Government of the District of Columbia
Department of Insurance, Securities and Banking

Gennet Purcell
Commissioner

BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA

Re: Report on Examination - **Pinelands Insurance Company Risk Retention Group, Inc.,** as of December 31, 2008

ORDER

An Examination of **Pinelands Insurance Company Risk Retention Group, Inc.** ("Company"), as of December 31, 2008 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("Department").

It is hereby ordered on this 28th day of April, 2010, that the attached financial condition examination report be adopted and filed as an official record of this Department.

In addition, it is hereby ordered that the Company comply with the recommendation in the attached financial condition examination report.

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.

Gennet Purcell
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

REPORT ON EXAMINATION

PINELANDS INSURANCE COMPANY RISK RETENTION GROUP, INC.

AS OF

DECEMBER 31, 2008

NAIC NUMBER 12198

TABLE OF CONTENTS

Salutation 1
Scope of Examination 1
Status of Prior Examination Findings 2
Subsequent Events 2
History 3
  General 3
  Membership 3
  Dividends and Distributions 4
Management 4
  Board of Directors 4
  Officers 4
  Committees 4
  Conflicts of Interest 4
  Corporate Records 5
Captive Manager 5
Affiliated Parties and Transactions 5
Fidelity Bond and Other Insurance 5
Pension and Insurance Plans 5
Statutory Deposits 6
Territory and Plan of Operation 6
Insurance Products and Related Market Practices 6
Reinsurance 7
Accounts and Records 8
Financial Statements 9
  Balance Sheet 10
    Assets 10
    Liabilities, Surplus and Other Funds 11
  Statement of Income 12
  Capital and Surplus Account 13
  Analysis of Examination Changes to Surplus 14
  Comparative Financial Position of the Company 14
Notes to Financial Statements 15
Comments and Recommendations 17
Conclusion 18
Signatures 19

Washington, D.C.
November 30, 2009

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

Dear Madam:

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

Pinelands Insurance Company Risk Retention Group, Inc.

hereinafter referred to as the "Company" or "Pinelands RRG".

SCOPE OF EXAMINATION

This full-scope examination, covering the period from November 1, 2004 through December 31, 2008, including any material transactions and/or events noted occurring subsequent to December 31, 2008, was conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

Our examination was conducted in accordance with examination procedures established by the Department and procedures recommended by the National Association of Insurance Commissioners ("NAIC") and, accordingly, included such tests of the accounting records and such other examination procedures as we considered necessary in the circumstances.

Our examination included a review of the Company's business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. 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 years 2004 through 2008. We placed substantial reliance on the audited financial statements for the years 2004 through 2007, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the results for the year ended December 31, 2008**.** We obtained and reviewed the working papers prepared by the independent public accounting firm related to its audit for the year ended December 31, 2008. We placed substantial reliance on the work of the independent auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's workpapers.

STATUS OF PRIOR EXAMINATION FINDINGS

This is the first examination of the Company.

SUBSEQUENT EVENTS

As indicated in "Financial Statements" section of this report, for the year ended December 31, 2008 the Company experienced "Net underwriting loss" totaling $565,243, "Net loss" totaling $389,088, and experienced a decline in "Surplus as regards policyholders" totaling $389,088 from the prior year end, from $1,254,306 to $865,218.

During 2009, the Department closely monitored the Company's quarterly underwriting results, results from operations, and overall financial condition. For the periods ending March 31, 2009 and June 30, 2009, the Company's underwriting results and overall financial condition remained stable as compared to the prior year end. Specifically, for the three-month period ended March 31, 2009 the Company reported "Net underwriting loss" totaling $62,057, "Net loss" totaling $42,734, and experienced a decline in "Surplus as regards policyholders" totaling $42,734 from the prior year end. For the six-month period ended June 30, 2009, the Company reported "Net underwriting gain" totaling $7,611, "Net income" totaling $4,185, and experienced an increase in "Surplus as regards policyholders" totaling $4,185 from the prior year end. However, for the nine-month period ended September 30, 2009, the Company's reported underwriting results, results from operations, and overall financial condition deteriorated.

Specifically, for the period ended September 30, 2009 the Company reported "Net underwriting loss" totaling $335,808, "Net loss" totaling $245,715, and experienced a decline in "Surplus as regards policyholders" totaling $245,715 from the prior year end, from $865,218 to $619,503. According to management of the Company, the September 30, 2009 underwriting loss resulted from increases to the Company's case reserves during the third quarter.

As a result of the Company's results of operations and decline in surplus in the third quarter, management indicated to the Department the Company's plan to increase premiums by approximately 10 percent beginning October 1, 2009; collect capital contributions from policyholders, totaling 10 percent of premiums, beginning January 1, 2010; and have an independent third party review the Company's claims and claims procedures during the fourth quarter of 2009. In addition to these actions, on January 12, 2010, the Department directed the Company to seek a capital infusion of $427,000. This amount was based upon the Company's estimated reserves deficiency, as reported in the Company's September 30, 2009 Quarterly Statement, for the accident years 2008 and prior.

Management agreed to this directive, but requested that the Company be allowed to finalize and file its 2009 Annual Statement, due to the Department no later than March 2, 2010, before finalizing the amount of a capital infusion. Management committed to infusing additional capital into the Company such that the Company's "Surplus as regards policyholders" as of December 31, 2009, plus the additional amount of capital to be infused, would equal $1 million. The Department agreed to the Company's request to wait until the Company's 2009 Annual Statement was filed to determine the amount of the capital infusion. In addition, the Department directed management to have the Company's actuary perform a premium deficiency reserve analysis as of December 31, 2009, and directed management to record its estimate of loss reserves as of December 31, 2009 in an amount at least equal to the best estimate of the Company's actuary.

On March 1, 2010, the Company filed its 2009 Annual Statement. For the year ended December 31, 2009, the Company reported "Net underwriting loss" totaling $478,173, "Net loss" totaling $342,454, and experienced a decline in "Surplus as regards policyholders" totaling $257,760 from the prior year end, from $865,218 to $597,458. In a March 1, 2010 letter to the Department, management indicated, based on its 2009 Annual Statement, it planned to obtain additional capital infusions, totaling $400,000, by April 15, 2010. The Department accepted the Company's plan. In addition, management indicated an analysis prepared by the Company's actuary indicated no premium deficiency reserve was necessary as of December 31, 2009, and management also indicated the actuary's best estimate of loss reserves was booked by management as of December 31, 2009.

HISTORY

General:

The Company was incorporated as an association captive insurance company operating as a risk retention group under the captive insurance laws of the District of Columbia on November 1, 2004 and began operations on November 26, 2004. The Company provides commercial automobile liability insurance to public livery service providers in New Jersey, Pennsylvania (excluding the Philadelphia metropolitan area), and Delaware.

Membership:

The Company is owned by its members which include the National Transportation Association ("NTA") and the Pennsylvania Taxi Association ("PTA"). NTA and PTA offer access to the Company's insurance to the members of their organizations. The members of NTA and PTA are then issued individual certificates of insurance on the respective association's policy. The Company's articles of incorporation authorize the issuance of 5,000,000 shares of common stock with par value $.40 per share. As of December 31, 2008, the Company had 1,000,000 of its common stock shares issued and outstanding. As of December 31, 2008, National Transportation Association holds 730,000 shares and Pennsylvania Taxi Association holds 270,000 shares.

Dividends and Distributions:

The Company did not declare or pay any dividends or other distributions during the period under examination.

MANAGEMENT

The following persons were serving as the Company's directors as of December 31, 2008:

Name and State of Residence	Principal Occupation
Ronald Hambrecht, Chair New Jersey	Vice President Insurance Office of America
Inna Friedman Pennsylvania	CPA Friedman Accounting Services
Ronald P. Hambrecht Jr. New Jersey	Broker Insurance Office of America

The following persons were serving as the Company's Officers as of December 31, 2008:

Name	Title
Ronald Hambrecht	President/Chairman
Inna Friedman	Vice President
Ronald P. Hambrecht Jr.	Vice Chairman, Treasurer and Secretary

Committees:

As of December 31, 2008, the Company's board of directors had not established any committees.

Conflicts of Interest:

Our review of the conflict of interest statements ("statements") signed by the Company's directors and officers for the period under examination disclosed that there were no conflicts of interest reported that would adversely impact the Company. Each conflict of interest statement contains a series of questions to be completed by the director or officer. However, we noted that for some of the statements, some of the questions were not answered by the director or officer. In addition, a statement from one board member for the years 2004, 2005 and 2006 could not be located by the Company. During our examination, we discussed with management the importance of ensuring conflict of interest statements are completed annually by all directors and officers, and that all statements are fully completed. Management agreed to ensure these issues were addressed.

Corporate Records:

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

CAPTIVE MANAGER

Risk Services, LLC ("Risk Services") is the Company's captive manager providing management services, including accounting, regulatory services, and records retention services to the Company.

AFFILIATED PARTIES AND TRANSACTIONS

The Company has no affiliates. However, the Company receives managing general agency ("MGA") services, including underwriting, policy maintenance, and premium billing services, from the Insurance Office of America ("IOA") from inception to November 30, 2008, and from Spectrum Transportation Agency, LLC (Spectrum) from November 30, 2008 forward. Two persons serving as officers and directors of Pinelands RRG are employed by IOA and Spectrum, and one is a common shareholder of IOA and Spectrum. Specifically, Ronald Hambrecht and Ronald Hambrecht, Jr., both officers and directors of Pinelands RRG, are employed by IOA and Spectrum, and Ronald Hambrecht is also a common shareholder of IOA and Spectrum. Under the terms of the MGA agreement, the Company pays 18 percent of gross earned premium payments received for these services provided by IOA, and 15 percent under the Spectrum agreement. During 2008, Pinelands RRG incurred expenses totaling $867,586 for services provided by IOA and Spectrum under the MGA agreements.

FIDELITY BOND AND OTHER INSURANCE

The Company has no employees and its daily business operations are managed by various service providers. Although the Company itself has no fidelity bond coverage, its service providers maintain various forms of coverage. Specifically, IOA and Spectrum maintain errors and omissions coverage in the amount of $1 million per occurrence and $2 million aggregate limits. The Company's captive manager is covered under a $5,000,000 directors, officers and corporate liability, employment practices liability, and fiduciary liability policy. Coverage maintained by the current service providers is deemed adequate based on NAIC guidelines.

PENSION AND INSURANCE PLANS

The Company has no employees and therefore has no employee pension or insurance plans.

STATUTORY DEPOSITS

As of December 31, 2008, 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.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2008, the Company was licensed in the District of Columbia and was registered as a risk retention group in the states of New Jersey, Pennsylvania, and Delaware. During 2008, the Company reported direct premiums written totaling $4,906,182, with 68 percent ($3,329,508) of premiums written in Pennsylvania, 31 percent ($1,507,631) written in New Jersey and 1 percent ($69,043) written in Delaware.

The Company provides commercial automobile liability insurance to public livery service providers in New Jersey, Delaware and Pennsylvania. The Company offers claims made and occurrence policies at limits ranging from $25,000 per occurrence, $25,000 per vehicle and $50,000 in the annual aggregate to $100,000 per occurrence to $100,000 per vehicle and $300,000 in annual aggregate.

The Company has no employees and its daily business operations are managed by its captive manager and various service providers.

INSURANCE PRODUCTS AND RELATED MARKET PRACTICES

This examination was a financial examination, and generally did not include market conduct procedures. An examination of the market conduct affairs of the Company has never been conducted. A market conduct examination would include detailed reviews of the Company's sales and advertising, agent licensing, timeliness of claims processing, and complaint handling practices and procedures.

The scope of our examination did not include market conduct procedures, including, but not limited to, market conduct procedures in the following areas:

- Policy Forms
- Fair Underwriting Practices
- Advertising and Sales Materials
- Treatment of Policyholders:
    - Claims Processing (Timeliness)
    - Complaints

REINSURANCE

Effective November 26, 2004, the Company entered into a quota share reinsurance agreement with Imagine International Reinsurance Limited. Under the terms of the agreement, Pinelands RRG ceded 70 percent of its premiums and losses. The reinsurer's liability under the contract is limited to 120 percent of the reinsurance premium net of ceding commission. Per the agreement, a letter of credit (LOC) should be maintained by the reinsurer in an amount equal to the ceded reserves for unearned premium, losses and loss expenses outstanding, including IBNR. However, we noted the letter of credit held at December 31, 2008 was deficient by approximately $406,000. During our examination we discussed this issue with management of the Company. Management indicated the exact amount of the ceded reserves credits is not known as of year end and once the ceded reinsurance credits are known subsequent to year end the LOC can be increased or decreased as needed. Management acknowledged the importance of maintaining the required security and indicated efforts to do so would be made in the future.

In March 2008, the Company notified the Department it had commuted the first annual period in respect to policies written during the period of November 26, 2004 through November 30, 2005, effective November 15, 2007. The Company did not request pre-approval for this commutation and the Department instructed the Company to seek pre-approval for any future commutations. The Company agreed to do so. With the pre-approval of the Department, dated December 30, 2008, the second annual period in respect to policies during the period of November 30, 2005 through November 30, 2006 and the third annual period in respect to policies during the period of November 30, 2006 through November 30, 2007 were commuted effective September 30, 2008.

As a result of these reinsurance commutations, the Company has no reinsurance coverage on claims incurred up to November 30, 2007, and the Company retains full policy limits for all policies written during these periods.

Effective August 9, 2009, the Department approved the Company's request to change reinsurers from Imagine International Reinsurance Limited to AmTrust International Limited. This change is effective for all policies written after November 30, 2008.

In 2008 the Company's reinsurance premium totaled $3,418,295. As of December 31, 2008, the Company reported "Amounts recoverable from reinsurers" totaling $124,845 (representing amounts recoverable on paid losses), "Deferred reinsurance" totaling $2,075,387 (representing prepaid reinsurance premiums - i.e., ceded unearned premiums), and "Other amounts receivable under reinsurance contracts" totaling $816,082, (representing estimated amounts recoverable on unpaid losses). If the reinsurers were not able to meet their obligations under the treaties, the Company would be liable for any defaulted amounts.

Our review of the Company's ceded reinsurance program and contracts did not disclose any unusual provisions.

ACCOUNTS AND RECORDS

The primary location of the Company's books and records is at the offices of its captive manager, Risk Services, located in Sarasota, Florida.

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

FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), except for the condition described in **NOTE 2,** reflect the financial condition of the Company as of December 31, 2008, as determined by this examination:

STATEMENT	PAGE
Balance Sheet:	8
Assets	8
Liabilities, Surplus and Other Funds	9
Statement of Income	10
Capital and Surplus Account	11
Analysis of Examination Changes to Surplus	12
Comparative Financial Position of the Company	12

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

BALANCE SHEET

ASSETS

	December 31, 2008
Cash ($1,322,262), cash equivalents ($0), and short-term investments ($0) **(NOTE 1)**	$ 1,322,262
Subtotals, cash and invested assets	$ 1,322,262
Uncollected premiums and agents' balances in the course of collection	$ 1,169,609
Reinsurance:	
Amounts recoverable from reinsurers	124,845
Other amounts receivable under reinsurance contracts	816,082
Current federal and foreign income tax recoverable and interest thereon	175,818
Net deferred tax asset	154,374
Aggregate write-ins for other than invested assets:	
Letters of credit **(NOTE 2)**	1,000,000
Deferred expenses	266,835
Deductible recoverable	6,000
Deferred reinsurance	2,075,387
Deferred policy acquisition costs	602,077
Profit ceding commission receivable	76,920
Total assets	$ 7,790,209

LIABILITIES, SURPLUS AND OTHER FUNDS

	December 31, 2008
Losses **(NOTE 3)**	$ 3,632,663
Loss adjustment expenses **(NOTE 3)**	173,232
Other expenses (excluding taxes, licenses and fees)	320,369
Taxes, licenses and fees (excluding federal and foreign income taxes)	129,465
Unearned premiums	2,964,838
Ceded reinsurance premiums payable (net of ceding commissions) **(NOTE 4)**	(947,815)
Deferred ceding commission	652,239
Total liabilities	$ 6,924,991
Common capital stock	$ 400,000
Gross paid-in and contributed surplus	600,000
Unassigned funds (surplus)	(134,782)
Surplus as regards policyholders	$ 865,218
Total liabilities and surplus as regards policyholders	$ 7,790,209

STATEMENT OF INCOME

	2008
UNDERWRITING INCOME	
Premiums earned	$ 1,462,335
DEDUCTIONS	
Losses incurred	$ 1,359,885
Loss adjustment expenses incurred	449,748
Other underwriting expenses incurred	217,945
Total underwriting deductions	$ 2,027,578
Net underwriting loss **(NOTE 5)**	(565,243)
INVESTMENT INCOME	
Net investment income earned	$ 18,514
Net loss before federal income taxes	$ (546,729)
Federal income tax benefit	(157,641)
Net loss	$ (389,088)

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, November 5, 2004	$	0
Net loss, 2004		(25,574)
Issuance of stock		400,000
Additional paid-in surplus		600,000
Net change in surplus as regards policyholders, 2004		974,426
Surplus as regards policyholders, December 31, 2004	$	974,426
Net income, 2005		58,771
Net change in surplus as regards policyholders, 2005		58,771
Surplus as regards policyholders, December 31, 2005	$	1,033,197
Net income, 2006		107,349
Net change in surplus as regards policyholders, 2006		107,349
Surplus as regards policyholders, December 31, 2006	$	1,140,546
Net income, 2007		113,760
Net change in surplus as regards policyholders, 2007		113,760
Surplus as regards policyholders, December 31, 2007	$	1,254,306
Net loss, 2008		(389,088)
Net change in surplus as regards policyholders, 2008		(389,088)
Surplus as regards policyholders, December 31, 2008	$	865,218

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

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

COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The comparative financial position of the Company for the periods since inception is as follows:

	2008	2007	2006	2005	2004
Assets	$ 7,790,209	$ 8,836,450	$ 8,415,759	$ 4,499,014	$ 2,825,919
Liabilities	6,924,991	7,582,144	7,275,213	3,465,817	1,851,493
Surplus as regards policyholders	865,218	1,254,306	1,140,546	1,033,197	974,426
Premiums earned	1,462,335	1,424,540	1,578,483	929,059	7,657
Net investment income	18,514	33,203	30,400	4,863	0
Net income (loss)	$ (389,088)	$ 113,760	$ 107,349	$ 58,771	$ (25,574)

Note: Amounts in the preceding financial statements for the years ended December 31, 2004 through 2007 were taken from the Company's Annual Statements as filed with the Department. The amounts for the year ended December 31, 2008 are amounts per examination.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Cash and Cash Equivalents:

As of December 31, 2008 the company reported Cash and Cash Equivalents totaling $1,322,262, of which $1,246,974 was held in one institution. This balance exceeded the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). During our examination, we discussed with management the potential risk to the Company from maintaining balances in excess of the FDIC insured limit in a single institution. Management agreed potential risk existed and indicated steps would be taken to mitigate this risk in the future.

NOTE 2 - Letters of Credit:

At December 31, 2008, the Company's assets included $1,000,000 in letters of credit in the possession of the District of Columbia Insurance Commissioner. Under the Laws of the District of Columbia, letters of credit approved by the Department are allowed as admitted assets. Inclusion of the letters of credit as assets is not in accordance with GAAP.

NOTE 3 - Losses and Loss Adjustment Expense Reserves:

The Company reported Losses and Loss Adjustment Expense reserves in the 2008 annual statement totaling $3,632,663 and $173,232, respectively. These reserves represent management's best estimate of the amounts necessary to pay all claims and related expenses that have been incurred but are unpaid as of December 31, 2008. Reserve credits taken as of December 31, 2008 for cessions to its reinsurers total $816,082, which was reported as "Other amounts receivable under reinsurance contracts" in the Company's assets. If the reinsurers are unable to meet their obligations under the reinsurance treaty, the Company would be liable for any defaulted amounts. The Company's net reserves are approximately $2,990,000 as of December 31, 2008. 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, 2008, were reviewed as part of the examination. As part of our review, we relied on the Company's independent actuary, who concluded that the Company's reserves appeared to be sufficient. In addition, as part of our review of the Company's reserves, we engaged an independent actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary. The independent actuary utilized in our examination concluded that the methodologies and assumption utilized by the Company's independent actuary to compute these reserves, and the adequacy of the reserves as of December 31, 2008, were reasonable and adequate.

As noted in the "Subsequent Events" section of this report, the Company continued to experience adverse loss development during 2009. According to management of the Company, the 2009 underwriting losses resulted from increases to the Company's case reserves during the third quarter of 2009. For purposes of our examination, no adjustments were made to the Company's loss reserves as of December 31, 2008.

NOTE 4 - Ceded Reinsurance Premiums Payable:

As indicated in the "Reinsurance" section of this report, effective September 30, 2008, the Company commuted its reinsurance for all policies written during the period of November 30, 2005 through November 30, 2007. Approval for this transaction was granted by the Department on December 30, 2008. The commutation resulted in an approximate $1.8 million of return premium to the Company. As of December 31, 2008, the return premium had not yet been collected and was recorded by the Company as an offset to "Ceded Reinsurance Premiums Payable". As a result, the Company reported total "Ceded Reinsurance Premiums Payable" of negative $947,815.

NOTE 5 – Net Underwriting Loss:

For the year ended December 31, 2008, the Company reported "Net underwriting loss" totaling $565,243 (on earned premiums totaling $1,462,335). Management attributes the significant net underwriting loss primarily to a transition to a new claims administrator during 2007 which resulted in greater than expected incurred claims in 2008. Although management believes 2009 loss experience continued to be impacted by the change in claims administrator, management believes that the conditions leading to the greater than expected losses during 2008 have been addressed as of the date of this report and will not continue going forward. See the "Subsequent Events" section of this report for further comments regarding the Department's continued monitoring of the Company's financial condition.

COMMENTS AND RECOMMENDATIONS

Fees Paid to Claims Administrator:

During our examination, we noted an increase from prior years in certain expenses paid by the Company. According to management, the noted increase was due to certain increased fees paid by the Company to the claims administrator. These increased fees totaled $3,550 per month. However, our review of the contract between the Company and the claims administrator disclosed that these fees were not provided for in the contract. **We recommend that the Company only pay fees to its claims administrator as provided for in the contract with the claims administrator.**

CONCLUSION

Our examination determined that as of December 31, 2008 the Company's financial statements include the following:

Assets	$ 7,790,209
Liabilities	$ 6,924,991
Common capital stock	400,000
Gross paid-in and contributed surplus	600,000
Unassigned funds (surplus)	(134,782)
Surplus as regards policyholders	865,218
Total liabilities and surplus as regards policyholders	$ 7,790,209

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2008, and the accompanying statement of income properly presents the results of operations for the year then ended.

Chapter 39 ("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, the following examiners representing the District of Columbia Department of Insurance, Securities and Banking participated in this examination:

Megan Hubbuch, Johnson Lambert & Co. LLP
Donald Hansen, Johnson Lambert & Co. LLP

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

Respectfully submitted,

James A. Murphy
Johnson Lambert & Co. LLP

Under the Supervision of,

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

Gennet Purcell
Commissioner

April 2, 2010

Ronald Hambrecht
President
Pinelands Insurance Company Risk Retention Group, Inc.
C/o Risk Services, LLC
2233 Wisconsin Avenue, N.W., Suite 310
Washington, DC 20007

Dear Mr. Hambrecht:

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 **Pinelands Insurance Company Risk Retention Group, Inc.,** as of December 31, 2008.

Please submit, to my attention, a written response calling attention to any errors or omissions in the draft Report. In addition, the Company's response shall include responses to each of the recommendations included in the "Comments and Recommendations" section of this Report. These responses should indicate the Company's agreement or disagreement with each recommendation, as well as a summary of the corrective measures which will be taken by the Company for each recommendation. If the Company disagrees with any of these recommendations, the response shall indicate the reason(s) for the disagreement, as well as an explanation of alternative measures to be taken by the Company to address the condition which lead to the recommendation.

The response must be in writing and shall be furnished to this Department by April 23, 2010**.** 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

PINELANDS INSURANCE COMPANY RISK RETENTION GROUP, INC.

April 22, 2010

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
D. C. Department of Insurance, Securities and Banking
1400 L Street, NW, Suite 400
Washington, DC 20005

Re: Pinelands Insurance Company Risk Retention Group, Inc. ("Pinelands" or "Company") NAIC No. 12198

Dear Mr. O'Donnell:

The following response is submitted with respect to the comment and recommendation, duplicated below, contained in the Report of Examination of the Company as of December 31, 2008.

1. Fees Paid to Claims Administrator:

During our examination, we noted an increase from prior years in certain expenses paid by the Company. According to management, the noted increase was due to certain increased fees paid by the Company to the claims administrator. These increased fees totaled $3,550 per month. However, our review of the contract between the Company and the claims administrator disclosed that these fees were not provided for in the contract. **We recommend that the Company only pay fees to its claims administrator as provided for in the contract with the claims administrator.**

Response:
Going forward, the Company will only pay fees to the claims administrator as provided for in the contract.

Sincerely,

Ronald Hambrecht
President
Pinelands Insurance Company Risk Retention Group, Inc.

Government of the District of Columbia
Department of Insurance, Securities and Banking

Gennet Purcell
Commissioner

April 28, 2010

Ronald Hambrecht
President
Pinelands Insurance Company Risk Retention Group, Inc.
C/o Risk Services, LLC
2233 Wisconsin Avenue, N.W., Suite 310
Washington, DC 20007

Dear Mr. Hambrecht:

We are in receipt of your response dated April 22, 2010, regarding the Report on Examination of **Pinelands Insurance Company Risk Retention Group, Inc.** ("Company") as of December 31, 2008. 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 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 202-535-1169 if you have any questions.

Sincerely,

Sean O'Donnell

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

Enclosures