the $125,000 retained by the Company. The facultative agreement provided $10,000,000 in excess of $10,000,000 for those policies written in excess of the Company's $10,000,000 coverage limit. There were no policies at December 31, 2010 written in excess of the Company's $10,000,000 coverage limit that would trigger the use of the facultative agreement.

All of the Company's reinsurers are approved by the Department as authorized reinsurers. The reinsurers assuming the largest shares of the Company's ceded premiums in 2010 were a Lloyd's Syndicate, with approximately 27 percent of premiums ceded, and Hannover Ruchversichrungs, with approximately 24 percent of premiums ceded. The Lloyd's Syndicate and Hannover Ruchversichrungs have A.M. Best financial strength ratings of A+ and A, respectively. During 2010, the Company ceded premiums totaling approximately $1,267,000, and as of December 31, 2010, the Company reported estimated reinsurance recoverable on unpaid losses, and ceded unearned premiums, totaling approximately $3,567,000 and $495,000, respectively. If the reinsurers were not able to meet the obligations under the treaties, the Company would be liable for any defaulted amounts.

Our review of the Company's reinsurance contracts disclosed no unusual provisions.

## ACCOUNTS AND RECORDS

The primary location of the Company's books and records is at the Company's office in Birmingham, Alabama.

The Company's general accounting records consisted of an automated general ledger system and various subsidiary records. Our examination did not disclose any significant issues with these records.

## STATUTORY DEPOSITS

As of December 31, 2010, the Company did not have any statutory deposits in the District of Columbia and was not required to maintain any such deposits. In addition, the Company was not required to maintain statutory deposits with any other jurisdictions.

## FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with statutory accounting practices prescribed or permitted by the Department, reflect the financial condition of the Company as of December 31, 2010, as determined by this examination:



The accompanying Notes to Financial Statements are an integral part of these financial statements.

**BALANCE SHEET**

**ASSETS**

| | *December 31, 2010* |
|---|---|
| Bonds | $ 9,809,344 |
| Common stocks | 1,283,476 |
| Real estate: | |
| Properties occupied by the company | 846,233 |
| Cash ($2,393,892) and short-term investments ($499,088) **(NOTE 1)** | 2,892,980 |
| Subtotals, cash and invested assets | $ 14,832,033 |
| Investment income due and accrued | 73,743 |
| Uncollected premiums and agents' balances in the course of collection | 68,651 |
| Net deferred tax asset | 168,000 |
| Electronic data processing equipment and software | 10,483 |
| Aggregate write-ins for other than invested assets: | |
| Receivable from vendor | 3,978 |
| Total | $ 15,156,888 |

## LIABILITIES, SURPLUS AND OTHER FUNDS

| | *December 31, 2010* |
|---|---|
| Losses **(NOTE 2)** | $ 2,554,000 |
| Loss adjustment expenses **(NOTE 2)** | 2,536,000 |
| Other expenses (excluding taxes, licenses and fees) | 340,666 |
| Taxes, licenses and fees (excluding federal and foreign income taxes) | 43,269 |
| Unearned premiums (after deducting unearned premiums for ceded reinsurance of $495,050) | 1,141,666 |
| Advance premiums | 110,208 |
| Ceded reinsurance premiums payable (net of ceding commissions) | 159,394 |
| Funds held by company under reinsurance treaties | 70,798 |
| Amounts withheld or retained by company for account of others | 1,766 |
| Provision for reinsurance | 311,000 |
| Total Liabilities | $ 7,268,767 |
| Gross paid in and contributed surplus | $ 1,111,186 |
| Unassigned funds (surplus) | 6,776,935 |
| Surplus as regards policyholders | $ 7,888,121 |
| Total Liabilities and Surplus | $ 15,156,888 |

## STATEMENT OF INCOME

| | | *2010* |
|---|---|---|
| UNDERWRITING INCOME | | |
| Premiums earned | $ | 2,295,342 |
| | | |
| DEDUCTIONS | | |
| Losses incurred | $ | 521,966 |
| Loss adjustment expenses incurred | | 174,496 |
| Other underwriting expenses incurred | | 1,875,403 |
| Total underwriting deductions | $ | 2,571,865 |
| | | |
| Net underwriting loss | $ | (276,523) |
| | | |
| INVESTMENT INCOME | | |
| Net investment income earned | $ | 117,033 |
| Net realized capital gains | | 150,056 |
| Net investment gain | $ | 267,089 |
| Income (loss) before income tax | | (9,434) |
| | | |
| Federal and foreign income taxes incurred | $ | (6,302) |
| | | |
| Net loss | $ | (3,132) |

## CAPITAL AND SURPLUS ACCOUNT

| | | |
|---|---|---|
| Surplus as regards policyholders, beginning of year 2006 | $ | 8,555,803 |
| Net income, 2006 | | 448,737 |
| Change in net unrealized capital gains/(losses) | | 373,062 |
| Change in net deferred income tax | | (136,400) |
| Change in non-admitted assets | | 141,084 |
| Change in provision for reinsurance | | 101,000 |
| Change in surplus debentures | | (1,914,000) |
| Surplus paid in | | 11,195 |
| Surplus as regards policyholders, end of year 2006 | $ | 7,580,481 |
| | | |
| Surplus as regards policyholders, beginning of year 2007 | $ | 7,580,481 |
| Net income, 2007 | | 1,808,009 |
| Change in net unrealized capital gains/(losses) | | (55,392) |
| Change in net deferred income tax | | (53,000) |
| Change in non-admitted assets | | 10,589 |
| Change in provision for reinsurance | | (340,000) |
| Surplus paid in | | (1,703) |
| Surplus as regards policyholders, end of year 2007 | $ | 8,948,984 |
| | | |
| Surplus as regards policyholders, beginning of year 2008 | $ | 8,948,984 |
| Net income, 2008 | | 36,254 |
| Change in net unrealized capital gains/(losses) | | (1,623,006) |
| Change in net deferred income tax | | 580,500 |
| Change in non-admitted assets | | (496,638) |
| Change in provision for reinsurance | | 257,000 |
| Surplus as regards policyholders, end of year 2008 | $ | 7,703,094 |
| | | |
| Surplus as regards policyholders, beginning of year 2009 | $ | 7,703,094 |
| Net loss, 2009 | | (5,526) |
| Change in net unrealized capital gains/(losses) | | 633,113 |
| Change in net deferred income tax | | (254,200) |
| Change in non-admitted assets | | 232,652 |
| Change in provision for reinsurance | | (227,000) |
| Surplus as regards policyholders, end of year 2009 | $ | 8,082,133 |
| | | |
| Surplus as regards policyholders, beginning of year 2010 | $ | 8,082,133 |
| Net loss, 2010 | | (3,132) |
| Change in net unrealized capital gains/(losses) | | 10,988 |
| Change in net deferred income tax | | (44,300) |
| Change in non-admitted assets | | (223,566) |
| Change in provision for reinsurance | | 66,000 |
| Surplus as regards policyholders, end of year 2010 | $ | 7,888,121 |

## ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

There were no changes to the Company's surplus as a result of our examination.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: Cash and Short-Term Investments

As of December 31, 2010, the Company reported "Cash and Short-Term Investments" totaling $2,892,980. This amount includes $500,000 cash deposited in a trust account with the Department as a beneficiary. In conjunction with the redomestication in 2010, the Company was required to establish and maintain a trust account with a minimum balance of $500,000 at all times for the benefit of the Department. The Company has discretion over the investments in the account within guidelines established by the Department, and is entitled to receive investment income on the funds. As of December 31, 2010, the Company held assets in the trust account with a market value of $500,543, which was in excess of the $500,000 requirement.

### NOTE 2: Loss and Loss Adjustment Expense Reserves

The Company reported "Losses" and "Loss adjustment expenses" reserves totaling $2,554,000 and $2,536,000, respectively. These reserves represent management's best estimate of the net amounts necessary to pay all claims and related claims adjustment expenses that have been incurred but are still unpaid as of December 31, 2010. Reserve credits taken as of December 31, 2010 for cessions to reinsurers totaled $3,567,000, which is reported as a deduction from gross loss and loss adjustment expenses reserves liabilities. If the reinsurers are unable to meet their obligations under the reinsurance treaty, the Company would be liable for any defaulted amounts. The Company does not discount its reserves.

The methodologies utilized by the Company to compute reserves, and the adequacy of the losses and loss adjustment expenses reserves as of December 31, 2010, were reviewed as part of our examination. As part of our review, we relied on the work performed by the Company's independent actuary, who concluded that the Company's reserves appeared to be sufficient. In addition, as part of our examination of the Company's reserves, we engaged an examination actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary. The examination actuary utilized concluded that the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary appeared sufficient and that reserves as reported in the Company's financial statements are reasonable and adequate.

## COMMENTS AND RECOMMENDATIONS

During the examination, no issues warranting comments or recommendations in this examination report were noted.

## CONCLUSION

Our examination disclosed that as of December 31, 2010 the Company had:

| | | |
|---|---|---|
| Admitted Assets | $ | 15,156,888 |
| Liabilities and Reserves | | 7,268,767 |
| Gross Paid In and Contributed Surplus | | 1,111,186 |
| Unassigned Funds | | 6,776,935 |
| Total Surplus | | 7,888,121 |
| Total Liabilities, Capital and Surplus | $ | 15,156,888 |

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2010, and the accompanying statement of income properly presents the results of operations for the period then ended.

Chapter 39A ("CAPTIVE INSURANCE COMPANIES") of Title 31 ("Insurance and Securities") of the D.C. Official Code specifies the level of capital and surplus required for the Company. We concluded that the Company's capital and surplus funds exceeded the minimum requirements during the period under examination.

## SIGNATURES

In addition to the undersigned, Amy Carter, of Lewis & Ellis, Inc., representing the Department, participated in this examination.

The actuarial portion of this examination was completed by Kristine M. Fitzgerald, ACAS, MAAA, FCA and Steven P. Lattanzio, FCAS, MAAA, FCA of Actuarial & Technical Solutions, Inc.

Respectfully submitted,

Sarah Lucibello, CFE
Examiner-In-Charge
Lewis & Ellis, Inc.

Under the Supervision of,

Xiangchun (Jessie) Li, CFE
Supervising Examiner
District of Columbia Department of Insurance, Securities and Banking

Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking

William P. White
Commissioner

March 20, 2012

Henry T. Henzel
President
Attorneys Insurance Mutual of the South, Inc.
Risk Retention Group
200 Inverness Parkway
Birmingham, Alabama 35242

RE: Examination of **Attorneys Insurance Mutual of the South Inc., Risk Retention Group,** as of December 31, 2010

Dear Mr. Henzel:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination ("Report") of the affairs and financial condition of Attorneys Insurance Mutual of the South Inc., Risk Retention Group. ("Company") as of December 31, 2010.

Please submit, to my attention, a written response calling attention to any errors or omissions in the draft Report. If there are no errors or omissions noted, please submit a statement indicating none were noted and that the Company accepts the Report.

The response must be in writing and shall be furnished to this Department by April 18, 2012. In addition to a hard-copy response, please also furnish the response electronically via e-mail to me, in a Microsoft "Word" format, to sean.odonnell@dc.gov.

Sincerely,

Sean O'Donnell

Sean O'Donnell
Director of Financial Examination,
Risk Finance Bureau

Enclosure

Attorneys Insurance Mutual of the South, Inc.
Risk Retention Group

200 Inverness Parkway, Birmingham, Alabama 35242-4813
Telephone 205-980-0009 • Toll Free 800-526-1246 • *FAX 205-980-9009*
www.AttysInsMut.com

April 17, 2012

Mr. Sean O'Donnell
Director of Financial Examination,
Risk Finance Bureau
Department of Insurance, Securities and Banking
810 First Street, NE, Suite 701
Washington, DC 20002

RE: Examination of **Attorneys Insurance Mutual of the South, Inc., Risk Retention Group**, as of December 31, 2010

Dear Mr. O'Donnell:

This is to respond to your letter of March 20, 2012 transmitting to us a copy of the Report on Examination ("Report") of the affairs and financial condition of Attorneys Insurance Mutual of the South, Inc., Risk Retention Group, (the "Company") as of December 31, 2010.

The Company has fully reviewed the draft Report with its Audit Committee and finds no errors or omissions in the draft Report and accepts the draft Report as presented.

If we can assist in any way further, please advise us.

Sincerely,

Henry T. Henzel, Esq.
President

HTH/eac

Government of the District of Columbia
Vincent C. Gray, Mayor
Department of Insurance, Securities and Banking

William P. White
Commissioner

April 23, 2012

Henry T. Henzel
President
Attorneys Insurance Mutual of the South, Inc., Risk Retention Group
200 Inverness Parkway
Birmingham, Alabama 35242

RE: Examination of **Attorneys Insurance Mutual of the South Inc., Risk Retention Group,** as of December 31, 2010

Dear Mr. Henzel:

We are in receipt of your response, dated April 17, 2012, regarding the Report on Examination of **Attorneys Insurance Mutual of the South Inc., Risk Retention Group,** as of December 31, 2010. The response is deemed adequate.

The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption. After this 10 day period has passed, the Report will be publicly available. The Department of Insurance, Securities and Banking will forward the adopted Report electronically to each Commissioner whose name is set forth on Page 1 of the Report, as well as to each jurisdiction in which the Company is registered and to the National Association of Insurance Commissioners.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each Company director stating under oath that he or she has received a copy of the adopted examination Report and related Order shall be filed with this Department. Please send these affidavits to my attention at the Department.

Please contact me at 202-442-8153 if you have any questions.

Sincerely,

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

Enclosures