

STATE OF INDIANA)
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Advantage Workers Compensation Insurance Company)
1100 East 6600 South, Suite 280)
Murray, Utah 84121)

**Examination of Advantage Workers Compensation
Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **Advantage Workers Compensation Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of **Advantage Workers Compensation Insurance Company** shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

11/4/2010
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7004 1160 0000 3839 2477

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Advantage Workers Compensation Insurance Company)
1100 East 6600 South, Suite 280)
Murray, Utah 84121)

**Examination of Advantage Workers Compensation
Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Advantage Workers Compensation Insurance Company** (hereinafter "Company") for the time period January 1, 2005 through December 31, 2009.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on 1/15/2009.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on October 12, 2010 and was received by the Company on October 18, 2010.

On October 20, 2010 pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2009.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 4th day of
November, 2010.



Stephen W. Robertson
Insurance Commissioner

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

ADVANTAGE WORKERS COMPENSATION INSURANCE
COMPANY
NAIC COMPANY CODE 40517

As of
December 31, 2009

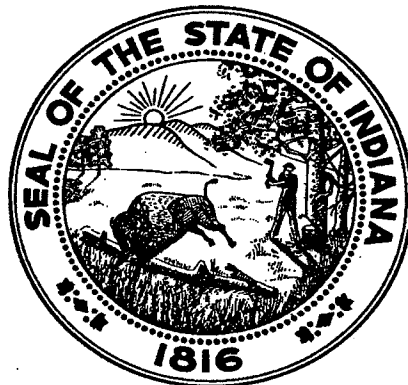


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION	2
HISTORY.....	2
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF COMPANY	4
LOSS EXPERIENCE.....	4
MANAGEMENT AND CONTROL.....	5
Board of Directors	5
Officers.....	5
Corporate Governance.....	5
CONFLICT OF INTEREST.....	5
OATH OF OFFICE	6
CORPORATE RECORDS.....	6
Articles of Incorporation and Bylaws.....	6
Minutes.....	6
AFFILIATED COMPANIES	6
Organizational Structure.....	6
FIDELITY BOND AND OTHER INSURANCE	7
STATUTORY DEPOSITS.....	7
REINSURANCE	8
Reinsurance Assumed	8
Reinsurance Ceded.....	8
RESERVES.....	9
ACCOUNTS AND RECORDS	9
FINANCIAL STATEMENTS.....	11
Assets.....	11
Liabilities, Surplus and Other Funds.....	12
Statement of Income.....	13
Surplus Account	14
COMMENTS ON THE FINANCIAL STATEMENTS.....	15
OTHER SIGNIFICANT FINDINGS	15
SUBSEQUENT EVENTS.....	15
MANAGEMENT REPRESENTATION	15
AFFIDAVIT.....	16



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

September 16, 2010

Honorable Alfred W. Gross, Chairman
Financial Condition (E) Committee, NAIC
Commissioner of Insurance
Virginia Bureau of Insurance
1300 East Main Street
Richmond, Virginia 23218

Honorable Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioners:

Pursuant to the authority vested in Appointment Number 3207, an examination has been made of the affairs and financial condition of:

Advantage Workers Compensation Insurance Company
1100 East 6600 South, Suite 280
Murray, Utah 84121

hereinafter referred to as the "Company", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at its administrative office located at 1100 East 6600 South, Suite 280, Murray, Utah.

The Report of Examination, reflecting the status of the Company as of December 31, 2009, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (IDOI) as of the period ending December 31, 2004. The present risk-focused examination was conducted by Huff, Thomas and Company (HuffThomas) and covered the period from January 1, 2005 through December 31, 2009, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the risk-focused exam, the IDOI, by its representatives, has relied upon the independent audit reports and the opinions contained therein rendered by Ernst & Young LLP for the exam period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

David Shepherd, FCAS, MAAA, of Merlinos & Associates, Inc., a consulting actuary appointed by the IDOI, conducted a review of the Company's reserves as of December 31, 2009.

The risk-focused examination was conducted in accordance with procedures and guidelines prescribed by the National Association of Insurance Commissioners (NAIC) for the purpose of determining the Association's financial condition. Examination procedures included the verification and evaluation of assets, determination of liabilities and review of income and disbursement items, minutes, corporate documents, policy and claim files, and other records to the extent deemed necessary.

HISTORY

The Company was incorporated by the State of Iowa on September 4, 1981, and commenced business on November 15, 1981, using the name Equitable Casualty Insurance Company. The Company was formed as a wholly owned subsidiary of Equitable General Insurance Company of Iowa.

The capital stock of the Company and its subsidiary, Equitable General Insurance Company of Oklahoma, Incorporated, was transferred to Equitable Investment Corporation, parent of Equitable General Insurance Company of Iowa, on March 31, 1982. Prior to the sale, the companies divested themselves of all insurance liabilities.

The Company and its subsidiary were acquired by Financial Security Assurance Incorporated (FSA) on June 12, 1986, and their names were changed to Financial Security Assurance of Iowa, Incorporated and Financial Security Assurance of Oklahoma, Incorporated, respectively. Prior to the sale, the companies divested themselves of all insurance liabilities.

The Company redomesticated to the State of Indiana on August 23, 1989 and changed its name to Financial Security Assurance International Incorporated, pursuant to an Iowa Insurance Division Bulletin dated January 6, 1989. The Bulletin stated that "Effective July 1, 1989, all 'nondomestics' shall either move their actual operating locations to Iowa or redomesticate out of Iowa.

The Company's subsidiary was transferred to FSA on December 20, 1995, as part of an extraordinary dividend divesting the Company of all assets other than its licenses and assets required to maintain its

licenses or held as special deposits with various states. The Company also became party to Assignment Agreements dated July 1, 1995, which assigned all of the Company's in-force policies and reinsurance to FSA. As a result, the Company had no liabilities at December 31, 1995 and became inactive.

ManagedComp Insurance Company acquired 100% of the Company's stock on June 11, 1997, and the Company's name was changed to ManagedComp National Insurance Company. Prior to this acquisition, all liabilities and obligations were assumed by FSA.

On August 4, 1998, the Company's capital stock was acquired by the Workers Compensation Fund (WCF) of Utah and all operations were moved to WCF's offices in Murray, Utah. The Stock Purchase Agreement between ManagedComp Insurance Company and WCF stated that as of the closing date the Company would have no liabilities or obligations, including taxes, and that all liabilities and obligations of the Company incurred prior to June 11, 1997 were assigned to FSA. The Company changed its name to Advantage Workers Compensation Insurance Company effective December 4, 1998, by amendment to its Articles of Incorporation.

On July 18, 2004, WCF transferred 100% of the Company's stock to a voting trust after receiving prior approval from the IDOI for the change in control. The Trustee of the voting trust is The National Bank of Indianapolis. The Trustee votes on all shareholders matters according to the voting guidance received by Utah based policyholders of WCF who are also policyholders of the Company. The Company is no longer part of the WCF holding company system. In addition, The National Bank of Indianapolis filed for Limited Disclaimer of Control with the IDOI.

CAPITAL AND SURPLUS

As of December 31, 2009, the Company had 1,000,000 shares of \$15 par value common stock authorized and 200,000 shares issued and outstanding. The Company has no preferred stock authorized, issued or outstanding. No dividends on common stock have been paid or declared by the Board of Directors during the period under examination.

TERRITORY AND PLAN OF OPERATION

The Company is a taxable property and casualty insurance company licensed to provide workers' compensation insurance to all fifty (50) states and the District of Columbia. The Company writes workers' compensation coverage in forty-six (46) states. The Company does not write workers' compensation in North Dakota, Ohio, Utah, Washington and Wyoming.

The Company's 2009 written premiums are derived from four main sources. Approximately 29% of gross written premium was produced through Synergy Coverage Solutions, a managing general agent based in Charlotte, North Carolina, 23% of gross written premium was produced by WorkCare Northwest, a program administrator based in Boise, Idaho, 24% of gross written premium was produced through the WCF program and retail agents in California generated 23% of gross written premium.

The Company looks to write low-to-moderate risks, selecting insureds with lower hazards for each class

of business it writes. The Company provides coverage to roughly 2,000 policyholders in various classes of business and premiums per insured average \$22,000 per policy.

The examiners reviewed a sample of original certificates of authority, to verify that they were current and that the Company was authorized to write workers compensation coverages, no unusual matters were noted.

GROWTH OF COMPANY

The following exhibit depicts the Company's financial results throughout the examination period:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total admitted assets	\$124,661,087	\$116,272,822	\$109,488,518	\$77,879,370	\$64,552,501
Total liabilities	58,502,256	56,738,682	52,593,268	38,692,978	27,200,286
Capital	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Capital and Surplus	66,158,832	59,534,140	56,895,250	39,186,392	37,352,215
Net Income	5,743,581	2,716,390	2,702,036	1,535,204	106,793
Gross premiums written	49,206,333	47,569,064	54,021,661	46,257,905	38,372,661
Net premiums written	35,590,052	36,600,414	41,285,354	33,126,526	28,512,169

The Company's significant increase in assets and surplus in 2007 was due to a \$15 million capital contribution from WCF. The Company has reported net income in all five years under examination.

LOSS EXPERIENCE

The following exhibit shows the underwriting results of the Company for the period under examination. The amounts were compiled from the Company's filed Annual Statements and from examination results:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses Incurred</u>	<u>Expenses Incurred</u>	<u>Combined Ratio</u>
2009	\$35,579,877	\$15,536,326	16,039,270	88.7%
2008	37,341,253	21,561,206	15,424,039	99.0
2007	40,391,911	23,634,166	16,096,029	98.3
2006	30,870,781	17,669,425	13,067,515	99.6
2005	26,625,179	16,099,106	11,232,723	102.7

A combined ratio of losses incurred and expenses incurred to premiums earned in excess of 100% typically indicates an underwriting loss. As indicated from the ratio column above, the Company experienced an underwriting gain in the last four years of the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The following persons served as Directors of the Company as of December 31, 2009:

<u>Name</u>	<u>Residence</u>	<u>Affiliation</u>
August Glissmeyer, Jr.	Salt Lake City, UT	Retired, Director Continental Bancorporation
Thomas Edward Callanan	Salt Lake City, UT	President and Director Advantage
Daniel Bruce Seitz	Avon, IN	Managing Prinipal Bose Public Affairs
Jacobus John Van de Graaf	Johns Island, SC	Retired
Ray David Pickup	South Jordan, UT	President and CEO of WCF
Lane Alma Summerhays	Pittsburgh, PA	Retired
Richards Dale Barger	San Marino, CA	Of Counsel Partner of Barger & Wolen, LLP

Officers

The following persons served as officers of the Company as of December 31, 2009:

<u>Name</u>	<u>Title</u>
Thomas Edward Callanan	President and CEO
Linda Marie Feller	Vice President and Chief Financial Officer
Teresa Jeanette Mareck	Vice President and General Counsel
DeAllen Lane. Goodwin	Vice President, Chief Underwriting Officer
Gary Leonard Gourley	Vice President, Claims Management

Corporate Governance

Based on a review of the information contained in each of the Directors and Executive Officer's biographical affidavits and through management interviews, it was determined that these individuals are adequately qualified and have the experience necessary to conduct the operations and affairs of the Company.

Overall, the Company's corporate governance structure was determined to be effective. Policies and strategies as designed and implemented by the Board and management are effectively communicated throughout the Company. In addition, it was determined the Board and key executives set an appropriate "tone at the top" with a clear commitment to set ethical behavior throughout the Company.

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any Director, officer or key employee, which is likely to conflict

with their official duties. Signed statements for officers and Directors serving as of December 31, 2009 were reviewed without exception.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every Director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. It was noted during the examination the Board members did subscribe to an Oath of Office.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

No amendments were made to the Company's Articles of Incorporation or Bylaws during the period under examination.

Minutes

The Board of Directors and Shareholder meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each meeting were noted. It was noted that the annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

Until July 18, 2004, the Company was a wholly owned subsidiary of WCF which purchased the Company from ManagedComp Insurance Company on August 4, 1998. On July 18, 2004, The National Bank of Indianapolis (NBI) became legal owner of all issued and outstanding shares of the Company's stock, however it has no economic interest in the Company and it lacks the authority or capacity to manage or control the operations of the Company. Per the terms of the Voting Trust Agreement, solicitation materials related to all matters requiring a shareholder vote will be delivered to National Bank of Indianapolis. NBI will distribute solicitation material to policyholders of WCF and the Company. NBI will vote the Company's shares in direct proportion to the voting guidance received from the policyholders. Subject to the above described voting procedures, the Company's independent Board of Directors has financial, operational and managerial control of the Company.

FIDELITY BOND AND OTHER INSURANCE

The Company, protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by St. Paul Fire & Marine Insurance Company. The bond has a single loss coverage limit of \$4 million, with a \$500,000 deductible. This bond meets the suggested minimum coverage prescribed by the NAIC.

STATUTORY DEPOSITS

The Company reported the following statutory deposits consisting of U.S. Treasury Notes and bonds as of December 31, 2009:

<u>State</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Arizona	\$ 2,650,000	\$ 2,699,494	\$ 2,907,705
California	3,450,000	3,418,386	3,759,868
Delaware	100,000	99,824	109,375
Florida	80,000	79,851	84,925
Georgia	85,000	82,216	92,046
Idaho	3,275,000	3,330,032	3,466,898
Indiana	2,500,000	2,624,344	2,741,324
Massachusetts	180,000	179,664	191,081
Montana	250,000	241,812	270,723
Nevada	100,000	96,725	108,289
New Hampshire	1,000,000	978,158	1,086,250
New Jersey	5,100,000	5,174,422	5,398,757
New Mexico	350,000	338,537	379,012
North Carolina	200,000	213,937	218,738
Oklahoma	300,000	296,594	315,939
Oregon	1,725,000	1,733,857	1,796,778
Virginia	550,000	568,062	602,932
Total Deposits	<u>\$ 21,895,000</u>	<u>\$ 22,155,915</u>	<u>\$ 23,530,640</u>

REINSURANCE

Reinsurance Assumed

As of December 31, 2009, the Company participates in a small number of involuntary pools. The Company's practice is to record the loss and loss adjustment expense reserves reported to it by the pools with an accrual for any reporting lag. The assumed business comprised an immaterial amount of the Company's net written premium.

Reinsurance Ceded

Effective May 1, 1999, the Company entered into a Reinsurance Agreement with its then parent, WCF. On all policies effective January 1, 2002 and after, the Company ceded to WCF, 80% of gross written premiums and 100% of losses and loss adjustment expenses less an amount equal to 20% of gross written premiums. For policies effective prior to 2002, the premium ceded percentage was 90% and the losses and loss adjustment expenses cession was 100% less an amount equal to 10% of gross written premiums. The Company was paid a ceding commission of approximately 25% of the gross written premium by its Parent. The commission included an estimated percentage for agents' commission, taxes, licenses, fees, assessments guaranty funds, and assigned risk pool charges. This agreement was terminated effective July 1, 2004.

Effective July 1, 2004, the Company entered into a new Reinsurance Agreement with WCF. Under the agreement the Company cedes 100% of gross written premium on policies with out of state exposure related to its Utah based policyholders. WCF pays a 23% ceding commission on the gross written premium to the Company. In conjunction with the Reinsurance Agreement both parties entered into an Out of State Service Agreement which gives WCF underwriting, billing, safety, audit and other service responsibilities for policies covered by this reinsurance agreement.

On December 28, 2000, the Company and WCF entered into a Reinsurance Trust Agreement, in which WCF funds a trust account at Zion's First National Bank so that the Company can take credit in all states for the reinsurance provided by WCF under the reinsurance agreement. The market value of this deposit was \$28,870,149, as of December 31, 2009.

Effective July 1, 2004, policies not written through the WCF program were reinsured under an Excess Loss Reinsurance Agreement. The Company retains liability on the first \$1 million, and is also subject to an annual aggregate deductible of \$1 million, while reinsurers are liable for losses from \$1 million up to \$20 million per occurrence up to a maximum of \$10 million for any one life. Reinsurance contracts for the excess layers were negotiated through a reinsurance intermediary, AonBenfield. The reinsurance coverages, at December 31, 2009, were as follows:

<u>Reinsurer</u>	<u>\$4M XS \$1M</u>	<u>\$5M XS \$5M</u>	<u>\$10M XS \$10M</u>
Odyssey America Rein Corp	15%	22.5%	0%
Safety National Casualty Corp	25%	22.5%	0%
QBE	20%	10%	0%
Aspen UK	5%	15%	0%
Lloyds	10%	30%	10%
Ace Property & Casualty IC	0%	0%	40%
Hannover Ruck	25%	0%	0%
Tokio Millennium	0%	0%	50%
Total	100%	100.0%	100%

RESERVES

Rod Morris, FCAS, MAAA, is the Company's Appointed Actuary. Mr. Morris was appointed by the Board of Directors on October 18, 2007, to render an opinion on the reserves of the Company. Mr. Morris has provided the Association's actuarial opinion for the years ended December 31, 2007 to 2009.

The scope of the opinion was to examine the loss and loss adjustment expense reserves of the Company. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. The 2009 opinion stated the reserves:

- A) meet the requirements of the insurance laws of the State of Indiana;
- B) are consistent with reserves computed in accordance with accepted loss reserving standards and principles; and
- C) make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its contracts and agreements.

In forming his opinion, Mr. Morris relied on the Actuarial Opinion of the National Workers Compensation Reinsurance Pool issued by Mr. Dennis Mealy, Chief Actuary of the National Council on Compensation Insurance, Inc. The total reserves for this pool represent 5.5% of the Company's total reserves.

During the examination, it was determined by the IDOI consulting actuary, David Shepherd, FCAS, MAAA, of Merlinos & Associates, Inc., that the significant actuarial items in the Company's 2009 Annual Statement are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the IDOI.

ACCOUNTS AND RECORDS

The Company's general ledger for 2009 was compared and agreed to the trial balance and respective financial statements and schedules in the Annual Statement without exception. The Company's accounts and records are maintained using electronic data processing with the exception of certain items entered

manually into the general ledger.

Workers Compensation Fund employees carry out several of the Company's business functions, such as information services, investment management and payroll processing. These services are paid for by the Company through administrative agreement.

Claims adjusting services are performed in various states under contracts with non-affiliated TPAs. All claims regardless of who administers the claims are put in the Company's data warehouse. Underwriting, policyholder billing and other policyholder services are performed by program administrators in Charlotte, North Carolina, Boise, Idaho and Murray, Utah.

ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

	As of December 31, 2009			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 105,433,937	\$ -	\$ 105,433,937	\$ 93,552,357
Cash \$2,143,440 cash equivalents \$0 and short-term investments \$7,377,823	9,791,263	-	9,791,263	13,756,521
Subtotals, cash and invested assets	\$ 115,225,200	\$ -	\$ 115,225,200	\$ 107,308,878
Investment income due and accrued	1,337,254	-	1,337,254	1,153,497
Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	2,412,410	-	2,412,410	3,139,261
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,193,354	-	3,193,354	2,804,863
Current federal and foreign income tax recoverable and interest thereon	-	-	-	62,782
Net deferred tax asset	2,459,155	-	2,459,155	1,774,754
Electronic data processing equipment and software	33,714	-	33,714	28,787
Total Assets	<u>\$ 124,661,087</u>	<u>\$ -</u>	<u>\$ 124,661,087</u>	<u>\$ 116,272,822</u>

ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of Decmeber 31, 2009			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	\$ 38,732,327	\$ -	\$ 38,732,327	\$ 39,999,958
Loss adjustment expenses	5,983,577	-	5,983,577	4,523,055
Commissions payable, contingent commissions and similar charges	1,280,055	-	1,280,055	1,066,482
Other expenses	1,274,704	-	1,274,704	1,051,854
Taxes, licenses, and fees (excluding federal and foreign income taxes)	511	-	511	8,731
Current federal and foreign income taxes	665,574	-	665,574	-
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$2,104,956)	7,606,746	-	7,606,746	7,596,571
Advance premium	719,443	-	719,443	672,805
Ceded reinsurance premiums payable	784,865	-	784,865	683,718
Amounts withheld or retained by company for account of others	1,454,454	-	1,454,454	1,135,508
Total Liabilities	\$ 58,502,256	\$ -	\$ 58,502,256	\$ 56,738,682
Aggregate write-in for special surplus funds	\$ 855,464	\$ -	\$ 855,454	\$ -
Common Capital Stock	3,000,000	-	3,000,000	3,000,000
Gross paid in and contributed surplus	46,350,000	-	46,350,000	46,350,000
Unassigned funds (surplus)	15,953,368	-	15,953,368	10,184,140
Surplus as regards policyholders	\$ 66,158,832	\$ -	\$ 66,158,832	\$ 59,534,140
Total liabilities and surplus	\$ 124,661,088	\$ -	\$ 124,661,088	\$ 116,272,822

ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2009

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums earned	<u>\$ 35,579,877</u>	<u>\$ -</u>	<u>\$ 35,579,877</u>	<u>\$ 37,341,253</u>
Losses incurred	<u>\$ 15,536,325</u>	<u>\$ -</u>	<u>\$ 15,536,325</u>	<u>\$ 21,561,206</u>
Loss adjustment expenses incurred	4,859,344	-	4,859,344	3,893,402
Other underwriting expenses incurred	11,179,926	-	11,179,926	11,530,637
Total underwriting deductions	<u>\$ 31,575,595</u>	<u>\$ -</u>	<u>\$ 31,575,595</u>	<u>\$ 36,985,245</u>
Net underwriting gain (loss)	<u>\$ 4,004,282</u>	<u>\$ -</u>	<u>\$ 4,004,282</u>	<u>\$ 356,008</u>
Net investment income	\$ 3,837,101	\$ -	\$ 3,837,101	\$ 4,167,745
Net realized capital gains or (losses)	3,419	-	3,419	1,514
Net investment gain	<u>\$ 3,840,520</u>	<u>\$ -</u>	<u>\$ 3,840,520</u>	<u>\$ 4,169,259</u>
Net gain (loss) from premium balances charged off	<u>\$ (266,312)</u>	<u>\$ -</u>	<u>\$ (266,312)</u>	<u>\$ (251,481)</u>
Total other income	<u>\$ (266,312)</u>	<u>\$ -</u>	<u>\$ (266,312)</u>	<u>\$ (251,481)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 7,578,490	\$ -	\$ 7,578,490	\$ 4,273,786
Dividends to policyholders	2,316	-	2,316	-
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 7,576,174	\$ -	\$ 7,576,174	\$ 4,273,786
Federal and foreign income taxes incurred	1,832,592	-	1,832,592	1,557,396
Net Income	<u>\$ 5,743,582</u>	<u>\$ -</u>	<u>\$ 5,743,582</u>	<u>\$ 2,716,390</u>

ADVANTAGE WORKERS COMPENSATION INSURANCE COMPANY

FINANCIAL STATEMENTS

Surplus Account

	As of December 31, 2009			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Surplus Account:				
Surplus as regards policyholders, December 31 prior year	\$ 59,534,140	\$ -	\$ 59,534,140	\$ 56,895,250
Net income	\$ 5,743,581	\$ -	\$ 5,743,581	\$ 2,716,390
Change in net deferred income tax	(271,220)	-	(271,220)	444,598
Change in nonadmitted assets	1,152,331	-	1,152,331	(522,098)
Change in asset valuation reserve		-	-	
Aggregate write-ins for gains and losses in surplus:		-	-	-
Change in surplus as regards policyholders for the year	\$ 6,624,692	\$ -	\$ 6,624,692	\$ 2,638,890
Surplus as regards policyholders, December 31 current year	\$ 66,158,832	\$ -	\$ 66,158,832	\$ 59,534,140

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2009, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

There were no significant findings noted as a result of this examination. In addition, the Company has complied with the comments made in the prior report of examination.

SUBSEQUENT EVENTS

Effective January 5, 2010, the Company entered into an agreement with Patriot Underwriters, Inc. to market and service workers' compensation insurance primarily in the Midwest. Patriot Underwriters, Inc. will provide marketing, underwriting, loss control and policy administration service for the Company. Patriot Risk Services, Inc. a subsidiary of Patriot Risk Management, Inc. will provide certain claims adjusting, nurse case management and cost containment services on behalf of the Company.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the IDOI.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Huff, Thomas & Company, hereinafter collectively referred to as the "Examiners" performed an examination of the **Advantage Workers Compensation Insurance Company** as of **December 31, 2009**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2010 NAIC Financial Condition Examiner's Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of the **Advantage Workers Compensation Insurance Company** as of **December 31, 2009** as determined by the undersigned.



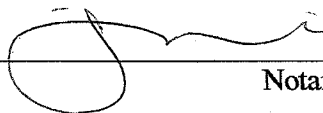
David Daulton, CFE
Huff, Thomas & Company

State of: CALIFORNIA
County of: CONTRA COSTA

On this 27 day of SEPTEMBER, 2010, before me personally appeared, David Daulton, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires DEC. 7, 2013



Notary Public