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

IN THE MATTER OF:)
)
Community Blood Centers' Exchange, Risk Retention Group)
728 North State Street)
Greenfield, Indiana 46140)

Examination of Community Blood Centers' Exchange, Risk Retention Group

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 Community Blood Centers' Exchange, Risk Retention Group, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on April 29, 2014, 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 Community Blood Centers' Exchange, Risk Retention Group 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.

June 30, 2014
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0034 9461 65

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

IN THE MATTER OF:)
)
Community Blood Centers' Exchange, Risk Retention Group)
728 North State Street)
Greenfield, Indiana)

Examination of Community Blood Centers' Exchange, Risk Retention Group

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Community Blood Centers' Exchange, Risk Retention Group (hereinafter "Company") for the time period January 1, 2008 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on February 28, 2014.

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 April 29, 2014 and was received by the Company on May 2, 2014.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS:**

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Community Blood Centers' Exchange, Risk Retention Group as of December 31, 2012.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Community Blood Centers' Exchange, Risk Retention Group to comply with the 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, 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. 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 30 day of June, 2014.

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

COMMUNITY BLOOD CENTERS' EXCHANGE, RISK RETENTION GROUP

NAIC COMPANY CODE 13893

As of

December 31, 2012

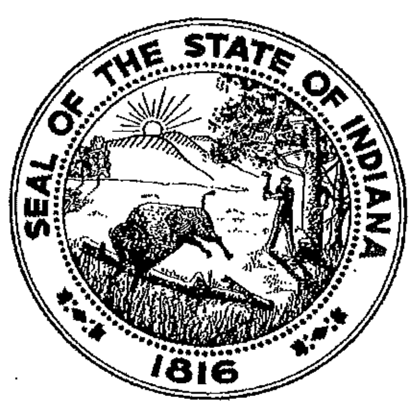

TABLE OF CONTENTS

STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

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

February 28, 2014

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

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3775, an examination has been made of the affairs and financial condition of:

Community Blood Centers' Exchange, Risk Retention Group
728 North State Street
Greenfield, Indiana 46140

hereinafter referred to as the "Company", an Indiana domestic reciprocal and risk retention group that is regulated as a property and casualty insurance company. The examination was conducted at the main administrative offices of the Company located in Overland Park, Kansas.

The Report of Examination, showing the status of the Company as of December 31, 2012, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2007. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2008 through December 31, 2012, 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 examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by Conner Ash P.C. Certified Public Accountants and Business Consultants for each year of the examination 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 INDOI, conducted a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2012.

In accordance with the NAIC Financial Condition Examiners Handbook (Handbook), Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company, and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review or the Company's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated on October 9, 1992, as an Indiana domiciled inter-insurance, reciprocal exchange and commenced business on August 1, 1993. Outside of Indiana, the Company provides coverage under the Federal Liability Risk Retention Act of 1986 (15 U.S.C. § 3901 et seq.) which allows a "risk retention group" to operate on a nationwide basis.

The Company is managed by its Attorney-in-Fact (AIF), to provide general and professional liability insurance to not-for-profit community blood centers. All policyholders are "members" of the AIF and "subscribers" to the Company. The Company currently writes coverage in 23 different states for 34 blood centers.

CAPITAL AND SURPLUS

As of December 31, 2012, the Company's capital and surplus of $8,655,973 (before unassigned funds) consisted of subscriber contributions of $2,773,446, surplus notes of $3,675,067 and $2,207,460 in subordinated debentures.

Subscribers to the Company are required to make a cash contribution to the surplus of the Company. As of December 31, 2012, the Company's surplus included contributions aggregating to $2,773,446. These capital contributions may be paid in lump sum or in installments over three years and are recognized by the Company when received. Additional surplus contributions from the subscribers may be required at the request of the Board of Directors, subject to limitations set forth in the subscriber agreements. Upon withdrawal from the Company, the Company has the option of converting a subscriber's contributed surplus to a subordinated debenture. The Company then has the option of paying the principal on these subordinated debentures in five equal annual payments beginning five years after the year of withdrawal.

As of December 31, 2012, the Company's $3,675,067 in surplus notes resulted from rollovers of subscriber savings accounts, distribution from subscriber savings accounts and an incentive renewal credit. The notes bear interest at a rate determined annually by the Board of Directors, and mature five years after the effective issue date, subject to extension at the sole discretion of the Board of Directors. No payments of principal or interest on surplus notes can be made without the prior consent of the INDOI. In 2012, with the prior approval of the INDOI, the Company distributed $3,000,000 from surplus notes to subscribers.

Surplus also includes subordinated debentures totaling $2,207,460 issued to withdrawing subscribers. These debentures are subject to downward adjustment five years after withdrawal, are non-interest bearing, and may be paid in equal installments over the next five years. All payments are subject to the prior approval of the INDOI.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact insurance business in Indiana and is authorized to write business on a nationwide basis via the Federal Liability Risk Retention Act. In all other states, in which the Company issues policies, it registers and operates as a foreign risk retention group. The Company writes professional liability, general liability, and network security (cyber) liability coverage. The professional liability and general liability coverage is written on a claims-made basis to not-for-profit community blood centers licensed by the FDA with deductibles ranging from $25,000 to $100,000 with an upper policy limit of $5,000,000. Cyber coverage was added in 2010 in order to provide blood centers coverage for network security and patient privacy issues. In 2012, the Company wrote policies for 34 blood centers in 23 states.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

Year	Admitted Assets	Liabilities	Capital & Surplus	Net Premiums Earned	Net Income (Loss)
2012	$21,530,762	$8,450,775	$13,079,987	$2,897,535	$3,409,094
2011	23,756,769	11,068,981	12,687,788	2,511,534	2,007,592
2010	22,665,274	11,807,675	10,857,599	2,648,953	230,031
2009	23,846,143	11,757,492	12,088,651	3,711,649	3,747,697
2008	20,729,589	12,119,349	8,610,240	3,684,794	1,536,126

MANAGEMENT AND CONTROL

Directors

The Bylaws provide the business affairs of the Company are to be managed by a Board of Directors consisting of not less than seven and no more than thirteen persons. The membership at its annual meeting elects the members of the Board of Directors for terms of three years. In addition, nominees presented to the Board of Directors by the Nominating Committee may include Special Directors in the following categories:

i. One non-voting "director emeritus," who shall be a person who previously served on the Board, and who is chosen in order to provide historical continuity to the Board, notwithstanding the term limits set forth in Section 3.3.

ii. One Indiana resident, to serve as Resident Director, if such a position is required as a condition of licensure for the Community Blood Exchange Risk Retention Group.

Special Directors shall be entitled to notice of and to attend and participate in Board of Directors meetings, but shall not be entitled to vote and shall not count in determining the presence of a quorum. (Unless otherwise provided, references to "directors" in these Bylaws refer only to the voting directors, not Special Directors.)

The following is a listing of persons serving as Directors as of December 31, 2012:

Name & Address	Position and Principal Occupation
Bobby A. Grigsby Hurst, Texas	Chairman Carter BloodCare
Randall G. Stark Oklahoma City, Oklahoma	CFO Oklahoma Blood Institute
David L. Allen Jackson, Mississippi	President and CEO Mississippi Blood Services
Connie E. Foland Missouri City, Texas	Director and Risk Manager Gulf Coast Regional Blood Center
Gregory J. Hart Greenville, South Carolina	CEO The Blood Connection
Margaret E. Wallace Keathville, Louisiana	President and CEO LifeShare Blood Centers
Valerie A. Collins Jacksonville, Florida	CEO The Blood Alliance

Christine M. Swinehart Tacoma, Washington	President and CEO Cascade Regional Blood Services
Lee Ann Weitekamp, MD Grand Rapids, Michigan	Medical Director Michigan, Blood
Elizabeth A. Hartwell, MD Houston, Texas	Medical Director Gulf Coast Regional Blood Centers
Mark S. Tabler Columbus, Indiana	COO Innovative Physician Solutions, RRG
Joseph D. Garrick Memphis, Tennessee	COO, EVP Operations, VP HR Mid-South Regional Blood Center
Donald K. Kuttner, DO Allentown, Pennsylvania	Medical Director and VP Miller-Keystone Blood Center
Donald F. Thomson Springfield, Missouri	Executive Director Community Blood Center of the Ozarks

Indiana Code 27-1-7-11 requires Indiana domiciled insurers to appoint at least one resident from the State of Indiana to the Board of Directors. The Company has a director currently residing in Indiana. This director is classified as a Special Director in the Bylaws. The Bylaws state that the Special Director is a non-voting director and shall not count in determining the presence of a quorum. In addition, it states in the Bylaws that unless otherwise provided, references to directors in the Bylaws refer only to the voting directors, not Special Directors. **See the "Other Significant Findings" section of this report for further explanation on this exception.**

Officers

Pursuant to the Bylaws, the officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman, a Treasurer and a Secretary, and such other officers, including, without limitation, one or more Assistant Treasurers and Assistant Secretaries, as the directors from time to time may elect or appoint. The Chairman of the Board, Vice Chairman, Treasurer and Secretary shall be elected annually by the directors, from among the Member Directors, at their annual meeting following the annual meeting of the Members.

The following are the persons serving as officers as of December 31, 2012:

Name	Position
Bobby A. Grigsby	Chairman
Christine M. Swinehart	Treasurer
Randall G. Stark	Secretary

Gregory J. Hart	Vice Chairman

Other Officers

As permitted by the Bylaws, the Board appointed three additional officers. These officers were non-directors, selected from the three principal service providers responsible for the Company's daily operations:

Name & Address	Position and Principal Occupation
Robert B. Ellis Overland Park, Kansas	Vice President of Underwriting Haake Companies
Lawrence W. Hoch Port Orange, Florida	Vice President of Claims Seaboard Adjustment Bureau, Inc.
Kathryn A. Westover Colchester, Vermont	Chief Operating Officer and Executive Director Community Blood Centers' Exchange Risk Retention Group

Corporate Governance

As of December 31, 2012, directors, members and consultants serving on the committees of the board were as follows:

Audit Committee:

Greg J. Hart	Chairman
Randy G. Stark	Director
Jack K. Wolcott	Non Director
Nelson R. Hellwig	Non Director
Suzanne T. Mize	Non Director
J. Todd Rosenbaum	Consultant

Finance Committee:

Christine M. Swinehart	Chairman
Joseph D. Garrick	Director
Margaret E. Wallace	Director
Joseph M. McCormick	Non Director
Lori A. Glynn	Non Director
Thomas C. Puckett	Non Director
Walter R. Ott	Non Director
J. Todd Rosenbaum	Consultant
Chrisy L. Colvin-Slusher	Consultant

The Company also receives oversight from its other committees that were comprised of but not limited to, Claims, Executive, Governance, Marketing, Nominating, New Technology, Rates, Reinsurance, Risk Management, Strategic Planning, and Underwriting.

CONFLICT OF INTEREST

Officers and Directors are required to review and sign Conflict of Interest statements annually. It was determined Officers and Directors listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of year-end 2012.

OATH OF OFFICE

Indiana Code 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. Each director signed an "Oath of Office" statement for 2012 and previous years.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Company amended its Bylaws on August 7, 2012. The significant amendment was as follows:

Section 3.4 Quorum and Voting:

- In the event that more than one director represents a member, only one such director shall have a vote.

The Company amended its Bylaws on March 25, 2010. The amendment was as follows:

Section II.1. Eligibility: Admission of Members:

- The entity is owned by or is the owner of one or more entities that meet the membership qualifications stated in item (a) of this Article, or operates under the FDA License of an entity that meets the membership qualifications stated in item (a) of this Article;

The Company amended its Bylaws on July 25, 2008. The amendments were as follows:

Section 3.2 Number and Qualification:

- One Indiana resident, to serve as Resident Director, if such a position is required as a condition of licensure for the Community Blood Exchange Retention Group. Special Directors shall be entitled to notice of and to attend and participate in Board of Directors meetings, but shall not be entitled to vote and shall not count in determining the presence of a quorum (Unless otherwise provided, references to "directors" in these Bylaws refer only to the voting directors, not Special Directors.

Section 3.3 Classes and Election:

- An Indiana Resident Director may be elected to serve a one year term and may be re-elected by the Members for an unlimited number of terms, for compliance with Indiana Department of Insurance requirements for admitted insurers.

See page 4 of the "Management and Control" section of this report for further explanation on the definition of Resident Director and Special Directors.

Minutes

The Board of Directors and member meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. It was noted the annual meetings and other regular Board meetings were held in accordance with the Bylaws. The Annual Subscriber meetings weren't held within the state of Indiana and at the principal office of the corporation. This is a violation of IC-27-1-7-7(a). In addition, the Company's 2008 to 2012 Annual Subscribers meetings weren't held until after the first five months of each year. This is in violation of IC-27-1-7-7(b) which requires the Annual Subscribers meeting to be held within five months of the fiscal close of December 31, for each year. **See the "Other Significant Findings" section of this report for further explanation on this exception.**

ORGANIZATIONAL STRUCTURE AND ADMINISTRATIVE AGREEMENTS

Organizational Structure

As mentioned under the History section, the Company is an unincorporated association that operates through its Attorney-in-Fact (AIF), Community Blood Centers Exchange Inc., which is an Indiana not-for-profit taxable corporation, the members of which are the subscribers (insured's) to the Company. All transactions are effected through the AIF, which has no activities separate from the Company.

Substantially all of the volunteer directors and officers of the Company are full time employees and executives of their respective blood centers. In addition, few directors have experience in the operation of insurance companies. To oversee operations, the directors hired an Executive Director in 2007, who is not a member of the Board and is an independent contractor operating under a three year contract. As Chief Operating Officer, the Executive Director oversees the activities of the underwriting, claims, and financial service providers. All of the Executive Director's activities are subject to the oversight and policy making function of the Board of Directors.

The Company has no parent, subsidiaries or affiliates.

Administrative and Service Agreements

From the date of inception, the Company was structured with no direct employees maintained either by the Company or the AIF. Instead, consultants are utilized to perform the duties and responsibilities relating to all aspects of operations. Following is a summary of the primary consultants under contract and the services performed by each:

Underwriting and Services Agreement – Haake Companies, Inc.

Effective June 1, 2007, the Company entered into a service agreement with a third party administrator, under which Haake Companies, Inc. provides certain administrative, underwriting, marketing, professional, advisory, consulting, and other services. An Endorsement to the Service Agreement was made and entered into as of April 1, 2010. The Endorsement amended the compensation to recognize past and ongoing work on Network Security and Privacy Insurance offered by the Company. In 2012, the amount of fees paid by the Company under this agreement was $290,225.

Claims Administration Agreement – Seaboard Adjustment Bureau, Inc.

Effective August 1, 2010, the Company entered into a service agreement with Seaboard Adjustment Bureau, Inc. as the primary administrator and adjustor for Company claims. Pursuant to this agreement, the Company paid $371,352 of fees in 2012.

Finance and Accounting Agreement – Mountjoy, Chilton & Medley PLC, a Kentucky Professional Limited Liability Company.

Effective September 1, 2008, the services performed by Cook Consulting were assumed by a Service Agreement made with Mountjoy, Chilton & Medley PLC. Pursuant to this agreement, the Company paid $59,811 of fees in 2012.

Management Agreement – Kathryn Westover

Effective May 1, 2007, the Company entered into an Independent Contractor Service Agreement with Ms. Westover to serve as Executive Director and Chief Operating Officer by providing daily operating management for the Company, and to oversee all activities of outside consultants and service providers. An Endorsement to the Service Agreement was made and entered into as of May 1, 2010. The amount of fees paid by the Company under this agreement in 2012 was $179,016.

FIDELITY BOND AND OTHER INSURANCE

The Company was protected against loss by reason of fraud or dishonesty by the following policy:

- A crime policy providing a single loss limit of $450,000 in employee theft from Travelers Casualty and Surety Company of America;

The provided coverage exceeds the recommended minimum specified by the NAIC.

The Company was not in compliance with IC 27-1-7-14, whereby the amount and form of such bonds and the sufficiency of the sureties thereon shall be approved by the department and shall be filed with the department. The Company has not filed a copy of the crime policy in place as of December 31, 2012 with the Department. Prior to the conclusion of field work in February, 2014, the Company filed the crime policy with the Department. **See the "Other Significant Findings" section of this report for further explanation on this exception.**

Other major insurance coverage in force as of December 31, 2012, consisted of a directors and officers and errors and omissions policy and an umbrella policy, covering commercial general liability, business rented premises, and products-completed operations. All coverage from the umbrella policy was determined to be adequate.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory deposit as of December 31, 2012:

State	Book Value	Fair Value
Indiana	$100,000	$100,000

REINSURANCE

Reinsurance Ceded

Reinsurance is purchased by the Company on a specific and aggregate basis as outlined below. Ceded reinsurance is placed on an excess per occurrence and aggregate limit basis. All reinsurance is placed with an unaffiliated consortium of U.S. and European reinsurers. Aggregate annual limits for each of the 2012 contracts are as follows:

	Specific Coverage Limit	Aggregate Policy Limit
Layer 1	over $250,000 up to $2,000,000	500% of total reinsurance premium (Approximately $4,692,000 for 2012)
Layer 2	over $2,000,000 up to $5,000,000	$9,000,000 annual aggregate (Includes available reinstatements)

The Company pays a provisional premium on the Layer 1 reinsurance coverage with subsequent annual adjustments based on loss activity within the contract until all losses within the contract period are closed. Premiums on the Layer 2 reinsurance coverage are paid in semi-annual installments to coincide with direct premiums. The Company purchases the first reinsurance layer through a three-year contract, while the second layer is purchased annually.

The base retention levels for professional liability coverage of the Company is $195,000 for policies issued prior to August 1, 1995; $145,000 for policies issued between August 1, 1995 and July 31, 1998; $125,000 for policies issued between August 1, 1998 and December 31, 2001; $175,000 for policies issued between January 1, 2002 and December 31, 2004; and $250,000 for policies issued on or after January 1, 2005.

In 2005, the Company entered into an aggregate excess retention agreement where the Company retains losses equal to 5% of the gross written premium for losses in the first excess layer. In 2008, the agreement increased the Company's retained losses to 10%; this percentage remained unchanged for 2009 and returned to 5% starting in 2010.

Along with aggregate excess retention, the Company has retention on the second layer of reinsurance for the 2005 through 2009 years set at 5% of losses penetrating the second layer. In 2010, the retention on second layer of reinsurance for the 2010 through 2012 years set at 0% of losses penetrating the second layer.

The Company provides Cyber Liability coverage which includes network security and privacy coverage to its members. Underwriters at Lloyds provide a 100% Quota Share reinsurance for the cyber liability coverage. The coverage limit is $100,000/200,000 per claim with a $5,000 deductable per claim.

RESERVES

Nathan Terry Godbold, ACAS, MAAA, a Principal and Consulting Actuary with Pinnacle Actuarial Resources, Inc. was appointed actuary for the Company in 2012. Mr. Godbold was appointed by the Executive Committee of the Board of Directors on November 11, 2009, to render an opinion on the statutory-basis loss reserves of the Company. He rendered an opinion on such reserves for the years ended December 31, 2012, 2011, 2010 and 2009. Patrick K. Devlin, FCAS, MAAA, Director with PricewaterhouseCoopers LLP was the appointed actuary for the Company in 2008

The scope of the opinion stated the Actuary examined the reserves as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials as of December 31, 2012. In forming the opinion, information prepared by the Company was relied upon. The provided data was evaluated for reasonableness and consistency. The data was reconciled to Schedule P - Part 1 of the Company's Annual Statement as of December 31, 2012. The examination included such review of the actuarial assumptions and methods and such tests of the calculations as considered necessary.

The 2012 opinion stated the balances of reserves: 1) meet the requirements of the insurance laws of Indiana; 2) are computed in accordance with generally accepted actuarial standards and principles; 3) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

David Shepherd FCAS, MAAA of Merlinos and Associates was appointed by the INDOI to conduct a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2012. Mr. Shepherd's examination noted that the appointed actuary was conservative in his selections of loss development factors and estimates of ultimate losses. He concluded that the actuarial methods and assumptions used by the appointed actuary were reasonable with no exceptions noted. His examination produced no recommendations.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ended December 31, 2012, was agreed to the Annual Statement without exception. The Annual Statement totals for Admitted Assets, Liabilities, Surplus, Premiums Written and Net Income for the years ended December 31, 2008 through December 31, 2012, were agreed to each year's trial balance with no exceptions noted. The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

COMMUNITY BLOOD CENTER'S EXCHANGE, RISK RETENTION GROUP

FINANCIAL STATEMENTS

Assets

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	$ 17,108,993	$ -	$ 17,108,993	$ 19,832,339
Common stocks (stocks)	1,895,310	-	1,895,310	1,710,938
Cash $(224,361), cash equivalents $0 and short-term investments $1,056,804	1,281,165	-	1,281,165	1,170,523
Subtotals, cash and invested assets	$ 20,285,468	$ -	$ 20,285,468	$ 22,713,800
Investment income due and accrued	75,842	-	75,842	109,651
Uncollected premiums and agents' balances in the course of collection (premiums and considerations)	156,889	-	156,889	65,549
Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $0 earned but unbilled premiums) (premiums and considerations)	1,012,562	-	1,012,562	867,769
Total Assets	**$ 21,530,762**	**$ -**	**$ 21,530,762**	**$ 23,756,769**

COMMUNITY BLOOD CENTER'S EXCHANGE, RISK RETENTION GROUP

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	$ 1,732,997	$ -	$ 1,732,997	$ 2,930,293
Loss adjustment expenses	2,639,164	-	2,639,164	3,303,769
Other expenses (excluding taxes, licenses and fees)	185,051	-	185,051	148,376
Taxes, licenses, and fees (excluding federal and foreign income taxes)	61,809	-	61,809	52,751
Current federal and foreign income taxes	19,956	-	19,956	19,956
Borrowed money and interest thereon	-	-	-	1,251,025
Unearned premiums (after deducting unearned premiums for ceded reinsurance of $884,834)	1,386,174	-	1,386,174	1,630,215
Ceded reinsurance premiums payable	2,425,624	-	2,425,624	1,732,596
Total Liabilities	$ 8,450,775	$ -	$ 8,450,775	$ 11,068,981
Aggregate write-ins for other than special surplus funds	$ 2,773,446	$ -	$ 2,773,446	$ 2,376,973
Surplus notes	5,882,527	-	5,882,527	7,767,574
Unassigned funds (surplus)	4,424,014	-	4,424,014	2,543,241
Surplus as regards policyholders	$ 13,079,987	$ -	$ 13,079,987	$ 12,687,788
Totals	$ 21,530,762	$ -	$ 21,530,762	$ 23,756,769

COMMUNITY BLOOD CENTER'S EXCHANGE, RISK RETENTION GROUP

FINANCIAL STATEMENTS

Statement of Income

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums earned	$ 2,897,535	$ -	$ 2,897,535	$ 2,511,534
DEDUCTIONS				
Losses incurred	(699,776)	-	(699,776)	(54,637)
Loss expenses incurred	(231,592)	-	(231,592)	295,617
Other underwriting expenese incurred	871,354	-	871,354	759,891
Total underwriting deductions	$ (60,014)	$ -	$ (60,014)	$ 1,000,871
Net underwrting gain (loss)	**$ 2,957,549**	**$ -**	**$ 2,957,549**	**$ 1,510,663**
Net investment income earned	$ 233,435	$ -	$ 233,435	$ 448,974
Net realized capital gains (losses) less capital gains tax	231,110	-	231,110	47,955
Net investment gain (loss)	**$ 464,545**	**$ -**	**$ 464,545**	**$ 496,929**
Net income before dividends to policyholders, after capital gains tax before all other federal income taxes	**$ 3,422,094**	**$ -**	**$ 3,422,094**	**$ 2,007,592**
Net income before dividends to policyholders, after capital gains tax before all other federal income taxes	$ 3,422,094	$ -	$ 3,422,094	$ 2,007,592
Federal and foreign income taxes incurred	13,000	-	13,000	-
Net income	**$ 3,409,094**	**$ -**	**$ 3,409,094**	**$ 2,007,592**

COMMUNITY BLOOD CENTER'S EXCHANGE, RISK RETENTION GROUP

FINANCIAL STATEMENTS

Capital and Surplus Account

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Capital and Surplus Account:				
Surplus as regards policyholders, December 31, prior year	$ 12,687,788	$ -	$ 12,687,788	$ 10,857,599
Net income	$ 3,409,094	$ -	$ 3,409,094	$ 2,007,592
Change in net unrealized capital gains (losses)	141,679	-	141,679	(132,910)
Change in provision for reinsurance	-	-	-	-
Change in surplus notes	(1,885,047)	-	(1,885,047)	172,448
Aggregate write-ins for gains and losses in surplus	(1,273,527)	-	(1,273,527)	(216,941)
Change in surplus as regards policyholders for the year	$ 392,199	$ -	$ 392,199	$ 1,830,189
Surplus as regards policyholders, December 31, current year	$ 13,079,987	$ -	$ 13,079,987	$ 12,687,788

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2012, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Indiana Special Director Status

The Company has an Indiana Director that is classified as a Special Director in the Bylaws. The Bylaws state that the Special Director is a non-voting director and shall not count in determining the presence of a quorum. Furthermore, it states, in the Bylaws, that unless otherwise provided, references to directors in the Bylaws refer only to the voting directors, not Special Directors.

Based upon the restrictions placed on Special Directors in the Bylaws, the Company is not in compliance with IC 27-1-7-11. It is recommended the Company take the appropriate steps to comply with IC-27-1-7-11.

Annual Subscribers Meeting

The Annual Subscriber meetings weren't held within the state of Indiana and at the principal office of the corporation. This is a violation of IC-27-1-7-7(a). In addition, the Company's 2008 to 2012 Annual Subscribers meetings weren't held until after May 31, of each year. This is in violation of IC-27-1-7-7(b) which requires the Annual Subscribers meeting to be held within five months of the fiscal close of December 31.

It is recommended the Company hold their Annual Subscribers meetings within the state of Indiana and at the principal office of the corporation in accordance with IC-27-1-7-7(a). It is also recommended the Company hold their Annual Subscribers meeting within five months of the previous fiscal close in accordance with IC-27-1-7-7(b).

Fidelity Bond

As noted on page 9 of this Report, the Company is not in compliance with IC 27-1-7-14, whereby the amount and form of such bonds and the sufficiency of the sureties thereon shall be approved by the Department and shall be filed with the Department.

It is recommended the Company comply with IC 27-1-7-14, whereby the amount and form of such bonds and the sufficiency of the sureties thereon shall be approved by the Department and shall be filed with the Department. Prior to the conclusion of field work in February, 2014, the Company filed the crime policy with the Department.

SUBSEQUENT EVENTS

Surplus Note

The Company received approval from INDOI by a letter dated July 26, 2013 to pay a Surplus Note principal and interest totaling $1,623,482. The payment represents approximately 12% of the December

31, 2012 total surplus.

Change in Consulting Firms

Subsequent to the period covered by this examination, the Board appointed Mountjoy, Chilton & Medley, for administration and policy servicing, Western Litigation for claims administration, and Alliant Insurance Services for underwriting and reinsurance intermediary. These Services were transitioned from incumbent service providers beginning October 1, 2013 with all changes completed by December 31, 2013.

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 the key administrative consultants and officers for the Company and provided to the Examiners.

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 The Thomas Consulting Group, Inc., hereinafter collectively referred to as the "Examiners" performed an examination of the **Community Blood Centers' Exchange Risk Retention Group** as of **December 31, 2012.**

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 2012 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 **Community Blood Centers' Exchanger Risk Retention Group** as of **December 31, 2012,** as determined by the undersigned.

David Daulton, CFE
The Thomas Consulting Group, Inc.

State of: Oregon
County of: Jackson

On this 29 day of April, 2014, before me personally appeared, David Daulton, to sign this document.

IN WITNESS WHEROF, 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 June 24 2015

Notary Public

OFFICIAL SEAL
ERIN L PARENT
NOTARY PUBLIC - OREGON
COMMISSION NO. 458139
MY COMMISSION EXPIRES JUNE 24, 2015