

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

IN THE MATTER OF:)
)
National Trust Insurance Company)
12800 North Meridian Street, Suite 200)
Carmel, Indiana 46204)

Examination of National Trust Insurance Company

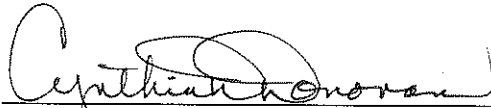
NOTICE OF ENTRY OF ORDER

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 National Trust Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 21, 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 National Trust 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.

June 23, 2014
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0033 9036 64

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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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National Trust Insurance Company)
12800 North Meridian Street, Suite 200)
Carmel, Indiana)

Examination of National Trust Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the National Trust Insurance Company (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 April 14, 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 May 21, 2014 and was received by the Company on May 27, 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 National Trust Insurance Company as of December 31, 2012.
2. That the Examiner's Recommendations are reasonable and necessary in order for the National Trust Insurance Company 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 23 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.

A handwritten signature in black ink, appearing to be "Michael Campbell", written in a cursive style. The signature is located in the lower-left quadrant of the page.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

NATIONAL TRUST INSURANCE COMPANY
NAIC COMPANY CODE 20141

As of

December 31, 2012

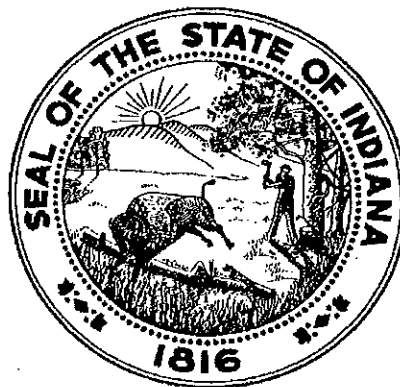
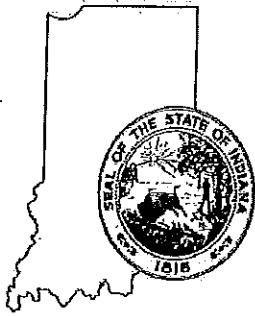


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STATE OF INDIANA

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

April 14, 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 3777, an examination has been made of the affairs and financial condition of:

National Trust Insurance Company
12800 North Meridian Street, Suite 200
Carmel, Indiana 46032

an Indiana domestic, stock, property and casualty insurance company hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located in Sarasota, Florida.

The Report of Examination, showing the status of the Company as of December 31, 2012, 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
EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390 MEDICAL MALPRACTICE (317) 232-2402 SECURITIES/COMPANY RECORDS (317) 232-1991 STATE HEALTH INSURANCE PRO 1-800-332-4674
1-800-622-4461

SCOPE OF EXAMINATION

The Company was last examined by representatives of the State of Tennessee Department of Commerce and Insurance as of the period ending 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 BDO USA, LLP Certified Public Accountants 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 of 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.

The Company has taken corrective action with respect to the comments and recommendations made in the prior report of examination.

HISTORY

The Company, then known as National Trust Fire Insurance Company (National Trust), was incorporated January 25, 1965, under the laws of Tennessee and began business the same day. Operations were conducted under the name National Trust Fire Insurance Company from inception until August 7, 1990, when the present title was adopted.

On April 23, 1980, National Trust Life Insurance Company (former parent of National Trust) and Commonwealth Life Insurance Company (Commonwealth), Louisville, Kentucky merged with Commonwealth, the surviving company.

Effective May 7, 1987 National Trust Fire Insurance Holdings, Inc. a Georgia Corporation acquired National Trust at which time National Trust ceased to write any new business. In 1990, National Trust Fire Insurance Holdings, Inc. was sold to Florida Employers Life Insurance Corporation (FELIC), which assumed all of the existing liabilities of National Trust. The Company's name was changed to National Trust Insurance Company, effective August 7, 1990. On January 12, 1990, FEICO Agency, Inc., parent of FELIC acquired National Trust and the administrative offices were moved in 1990 from Atlanta, Georgia to Sarasota, Florida.

Due to statutory changes as required by the State of Georgia, National Trust's charter was amended on July 24, 1992 to increase its authorized, issued and outstanding common stock at which time National Trust became a wholly-owned subsidiary of FELIC. In December 1995, National Trust was sold to an upstream holding company, FCCI Investment Group, Inc. During 1996, FCCI Investment Group, Inc. changed its name to FCCI Insurance Group, Inc. (FCCI). On June 17, 2010, National Trust re-domesticated from Tennessee to Indiana.

CAPITAL AND SURPLUS

As of December 31, 2012, the Company's total capitalization was \$35,205,396 which included: common capital stock of \$2,500,000 consisting of 25,000 shares of issued and outstanding common stock with a par value of \$100 per share, gross paid-in contributed surplus of \$29,290,293, and unassigned funds (surplus) of \$3,415,103. All of the outstanding shares were owned by FCCI at the examination date. The Company received a surplus contribution of \$15 million from its ultimate parent, FCCI Mutual Insurance Holding Company (FCCI Mutual), on July 25, 2008. The Company paid no shareholder dividends during the period covered by this examination.

TERRITORY AND PLAN OF OPERATION

The Company is a property and casualty insurance company that writes various commercial lines of business in the Midwestern and Southeastern states. As of December 31, 2012, the Company was licensed in twenty-four (24) states and wrote \$168.8 million of direct business. The highest concentrations of premium were in Florida (\$51.4 million), Georgia (\$31.5 million), Alabama (\$13.3 million) and Illinois (\$12.7 million).

The Company is a member of the FCCI which includes other insurers. FCCI uses multiple companies to execute its tiered pricing structure. The sole means of product distribution is through an independent agency system. The Company cedes 100% of its business to FCCI Insurance Company under a quota share reinsurance agreement effective January 1, 2005.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Net Premiums</u> <u>Earned</u>	<u>Net Income (Loss)</u>
2012	\$34,110,462	(\$1,094,934)	\$35,205,396	\$0	\$858,809
2011	32,530,209	(1,942,526)	34,472,735	0	650,335
2010	31,120,239	(2,735,864)	33,856,103	0	1,460,929
2009	26,621,322	(4,725,097)	31,346,419	0	132,132
2008	25,369,503	(5,714,755)	31,084,258	0	473,916

The negative liability as reported above is attributed to a reduction in ceded premium payable for the uncollected portion of the ceded reinsurance premiums from the policyholders. The net premium earned of zero as reported in each year of the examination period was a result of the 100% quota-share agreement with FCCI Insurance Company.

MANAGEMENT AND CONTROL

Directors

The Code of Bylaws (Bylaws) specify that the number of directors shall be ten (10). The number of directors may be increased or decreased by the affirmative vote of a majority of the directors, and were decreased to nine (9) on November 29, 2012, but at no time shall the Board of Directors consist of less than five (5) persons. At all times, at least one (1) of the Directors shall reside in the State of Indiana. At any meeting of the Board of Directors, a majority of the whole board shall constitute a quorum. The act of a majority of the Directors present and voting at a meeting at which a quorum is present shall be the act of the Board of Directors.

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

<u>Name & Residence</u>	<u>Position and Principal Occupation</u>
Charles R. Baumann Sarasota, Florida	Owner/Consultant/Shareholder K.B. Support Services LLC.
Robert W. Benjamin Sarasota, Florida	Attorney, Of Counsel Williams, Parker, Harrison, Dietz & Getzen
John J. Cox III Sarasota, Florida	President Halfacre Construction Company
Robert W. Flanders Sarasota, Florida	President/Owner Quality Walls L.C.
Gordon W. Jacobs Sarasota, Florida	Former Insurance Executive
Craig A. Johnson Sarasota, Florida	President & CEO FCCI Insurance Company
Tracey J. Pfab Fishers, Indiana	Senior VP Monroe Guaranty Insurance Company
John T. Stafford Sarasota, Florida	Former Banking Executive
Roy A. Yahraus Sarasota, Florida	Sales Manager Seacoast Supply

There have been some changes in the Board of Directors of the Company during the examination period. Effective May 17, 2012 Marvin Haber retired from the Board of Directors. The Board elected John Cox, effective June 1, 2012 to fill the vacancy created by Mr. Haber's retirement. Effective September 24, 2012, Mr. Timothy Clarke resigned from the Board of Directors and his vacant position was not filled by the Board.

Officers

The Bylaws specify that the officers of the corporation shall consist of a Chairman of the Board, a vice chairman, a president, a secretary, and a treasurer and, in addition, at the discretion of the Board of Directors, one or more vice presidents, other officers and assistants, all of whom shall be elected by the initial Board of Directors and annually by the Board of Directors at its first meeting held after the annual meeting of shareholders. One person may simultaneously hold more than one office.

The Company's daily operations were managed by the following senior officers as of December 31, 2012:

<u>Name</u>	<u>Position</u>
Craig A. Johnson	President and CEO
Christopher S. Shoucair	Executive Vice President, CFO & Treasurer
Thomas A. Koval	Senior Vice President, General Counsel, Secretary
Rupert L. Willis	Executive Vice President
Joseph A. Keene	Executive Vice President
Tracey J. Pfab	Senior Vice President
Michelle M. Jalbert	Vice President, Assistant Treasurer, Controller

There have been some changes in the senior officers of the Company during the examination period.

Effective June 2011

Gordon W. Jacobs retired as the President and CEO. Craig A. Johnson was promoted to President, Chief Executive Officer, and Director. Mr. Johnson previously held the positions of Executive Vice President, CFO, and Treasurer. Christopher S. Shoucair was promoted to Executive Vice President, CFO, and Treasurer. Mr. Shoucair previously held the position of Assistant Treasurer, Controller, and Senior Vice President. Michelle M. Jalbert was promoted to Assistant Treasurer, Controller, and Vice President.

Effective September 2011

Debra H. Douglas resigned as Secretary. Thomas A. Koval was appointed as Secretary.

Corporate Governance

The Company's Amended and Restated Code of Bylaws specify the Board of Directors shall appoint a Nominating Committee. The Nominating Committee shall be responsible for nominating directors. The

Board may appoint such other committees as it shall determine from time to time. Two Board committees and the member directors that were elected to serve as of December 31, 2012 were as follows:

Audit Committee:

Charles R. Baumann	Chairman
Robert W. Flanders	Director
Gordon W. Jacobs	Director
Roy A. Yahraus	Director

Investment Committee:

Robert W. Benjamin	Chairman
Charles R. Baumann	Director
John J. Cox	Director
Gordon W. Jacobs	Director

The Company also receives oversight from its other committees that were comprised of but not limited to, Budget, Regional Marketing & Underwriting, Internal Operations (Home Office Support and Finance), Compensation, Claims & Reserving, Long Range Planning, Executive, Nominating and Building.

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 one director, officer or key employee, which is likely to conflict with their official duties. From a review of the officers and directors signed statements, there was no conflict of interest reported by any of the officers or directors.

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's Articles of Incorporation were amended and restated on August 28, 2008 and again amended and restated on June 3, 2010. The 2010 amendment related to the re-domestication to Indiana. The Amended and Restated Code of Bylaws were also filed with INDOI.

Minutes

The Board of Directors and shareholder 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 Company's 2011 to 2012 Annual Shareholders 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 Shareholders meeting to be held within five months of the fiscal close of December 31, for each year. **Please see the "Other Significant Findings" section of this report regarding this issue.**

AFFILIATED COMPANIES

Organizational Structure

The Ultimate Controlling Person is FCCI Mutual, a Florida corporation, which principally operates as a holding company. FCCI Mutual is wholly owned by members who are the policyholders of the wholly owned insurance company subsidiaries.

The group includes six insurance companies of which five are reinsured by their indirect parent, FCCI Insurance Company, under a 100% quota share reinsurance agreement. An organizational chart of the holding company system as of December 31, 2012 is included below:

Organizational Chart

- FCCI Mutual Insurance Holding Company (Parent Company)
 - FCCI Group, Inc (FL) (100%)
 - FCCI Services, Inc. (100%)
 - FCCI Agency, Inc. (100%)
 - FCCI Insurance Company (FL) (100%)
 - FCCI Insurance Group, Inc. (FL) (100%)
 - FCCI Commercial Insurance Company (FL) (100%)
 - FCCI Advantage Insurance Company (FL) (100%)
 - Brierfield Insurance Company (MS) (100%)
 - **National Trust Insurance Company (IN) (100%)**
 - Monroe Guaranty Insurance Company (IN) (100%)
 - FCCI Tax Credit, LLC (62% FCCI, National 22% and Monroe 16%)

Intercompany Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B Holding Company Registration Statement and were filed and not disapproved with INDOI in accordance with IC 27-1-23-4.

Management Services Agreement

A Management Services Agreement is in place between the Company and FCCI Services, Inc., and all of the affiliates of the FCCI Insurance Group, Inc. This agreement was effective January 1, 2007. Insurance and general management services are provided under this agreement. A First Amendment to the Management Services Agreement was made to comply with the changes to the Statement of Statutory Accounting Principles in the NAIC Accounting Practices and Procedures Manual. Second Amendment

added Brierfield Insurance Company to the agreement as an affiliate, effective January 1, 2009. This Management Services Agreement along with its amendments were filed on re-domestication of National Trust Insurance Company to Indiana and not disapproved by the INDOI on November 5, 2010. Amounts paid in 2012 under this agreement were \$35,805,195.

Federal and State Income Tax Allocation Agreement

The Company is party to a Federal and State Tax Allocation Agreement to file a consolidated tax return with FCCI Insurance Company and other affiliates. The method of allocation between companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled annually within 90 days of the filing of the Consolidated Federal Income Tax Return. This amended and restated Federal and State Income Tax Allocation Agreement was filed on re-domestication of National Trust Insurance Company to Indiana and not disapproved by the INDOI on November 5, 2010. Amounts paid in 2012 under this agreement were \$202,977 (Federal) and \$23,043 (State).

Operating Agreement of FCCI Tax Credit, LLC

Effective November 23, 2010, the Company, Monroe Guaranty and FCCI Insurance Company entered into an Operating Agreement with FCCI Tax Credit, LLC, a newly formed entity with the primary purpose of indirectly investing in low income housing properties in order to obtain low income housing tax credits for its members. The agreement will be in effect until amended or terminated by the parties or until FCCI Tax Credit, LLC is dissolved. The Agreement was submitted to the INDOI on September 27, 2010 and was not disapproved by the INDOI on November 12, 2010.

National Trust Insurance Company assigned a portion of its membership Interest in FCCI Tax Credit LLC to FCCI Insurance Company. As a result of the assignment, FCCI Tax Credit, LLC is now owned 62% by FCCI Insurance Company, 22% by the Company, and 16% by Monroe Guaranty Insurance Company. The INDOI was notified via e-mail dated November 28, 2012.

Please refer to the "Reinsurance" section of the report for the intercompany reinsurance agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company's ultimate parent, FCCI Mutual Insurance Holding Company, maintained fidelity bond coverage, which included the Company, up to \$5,000,000 with a deductible of \$50,000. The amount of coverage met the suggested minimum coverage as recommended by the NAIC.

The Company also was a named insured on a commercial umbrella liability policy, workers' compensation policy, property portfolio protection policy, storage tank third party liability policy, and corrective acts and clean up policy.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following special deposits with various states as of December 31, 2012:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For all Policyholders		
Florida	\$ 223,695	\$ 247,941
Georgia	168,396	181,866
Indiana	2,765,555	3,067,704
All Other Special Deposits		
Arizona	120,000	120,000
Arkansas	119,305	132,235
North Carolina	646,233	716,274
South Carolina	149,131	165,294
Virginia	325,697	345,098
U.S. Department of Labor	801,817	828,288
Total Deposits	<u>\$ 5,319,829</u>	<u>\$ 5,804,700</u>

REINSURANCE

The Company's reinsurance program is described below:

Reinsurance Ceded

Effective for losses on and after January 1, 2005, the Company reinsures all lines of business with FCCI Insurance Company through a 100% quota share agreement under which the Company receives a provisional ceding commission of 30% of written premium. Also effective January 1, 2005, the Company entered into a Loss Portfolio Transfer agreement under which FCCI Insurance Company assumed 100% of the Company's liabilities for losses occurring on or before December 31, 2004. FCCI Insurance Company has an AM Best rating of A- with total assets in excess of \$1.5 billion, and a statutory surplus of \$521 million as of December 31, 2012. The Company also has an immaterial amount of reinsurance with several unaffiliated companies.

Reinsurance Assumed

As a direct writer of insurance, the Company is required by certain states to participate in underwriting pools. These pools require that all insurers share proportionally in providing insurance coverage for certain high-risk insured's. As of December 31, 2012, the Company participated in the underwriting pools of fifteen (15) states.

RESERVES

Russell H Grieg, Jr., FCAS, MAAA, CFA of Towers Watson was the Company's Appointed Actuary in 2012. Mr. Grieg was appointed by the Board of Directors of the Company on August 30, 2004, to render an opinion on the reserves of the Company. He also rendered an opinion on such reserves for the years ended December 31, 2011, 2010, 2009 and 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 reserve balances: 1) meet the requirements of the insurance laws of Indiana; 2) are consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board; and 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 Merlino 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. He concluded that the actuarial methods and assumptions used by the appointed actuary were reasonable with no exceptions noted.

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.

The Company's independent auditors issued unqualified opinions on the Company's audited Statutory Statements for each year during the examination period. The audited financial statements were agreed to the Annual Statement for the year ended December 31, 2012, with no exceptions noted. All of the independent audit work papers were made available to the Examiners during the examination.

The Company's accounts and records are maintained using electronic data processing with the exception of certain items entered manually into the general ledger. The Company maintains adequate supporting work papers which were reviewed during the examination. From a review of the internal controls and the Company's disaster recovery plan, it was determined that the Company's current information systems possess most of the physical and internal controls as prescribed by the NAIC.

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.

NATIONAL TRUST INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

	As of December 31, 2012			December 31, Prior Year
	Per Annual Statement	Exam Adjustments	Per Examination	
Assets:				
Bonds	\$ 32,566,481	\$ -	\$ 32,566,481	\$ 31,567,670
Cash \$(221,905), cash equivalents \$0 and short-term investments \$406,227	184,322	-	184,322	(583,349)
Other invested assets	323,526	-	323,526	546,763
Subtotals, cash and invested assets	\$ 33,074,329	\$ -	\$ 33,074,329	\$ 31,531,084
Investment income due and accrued	294,765	-	294,765	306,815
Funds held by or deposited with reinsured companies	110,233	-	110,233	110,746
Net deferred tax asset	409,772	-	409,772	535,920
Aggregate write-ins for other than invested assets	221,363	-	221,363	45,644
Total Assets:	\$ 34,110,462	\$ -	\$ 34,110,462	\$ 32,530,209

NATIONAL TRUST INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2012			December 31, Prior Year
	Per Annual Statement	Exam Adjustments	Per Examination	
Liabilities:				
Losses	\$ -	\$ -	\$ -	\$ -
Reinsurance payable on paid losses and loss adjustment expenses	2,699,889	-	2,699,889	2,065,704
Loss adjustment expenses	-	-	-	-
Commissions payable, contingent commissions and other similar charges	3,161,955	-	3,161,955	3,160,492
Taxes, licenses and fees	4,783,184	-	4,783,184	5,169,905
Current federal and foreign income taxes	109,293	-	109,293	188,312
Unearned premiums after deducting unearned premiums for ceded reinsurance of \$76,254,929	-	-	-	-
Advance premium	483,379	-	483,379	529,201
Ceded reinsurance premiums payable	(14,063,546)	-	(14,063,546)	(15,243,604)
Dividends declared and unpaid policyholders	-	-	-	679
Amounts withheld or retained by company for account of others	1,374,237	-	1,374,237	1,851,896
Remittances and items not allocated	163,395	-	163,395	174,084
Aggregate write-ins for liabilities	193,280	-	193,280	160,805
Total Liabilities	\$ (1,094,934)	\$ -	\$ (1,094,934)	\$ (1,942,526)
Aggregate write-ins for special surplus funds	\$ -	\$ -	\$ -	\$ 254,530
Common capital stock	2,500,000	-	2,500,000	2,500,000
Gross paid in and contributed surplus	29,290,293	-	29,290,293	29,290,293
Unassigned funds (surplus)	3,415,103	-	3,415,103	2,427,912
Surplus as regards policyholders	\$ 35,205,396	\$ -	\$ 35,205,396	\$ 34,472,735
Totals	\$ 34,110,462	\$ -	\$ 34,110,462	\$ 32,530,209

NATIONAL TRUST INSURANCE COMPANY

FINANCIAL STATEMENTS

Summary of Operations

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums earned	\$ -	\$ -	\$ -	\$ -
Losses incurred	-	-	-	-
Loss expenses incurred	-	-	-	-
Other underwriting expense incurred	285,410	-	285,410	481,903
Total underwriting deductions	\$ 285,410	\$ -	\$ 285,410	\$ 481,903
Net underwriting gain (loss)	\$ (285,410)	\$ -	\$ (285,410)	\$ (481,903)
Net investment income earned	\$ 685,042	\$ -	\$ 685,042	\$ 675,317
Net realized capital gains (losses) less capital gains tax	204,849	-	204,849	124,623
Net investment gain (loss)	\$ 889,891	\$ -	\$ 889,891	\$ 799,940
Net gain (loss) from agents' or premium balances charged off	\$ (358,032)	\$ -	\$ (358,032)	\$ (276,821)
Finance and service charges not included in premiums	673,532	-	673,532	731,236
Aggregate write-ins for miscellaneous income	18,610	-	18,610	23,142
Total other income	\$ 334,110	\$ -	\$ 334,110	\$ 477,557
Net income before dividends to policyholders, after capital gains tax before all other federal income taxes	\$ 938,591	\$ -	\$ 938,591	\$ 795,594
Dividends to policyholders	66,128	-	66,128	17,959
Net income before dividends to policyholders, after capital gains tax before all other federal income taxes	\$ 872,463	\$ -	\$ 872,463	\$ 777,635
Federal and foreign income taxes incurred	13,654	-	13,654	127,300
Net income	\$ 858,809	\$ -	\$ 858,809	\$ 650,335

NATIONAL TRUST INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

As of December 31, 2012

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Capital and Surplus Account:				
Surplus as regards policyholders, December 31, prior year	\$ 34,472,735	\$ -	\$ 34,472,735	\$ 33,856,103
Net income	\$ 858,809	-	\$ 858,809	\$ 650,335
Change in net deferred income tax	(159,077)	-	(159,077)	(12,408)
Change in nonadmitted assets	32,929	-	32,929	(21,295)
Aggregate write-ins for gains and losses in surplus	-	-	-	-
Change in surplus as regards policyholders for the year	<u>\$ 732,661</u>	<u>\$ -</u>	<u>\$ 732,661</u>	<u>\$ 616,632</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 35,205,396</u>	<u>\$ -</u>	<u>\$ 35,205,396</u>	<u>\$ 34,472,735</u>

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

Annual Shareholders Meeting

The Company's 2011 to 2012 Annual Shareholders 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 Shareholders Meeting to be held within five months of the fiscal close of December 31.

It is recommended the Company hold their Annual Shareholders Meeting within five months of the previous fiscal close in accordance with IC-27-1-7-7(b).

SUBSEQUENT EVENTS

Changes in Management

There have been some changes in the management of the Company subsequent to the examination date. Effective January 11, 2014, Rupert Willis was promoted to Executive Vice President & Chief Operations Officer. Mr. Willis joined FCCI as a Regional Vice President in 1999 and became Chief Regional Officer in 2007. Tom Koval was promoted to Executive Vice President & Chief Legal Officer. Mr. Koval joined the FCCI in 1997 in the role of General Counsel. Mr. Koval oversees all legal department functions for the Company, including in-house counsel, outside retained counsel and corporate legal matters.

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 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 **National Trust Insurance Company** 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 **National Trust Insurance Company** as of **December 31, 2012**, as determined by the undersigned.



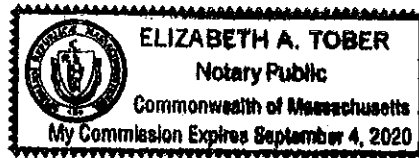
David Daulton, CFE
The Thomas Consulting Group, Inc.

State of: MA
County of: Middlesex

On this 16th day of May, 2014, 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 9/4/20 Elizabeth A. Tober
Notary Public



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF EDUCATION
BUREAU OF EDUCATION
DIVISION OFFICE - CAGAYAN DE ORO
CAGAYAN DE ORO, COTABATO

