

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



Thomas E. Hampton  
Acting Commissioner

**BEFORE THE  
INSURANCE COMMISSIONER OF  
THE DISTRICT OF COLUMBIA**

Re: Report on Examination - **SOUTHERN GENERAL INDEMNITY INSURANCE  
COMPANY** as of December 31, 2004

**ORDER**


Pursuant to Examination Warrant 2005-2, a Financial Condition Examination of Southern General Indemnity Insurance Company as of December 31, 2004 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 27<sup>th</sup> day of March, 2006, 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.

  
\_\_\_\_\_  
Thomas E. Hampton  
Acting Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

SOUTHERN GENERAL INDEMNITY INSURANCE  
COMPANY

AS OF

DECEMBER 31, 2004

NAIC COMPANY CODE 11447

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Washington, D.C.  
September 29, 2005

Honorable Alfred W. Gross  
Chair, NAIC Financial Condition (E) Committee  
Commissioner  
State Corporation Commission, Bureau of Insurance  
Commonwealth of Virginia  
Post Office Box 1157  
Richmond, Virginia 23218

Honorable Eleanor Kitman  
Secretary, Southeastern Zone, NAIC  
Director of Insurance  
State of South Carolina  
Department of Insurance  
Post Office Box 100105  
Columbia, South Carolina 29202

Honorable Julie M. Bowler  
Secretary, Northeastern Zone, NAIC  
Commissioner  
Division of Insurance  
Commonwealth of Massachusetts  
One South Station, 5<sup>th</sup> Floor  
Boston, Massachusetts 02110

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

Dear Madams and Sirs:

In accordance with Section 31-1402 of the D.C. Official Code, we have examined the financial condition and activities of the

**SOUTHERN GENERAL INDEMNITY INSURANCE COMPANY**

(hereinafter called the Company), at its main administrative offices located at 1904 Leland Drive, Marietta, Georgia 30067, and the following Report on Examination is submitted.

## **SCOPE OF EXAMINATION**

This examination, covering the period from April 9, 2002 to December 31, 2004, including any material transactions and/or events noted occurring subsequent to December 31, 2004, was conducted under the association plan of the National Association of Insurance Commissioners (NAIC) by examiners of the District of Columbia Department of Insurance, Securities and Banking representing the Northeastern Zone of the NAIC. The Southeastern Zone of the NAIC was invited to participate but did not respond to the examination call.

Our examination was conducted in accordance with examination policies and standards established by the District of Columbia Department of Insurance, Securities and Banking and procedures recommended by the NAIC and, accordingly, included such tests of the accounting records and such other 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 calendar years 2002 to 2004. We placed substantial reliance on the audited financial statements for calendar years 2002 and 2003, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2004. We reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2004, and directed our efforts to the extent practical to those areas not covered by the firm's audit.

## **STATUS OF PRIOR EXAMINATION FINDINGS**

The last examination of the Company, which was an organizational examination as of April 8, 2002, was conducted by examiners of the District of Columbia Department of Insurance, Securities and Banking. The Report on Examination, dated April 19, 2002, was adopted and filed as a public document on June 18, 2002. The prior Report on Examination contained no exception conditions.

## HISTORY

### General:

The Company was incorporated in the District of Columbia on March 7, 2002. As stated in its Articles of Incorporation, the purpose for which the Company was formed is to conduct business as an insurance company principally engaged in the business of property and casualty insurance and such other lines of insurance as it may be authorized to transact, and to engage in any and all other lawful activities under the laws of the District of Columbia.

### Capital Stock:

The Company's Articles of Incorporation authorized the Company to issue 5,000,000 shares of common stock with a par value of \$1 per share. As of December 31, 2004, the Company had issued 600,000 shares with an aggregate par value totaling \$600,000, all to its parent, Insurance House Holdings, Inc.

### Dividends to Stockholder:

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

### Management:

The following persons were serving as the Company's directors as of December 31, 2004:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
John G. Jinks, Jr., Chairman, CPCU Georgia	Principal, Southern General Financial Group
George E. Burkhart Florida	Retired Executive, Ryder Systems, Inc.
M. Mitchell Gwinn, CPCU Georgia	Vice Chairman, Board of Directors Southern General Insurance Company
Jill K. Jinks, CPCU Georgia	President, Insurance House Holdings, Inc.
John G. Jinks, III Georgia	Vice President, Insurance House Holdings, Inc.
Alice T. McLarnon New Jersey	Former President, AAA Mid-Atlantic Insurance Company

Freeman M. Payne  
Texas

Former President,  
Crump Group

The following persons were serving as the Company's officers as of December 31, 2004:

Jill K. Jinks, CPCU

President

Jacqueline M. Schaendorf, CPCU

Vice President, Secretary and Treasurer

As of December 31, 2004, the Company's board of directors had established the following committee:

*Investment Committee:*

Jill K. Jinks, CPCU

John G. Jinks, Jr., CPCU

John G. Jinks, III

Freeman M. Payne

Jacqueline M. Schaendorf, CPCU

Conflicts of Interest:

Directors and officers of the Company regularly responded to conflict of interest questionnaires. If possible conflicts were disclosed, they were scrutinized further by Company officials. Our review of the responses to the questionnaires completed for 2004 disclosed that there were no significant conflicts of interest reported. Furthermore, no additional potential conflicts of interest were noted during our examination.

Corporate Records:

We reviewed the minutes of the meetings of the stockholder, board of directors and investment committee for the period under examination. Based on our review, it appeared that the minutes documented the Company's significant transactions and events, and that the directors approved those transactions and events.

**AFFILIATED COMPANIES**

The Company was wholly owned by Insurance House Holdings, Inc., a Georgia holding company. The companies operate under Insurance House Holdings, Inc., as individual subsidiaries of the Holding Company. As a group, the companies are referred to as Southern General Group. The Group primarily writes private passenger and commercial auto, fire, homeowners, mobile home and commercial property coverage. Insurers in the Group are licensed in a total of 37 states, with approximately 83% of premiums written in Georgia and approximately 90% of premiums written for private passenger and commercial automobile property and liability coverage.

Insurance House Holdings, Inc. is approximately 25% owned by John G. Jinks, Jr., and approximately 74% owned by the Jinks S.G. Limited Partnership. The Jinks S.G.

Limited Partnership is controlled by John G. Jinks, Jr., by virtue of his 1% general partnership interest. Persons owning 10% or more of the Jinks S.G. Limited Partnership through limited partnership interests are as follows:

Jill K. Jinks, CPCU  
 John G. Jinks, Jr., CPCU  
 John G. Jinks, III

The holding company structure as of December 31, 2004 is depicted in the following chart:

### **ORGANIZATIONAL CHART**

	<b><u>Domiciliary Jurisdiction</u></b>
<b>Insurance House Holdings, Inc.</b> <sup>(1)</sup>	Georgia
Southern General Finance, Inc.	Georgia
MGAinteractive, Inc.	Georgia
Southern General Insurance Company (NAIC # 37141)	Georgia
Southern General Underwriters Insurance Company (NAIC # 37311)	Arizona
The Insurance House, Inc.	Georgia
Deering and Associates	North Carolina
<b>Southern General Indemnity Insurance Company (NAIC # 11447)</b>	<b>District of Columbia</b>

<sup>(1)</sup> Ownership of Insurance House Holdings, Inc. is as follows:

John G. Jinks, Jr.	(Individual)	(24.68%)
Jinks S.G. Limited Partnership	(Georgia)	(74.03%)
Other		(1.29%)

All subsidiary companies are wholly-owned (100%).

### **INTERCOMPANY AGREEMENTS**

The Company had no employees. Other subsidiary companies of the holding company provide various services to the Company to support its day-to-day operations. Intercompany agreements are summarized below:

#### **Management Agreement:**

Effective July 23, 2002, the Company entered in to a management agreement whereby it appointed The Insurance House, Inc., an affiliate, as its managing general agent (MGA). As MGA for the Company, The Insurance House, Inc. will



receive insurance applications, and shall have authority to accept and bind applications. The maximum annual premium volume that the MGA is authorized to write shall not exceed three times the Company's total policyholder's surplus. The MGA will also provide premium billing and collections, payment of agents' commissions, and claims adjustment and settlement services on the Company's behalf, and other services as agreed between MGA and SGI management. The Company will reimburse the MGA for commissions paid on its behalf to the Company's agents. Expenses incurred by the MGA will be allocated in conformity with customary insurance accounting practices. In consideration for these services, the Company will pay the MGA a commission not to exceed 5% of gross premiums. During 2004, the Company paid the MGA approximately \$25,000 under this agreement. This agreement has been properly submitted to the Department for approval as required under the District of Columbia Code.

#### Support Services and Consulting Agreement:

The Company entered into a Support Services and Consulting Agreement with its parent, Insurance House Holdings, Inc., effective September 1, 2002 whereby the Company will compensate its parent for support and consulting services provided in connection with the development, operation and maintenance of its business. The Company is authorized to pay the parent an amount up to 5% of total revenue, plus an amount of up to 3% of total assets. No fees were paid under this agreement for the year ending December 31, 2004. This agreement has been properly submitted to the Department for approval as required under the District of Columbia Code.

#### Tax Sharing Agreement:

The Company entered into a Tax Sharing Agreement with its parent, Insurance House Holdings, Inc., effective July 23, 2002. The terms of the agreement provide that each member of the consolidated group's tax liability be determined on a stand alone basis, and if any party experiences a loss that can be utilized by the consolidated group, that party will receive a credit. The parent will provide each member of the consolidated group with a final allocation and settlement statement once the tax return has been filed, and each member will settle with the parent within 30 days of issuance of the statement. This agreement has been properly submitted to the Department for approval as required under the District of Columbia Code.

#### Reinsurance:

As of December 31, 2004, the Company had ceded business through a reinsurance agreement with an affiliate. See the "Reinsurance" section of this Report for details regarding the Company's affiliated reinsurance contract.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company was a named insured under a fidelity bond, issued to its parent, Insurance House Holdings, Inc. The policy also covered other companies in the Southern General Group. The policy had a single loss limit of liability of \$5,000,000 and an aggregate limit of \$10,000,000, with a single loss deductible of \$25,000. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the NAIC for the Company and the insurers in the Group on a consolidated basis.

In addition, the Company was also covered under a liability insurance policy, issued to its parent, providing various liability coverage, including directors and officers liability coverage.

Based on our review, the Company's insurance coverage appeared to be adequate.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company did not have any employees. Therefore, the Company did not have any pension, stock ownership or insurance plans.

## **STATUTORY DEPOSITS**

The Company does not have a statutory deposit in the District of Columbia and is not required to maintain one. In addition, the Company did not have any other statutory deposits as of December 31, 2004.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2004 the Company was licensed only in the District of Columbia. In addition, during 2004, the Company wrote business in Georgia on a non-admitted basis. During 2004, the Company wrote approximately \$137,000 in direct premiums, consisting of non-standard commercial fire coverage. The Company's products are marketed and sold by its affiliate, The Insurance House, Inc.

The Company reinsured the majority of its business. See the "Reinsurance" section of this report for information regarding the Company's reinsurance program.

As previously described in the "History" section of this Report, the Company was formed in 2002. Prior to receiving its certificate of authority, the Company was subject to an organizational examination, the primary purpose of which was to ensure the Company met all requirements to become an insurer in the District of Columbia. During the organizational examination, the Company provided the Department with its plan of operation, which indicated the Company planned to write private passenger and

commercial automobile coverage, as well as other personal lines coverage (e.g., homeowners, fire, renters, mobile homeowners) in the District of Columbia.

However, as noted above, the Company has never written business in the District of Columbia. In addition, the only business the Company has written is non-admitted business, which had not been part of its initial plan of operation. During our current examination, we discussed the Company's plan of operation with management. Management indicated that implementation of the Company's plan to write business in the District had been delayed for a number of reasons, including changes in the market and certain organizational and operational factors. However, the Company's future plans still include writing business in the District as outlined in its initial plan of operation. Specifically, management anticipates the Company will begin writing business in the District in 2007.

In addition, management indicated the Company will likely cease writing the non-admitted business. According to management, writing this business is not part of the Company's plan of operation, and the business was only written in the Company because it was an opportunity for the Company to write some limited business during the period in which it had not yet started writing business in the District.

### **INSURANCE PRODUCTS AND RELATED PRACTICES**

The District of Columbia's Market Conduct Unit has never conducted an examination of the market conduct affairs of the Company, and as of the date of this Report, the Unit was not planning to conduct a market conduct examination of the Company. In addition, no other market conduct examinations of the Company by other jurisdictions have ever been done. A market conduct examination would include detailed reviews of the Company's sales and advertising, agent licensing, underwriting, and rating, claims processing and complaint handling practices and procedures.

During this examination, we did not review the following market conduct-related areas:

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

### **REINSURANCE**

#### **Assumed Reinsurance:**

The Company did not assume any business.

### Ceded Reinsurance:

During 2004, the Company wrote direct premiums totaling approximately \$137,000, and ceded amounts totaling approximately \$128,000. \$65,000 of this amount was ceded to an affiliate and \$63,000 was ceded to a non-affiliate.

Under a property facultative pro-rata agreement with a non-affiliate, the Company ceded 50% of all business written, up to a loss limit of \$150,000. The treaty includes a ceding commission of 25%.

Under the agreement with its affiliate, Southern General Insurance Company, the Company ceded 95% of the premiums and losses remaining after cessions under the non-affiliated treaty. The treaty includes a ceding commission of 30%.

The Company's estimated liabilities for losses and unearned premiums were reduced by \$19,000 and \$59,000, respectively, due to ceded reinsurance as of December 31, 2004. If the reinsurers were not able to meet their obligations under the agreements, the Company would be liable for any defaulted amounts.

As of December 31, 2004, the largest net aggregate amount retained in any one risk totaled \$150,000.

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

### **ACCOUNTS AND RECORDS**

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

The Company's main administrative office, as well as the primary location of its books and records, is in Marietta, Georgia. This arrangement does not meet the requirements of Section 31-5204 of the D.C. Official Code, which requires that a domestic insurer maintain its principal office within the District. See the "Comments and Recommendations" section of this Report under the caption "Principal Office Location" for further comments regarding this condition.

## FINANCIAL STATEMENTS

The following financial statements reflect the financial condition of the Company as of December 31, 2004, as determined by this examination:

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

## BALANCE SHEET

### ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 3,386,780	\$ 0	\$ 3,386,780
Cash ((\$13,903)), cash equivalents (\$0) and short term investments (\$84,744)	70,841		70,841
Subtotals, cash and invested assets	\$ 3,457,621	\$ 0	\$ 3,457,621
Investment income due and accrued	32,606		32,606
Uncollected premiums and agents' balances in the course of collection	1,092		1,092
Deferred premiums, agents' balances and installments booked but deferred not yet due	12,012		12,012
Amounts recoverable from reinsurers	63,676		63,676
Net deferred tax asset	437		437
Electronic data processing equipment and software	222	222	0
Other admitted assets	1,130	1,130	0
Totals	\$ 3,568,796	\$ 1,352	\$ 3,567,444

**LIABILITIES, SURPLUS AND OTHER FUNDS**

Losses (NOTE 1)	\$	2,000
Loss adjustment expenses (NOTE 1)		0
Other expenses (excluding taxes, licenses and fees)		45,568
Current federal and foreign income taxes		15,000
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$58,573)		6,103
Ceded reinsurance premiums payable (net of ceding commissions)		9,271
Payable to parent, subsidiaries and affiliates		<u>30,438</u>
Total liabilities	\$	<u>108,380</u>
Common capital stock	\$	600,000
Gross paid in and contributed surplus		2,700,000
Unassigned funds (surplus)		<u>159,064</u>
Surplus as regards policyholders	\$	<u>3,459,064</u>
Total liabilities and surplus	\$	<u>3,567,444</u>

## STATEMENT OF INCOME

### Underwriting Income

Premiums earned		\$	8,756
Underwriting deductions:			
Losses incurred	\$	1,430	
Loss expenses incurred		33	
Other underwriting expenses incurred		44,925	
Total underwriting deductions			\$ 46,388
Net underwriting loss			\$ (37,632)

### Investment Income

Net investment income earned	\$	112,738	
Net realized capital losses		(27)	
Net investment gain			\$ 112,711
Net income before dividends to policyholders and before federal and foreign income taxes			\$ 75,079
Dividends to policyholders			\$ 0
Net income, after dividends to policyholders but before federal and foreign income taxes			\$ 75,079
Federal and foreign income taxes incurred			\$ 15,000
Net income			\$ 60,079



## CAPITAL AND SURPLUS ACCOUNT

Surplus as regards Policyholders, April 8, 2002	\$ 600,509
Net income, April 9, 2002 to December 31, 2002	\$ 22,246
Paid in surplus	2,700,000
Change in surplus as regards policyholders for the year	\$ 2,722,246
Surplus as regards Policyholders, December 31, 2002	\$ 3,322,755
Net income, year ended December 31, 2003	\$ 62,908
Change in net deferred income tax	368
Change in non-admitted assets	(568)
Change in surplus as regards policyholders for the year	\$ 62,708
Surplus as regards Policyholders, December 31, 2003	\$ 3,385,463
Net income, year ended December 31, 2004	\$ 60,079
Change in net deferred income tax	69
Change in non-admitted assets	(784)
Aggregate write-ins for gains and losses in surplus	14,237
Change in surplus as regards policyholders for the year	\$ 73,601
Surplus as regards Policyholders, December 31, 2004	\$ 3,459,064

### **ANALYSIS OF EXAMINATION CHANGES TO SURPLUS**

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

### COMPARATIVE FINANCIAL POSTION OF THE COMPANY

The comparative financial position of the Company for the three-year period ended December 31, 2004 was as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,567,444	\$3,457,251	\$3,340,240
Liabilities	108,380	71,788	17,485
Policyholders surplus	3,459,064	3,385,463	3,322,755
Premiums earned	8,756	1,552	866
Net underwriting loss	(37,632)	(19,148)	(363)
Net investment gain	112,711	107,193	30,118
Net income	60,079	62,908	22,755

**NOTE:** Amounts in the preceding financial statements for the years ended December 31, 2002 and 2003 were taken from the Company's Annual Statements as filed with the Administration. Amounts as of April 8, 2002 and for the year ended December 31, 2004 are amounts per examination.

## NOTES TO FINANCIAL STATEMENTS

1. The Company reported "Losses" and "Loss adjustment expenses" reserves totaling \$2,000 and \$0, respectively. These amounts represent management's best estimate of all claims that had been incurred but still unpaid as of December 31, 2004, and are shown net of estimated amounts recoverable from reinsurers under the Company's reinsurance agreements. If the reinsurers are not able to meet their obligations under these agreements, the Company would be liable for any defaulted amounts. The Company has recorded reserve credits related to estimated amounts recoverable from reinsurers as of December 31, 2004 totaling approximately \$19,000 for losses and \$0 for loss adjustment expenses.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2004, were reviewed as part of our examination. As part of our review, we relied on the Company's independent actuary. Specifically, the actuarial methodologies and assumptions utilized by the Company to compute these reserves, and the adequacy of the loss reserves and loss adjustment expense reserves as of December 31, 2004, were reviewed by an independent actuary appointed by the Company's Board of Directors. The independent actuary concluded that the methodologies utilized by the Company to compute reserves, and the adequacy of the loss reserves and loss adjustment expense reserves as of December 31, 2004, were reasonable and adequate.

## COMMENTS AND RECOMMENDATIONS

### Principal Office Location:

The Company's main administrative office, as well as the primary location of its books and records, is in Marietta, Georgia. This arrangement does not meet the requirements of the D.C. Official Code. Specifically, Section 31-5204 of the D.C. Official Code requires that a domestic insurer maintain its principal office within the District and shall keep its books, records, and files therein, and shall not remove from the District either its principal office or its books, records, or files without the permission of the Commissioner.

As previously noted in this Report, upon formation of the Company in 2002, the Department conducted an organizational examination of the Company. During this organizational examination, it was noted that the Company's offices were in Georgia, and management was advised that if the Company's offices were going to remain outside of the District of Columbia, approval must be obtained from the Commissioner. However, during our current examination, we were informed by management that such approval had never been obtained from the Commissioner. Therefore, the Company is not in compliance with Section 31-5204 of the D.C. Official Code. **We recommend that the Company comply with Section 31-5204 of the D.C. Official Code.**

### Additional Comments and Recommendations:

In addition to the above Comments and Recommendations, during our examination we made a number of other suggestions and recommendations to the Company with regard to record keeping and other procedures relating to its operations.

## CONCLUSION

Our examination disclosed that as of December 31, 2004 the Company had:

Admitted Assets	<u>\$ 3,567,444</u>
Liabilities and Reserves	\$ 108,380
Common Capital Stock	600,000
Gross Paid-in and Contributed Surplus	2,700,000
Unassigned Funds (Surplus)	<u>159,064</u>
Surplus as Regards Policyholders	<u>\$ 3,459,064</u>
Total Liabilities, Capital and Surplus	<u>\$ 3,567,444</u>

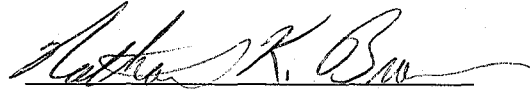
Based on our examination, the accompanying balance sheet properly presents the statutory financial position of the Company as of December 31, 2004, and the accompanying statement of income properly presents the statutory results of operations for the period then ended. The supporting financial statements properly present the information prescribed by the D.C. Official Code and the National Association of Insurance Commissioners.

Chapters 20 ("RISK-BASED CAPITAL") and 25 ("FIRE, CASUALTY AND MARINE INSURANCE") of Title 31 ("Insurance and Securities") of the D.C. Official Code specify 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

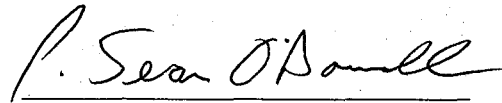
In addition to the undersigned, Chidinma Ukairo of the District of Columbia Department of Insurance, Securities and Banking participated in this examination.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Nathaniel K. Brown', written over a horizontal line.

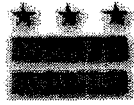
Nathaniel Kevin Brown, CFE  
Examiner-In-Charge  
District of Columbia Department of  
Insurance, Securities and Banking

Under the Supervision of,

A handwritten signature in dark ink, appearing to read 'P. Sean O'Donnell', written over a horizontal line.

P. Sean O'Donnell, CFE  
Chief Financial Examiner  
District of Columbia Department of  
Insurance, Securities and Banking

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



Thomas E. Hampton  
Acting Commissioner

February 3, 2006

Jill K. Jinks, CPCU  
President  
Southern General Indemnity Insurance Company  
1904 Leland Drive  
Marietta, Georgia 30358-6194

Dear Ms. Jinks:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination of the affairs and financial condition of **Southern General Indemnity Insurance Company** as of December 31, 2004.

Please call our attention to any errors or omissions. In addition, if this Report on Examination contains a section entitled "Comments and Recommendations" that discloses certain areas requiring action, the Company shall submit a statement covering the corrective measures which will be taken. If the Company's position on any of these points is contrary to the Examiner's findings, an explanation should be submitted covering each contested comment and/or recommendation.

If there are no errors or omissions to be brought to our attention, and there are no "Comments and Recommendations" requiring a response, please submit a statement that the Company accepts the Report.

All of your comments concerning these matters must be in writing and shall be furnished to this Department within **thirty (30) days from the date of this letter (March 6, 2006)**.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas E. Hampton".

Thomas E. Hampton  
Acting Commissioner

Enclosure





Southern General  
Indemnity  
An Insurance House Company

P.O. Box 28155  
Atlanta, GA 30358-0155  
toll free 800.282.7024  
tel 770.952.0080  
fax 770.952.3274  
insurancehouse.com

March 3, 2006

Mr. Thomas E. Hampton  
Acting Commissioner  
Government of the District of Columbia  
Department of Insurance, Securities and Banking  
810 First Street, NE, #701  
Washington, D.C. 20002

***Sent VIA Facsimile and Overnight Express Mail***

RE: Southern General Indemnity Insurance Company  
Report on Examination as of December 31, 2004

Dear Mr. Hampton:

This letter is in response to the December 31, 2004 Report on Examination for Southern General Insurance Indemnity Company, "The Company."

We agreed with all recommendations submitted in the Examination; however, we seek to appeal the recommendation of the Principal Office Location, detailed on Page 18, of the report. The Company's main administrative office is located in Marietta, Georgia, which does not meet the requirements of the D.C. Official Code, Section 31-5204. This Code Section requires that a domestic insurer maintain its principal office within the District and shall keep its books and records, and files therein, and shall not remove from the District either its principal office or its books, records, or files without the permission of the Commissioner.

The Company is a subsidiary of a Holding Company, where along with several other subsidiaries, it shares principal offices and common management. All books, records, and files for all subsidiaries are physically located in Marietta, Georgia, as is the management team. We appeal to the commissioner to grant an exception to Section 31-5204 of the D.C. Official Code, for The Company, based upon the aforementioned facts, including the desire to maintain the existing expense structure relative to the size of The Company, at least until such time as we begin writing business within the District. We would certainly make all such books, records, and files of The Company available to the D.C. Department immediately upon request at any time.

Further, we apologize for the oversight of compliance with Section 31-5204. We failed to realize that this issue had not been officially addressed by our former General Counsel, and were made aware of this issue during this examination.



Southern General  
Indemnity  
An Insurance House Company

P.O. Box 28155  
Atlanta, GA 30358-0155  
toll free 800.282.7024  
tel 770.952.0080  
fax 770.952.3274  
insurancehouse.com

March 3, 2006

Mr. Thomas E. Hampton  
Acting Commissioner  
Government of the District of Columbia  
Department of Insurance, Securities and Banking  
810 First Street, NE, #701  
Washington, D.C. 20002  
Page 2 of 2

We appreciate the insight by the D.C. Examination team, and would like to specifically thank, Sean O'Donnell, and Kevin Brown, respectfully for their professionalism, courtesy and communication throughout the examination process.

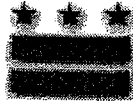
We respectfully await your response with respect to our request. Should you have any questions, please do not hesitate to contact me directly at (770) 644-0632.

Sincerely,

Jill K. Jinks, CPCU  
President  
Southern General Indemnity Insurance Company

Cc: P. Sean O'Donnell (Fax copy)  
Chief Financial Examiner  
D.C. Department of Insurance, Securities and Banking

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



Thomas E. Hampton  
Acting Commissioner

March 27, 2006

Jill K. Jinks, CPCU  
President  
Southern General Indemnity Insurance Company  
1904 Leland Drive  
Marietta, Georgia 30358-6194

Dear Ms. Jinks:

We are in receipt of your response, dated March 3, 2006, which addresses the corrective action taken by Southern General Indemnity Insurance Company to comply with the recommendation made in the Report on Examination as of December 31, 2004, dated September 29, 2005.

Your March 3, 2006 letter adequately addresses the recommendation made in the Report. During our next examination of the Company, we will review the implementation of the corrective actions taken.

Your request to Acting Commissioner Hampton for an exemption from the requirements of the D.C. Official Code, Section 31-5204, requiring that a domestic insurer maintain its principal office within the District and keep its books, records, and files therein, and not remove from the District either its principal office or its books, records, or files without the permission of the Commissioner, is currently under review and will be addressed under separate cover.

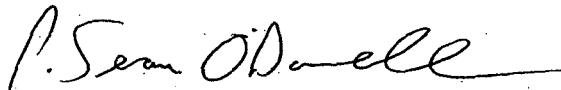
The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption.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

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 here at the Department.

Jill K. Jinks, CPCU  
Southern General Indemnity Insurance Company  
March 27, 2006  
Page 2 of 2

Please contact me at 202-442-7785 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "P. Sean O'Donnell". The signature is fluid and cursive, with a long horizontal stroke at the end.

P. Sean O'Donnell  
Chief Financial Examiner

Enclosures