



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.doi.state.ms.us
April 14, 2009

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. John William Roberts, President
AmFed Casualty Insurance Company
576 Highland Colony Parkway, Suite 300
Ridgeland, MS 39157

RE: Report of Examination as of December 31, 2007

Dear Mr. Roberts:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.


Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY


Christina J. Kelsey
Senior Attorney

MC/CJK/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF AMFED
 CASUALTY INSURANCE COMPANY**

CAUSE NO. 09-5893

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999).

II.

That AmFed Casualty Insurance Company, is a Mississippi-domiciled Company licensed to write Workers' Compensation coverage.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of AmFed Casualty Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about February 23, 2009, the draft Report of Examination concerning AmFed Casualty Insurance Company for the period of January 1, 2005 through December 31, 2007, was submitted to the Department by the Examiner-In-Charge, Dale Miller.

V.

That on or about March 10, 2009, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. On or about March 25, 2009, the Department received correspondence from the Company stating they had no response or rebuttal to the draft report.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, all relevant examiner work papers and the Company's rebuttal, that the Report of Examination of AmFed Casualty Insurance Company attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, AmFed Casualty Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that AmFed Casualty Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

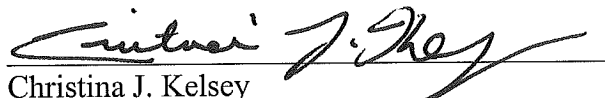
SO ORDERED, this the 30th day of March 2009.


MIKE CHANEY
COMMISSIONER OF INSURANCE

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 30th day of March 2009, to:

**Mr. John William Roberts, President
AmFed Casualty Insurance Company
576 Highland Colony Parkway, Suite 300
Ridgeland, MS 39157**


Christina J. Kelsey
Senior Attorney

Christina J. Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

**AmFed Casualty Insurance Company
576 Highland Colony Parkway, Suite 300
Ridgeland, Mississippi 39157**

As of December 31, 2007

**NAIC Group Code 3528
NAIC Company Code 11963
NAIC ETS No. MS029-C49**

AmFed Casualty Insurance Company

Table of Contents December 31, 2007

EXAMINER AFFIDAVIT	2
SALUTATION	3
INTRODUCTION	4
SCOPE OF EXAMINATION	4
HISTORY OF THE COMPANY	4
HOLDING COMPANY STRUCTURE	4
Organizational Chart	5
Related Party Transactions	5
MANAGEMENT AND CONTROL	6
Stockholder	6
Board of Directors	6
Officers	6
Committees	6
Conflict of Interest	6
CORPORATE RECORDS	7
FIDELITY BOND AND OTHER INSURANCE	7
DIRECTORS', OFFICERS', EMPLOYEES' AND AGENTS' WELFARE	7
REINSURANCE	7
ACCOUNTS AND RECORDS	7
STATUTORY DEPOSITS	7
FINANCIAL STATEMENTS	8
Introduction	8
Statement of Assets, Liabilities, Surplus and Other Funds	9
Statement of Income	10
Reconciliation of Surplus as Regards Policyholders	11
Reconciliation of Examination Changes to Surplus	12
MARKET CONDUCT ACTIVITIES	13
Policy Forms and Underwriting	13
Territory and Plan of Operation	13
Advertising and Sales Material	13
Treatment of Policyholders	13
Privacy	13
COMMITMENTS AND CONTINGENCIES	13
SUBSEQUENT EVENTS	14
ACKNOWLEDGMENT	14

EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES USED IN THE EXAMINATION


State of Mississippi,

County of Madison,

R. Dale Miller being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of AmFed Casualty Insurance Company.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of AmFed Casualty Insurance Company was performed in a manner consistent with the standards and procedures required by the Commissioner of Insurance of the State of Mississippi.

The affiant says nothing further.



R. Dale Miller, CFE, CPA, CFF
Examiner-in-charge

Subscribed and sworn before me by R. Dale Miller on this 26 day of March, 2009.



Notary Public

My commission expires _____
MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES NOV 23, 2010
BONDED THRU STEGALL NOTARY SERVICE [date].



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.state.ms.us

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3589
FAX: (601) 359-2474
WATS: 1-800-562-2957 (Incoming - USA)

December 1, 2008

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205

Commissioner Chaney:

Pursuant to the instructions and authorization from the Commissioner of Insurance for the State of Mississippi and in compliance with statutory provisions, an examination as of December 31, 2007, has been conducted of the affairs and financial condition of:

**AMFED CASUALTY INSURANCE COMPANY
(NAIC COMPANY CODE 11963)**

Statutory Home Office:
576 Highland Colony Parkway, Suite 300
Ridgeland, Mississippi 39157

This examination was conducted in accordance with Miss. Code Ann. §83-5-205, et seq., and the report of examination is herewith submitted for your review.

INTRODUCTION

The examination period, for purposes of this report, is defined as January 1, 2005 through December 31, 2007, and the examination date is December 31, 2007. The examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered AmFed Casualty Insurance Company's (AFCIC or Company) operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted during the course of the examination. The Company's previous examination was as of December 31, 2004 and the previous examination report was dated December 9, 2005.

SCOPE OF EXAMINATION

This examination was a full scope financial examination that included assessing the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with applicable laws. A full scope market conduct examination was not performed; however, limited procedures were performed on specific areas of the Company's market conduct.

The affairs, transactions, accounts, records, assets and liabilities of the Company were reviewed and tested by acceptable methods to the extent deemed necessary to comply with Miss. Code Ann. § 83-5-205. The examination procedures, as recommended by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, were followed in the conduct of this examination and in the preparation of this report. These procedures included a review of material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

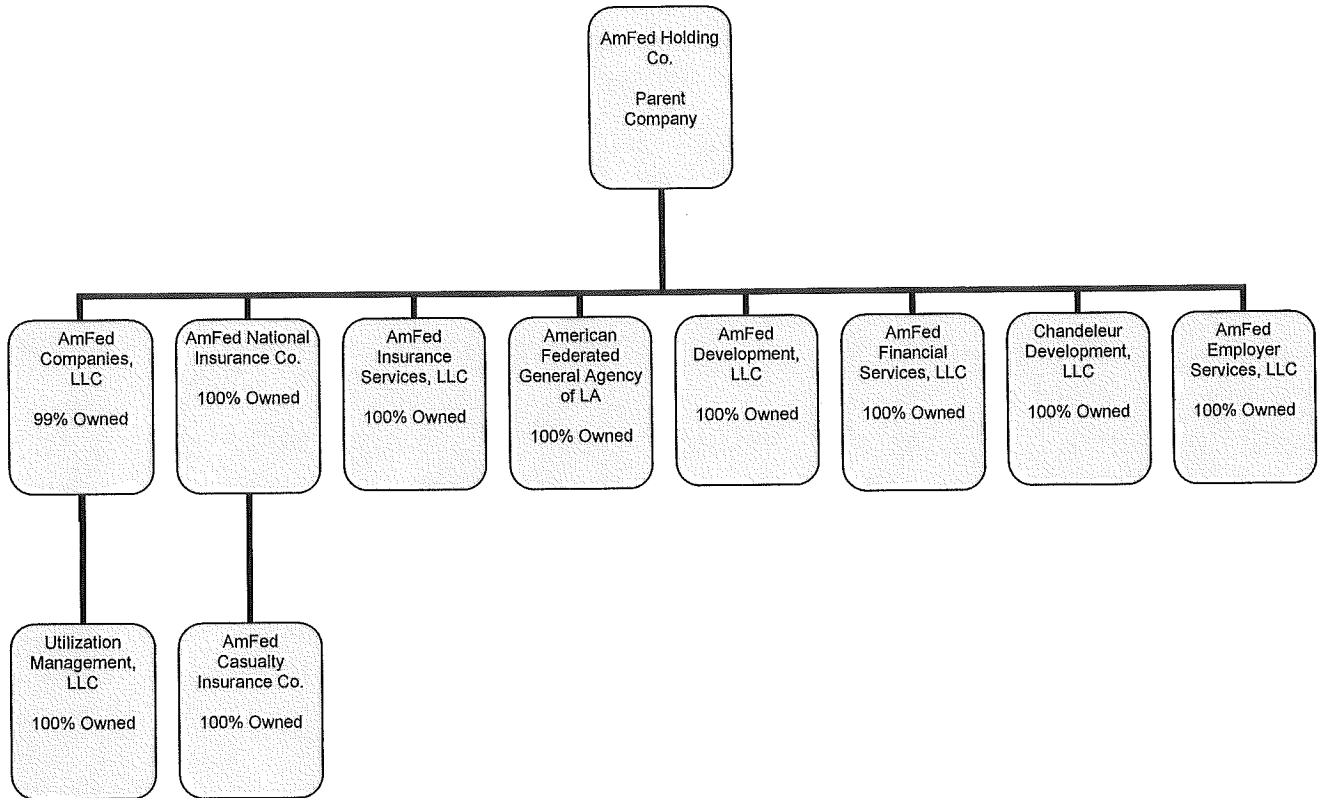
HISTORY OF THE COMPANY

The Company was incorporated and commenced business under the laws of the State of Mississippi on March 6, 2004. The Company is licensed as a single-line property and casualty company and its operations to date have consisted of writing workers' compensation and employers' liability insurance contracts in the State of Mississippi.

HOLDING COMPANY STRUCTURE

The Company was a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. The Company appears to have completed and filed with the Mississippi Insurance Department the necessary documentation to comply with Miss. Code Ann. §§ 83-6-5 and 83-6-9 for the years under examination. The statements and applicable amendments that were filed during the examination period were reviewed, and it appeared that any changes and/or material transactions by and between the Company and its affiliates were reported. The following organizational chart depicts the ownership and affiliated companies:

Organizational Chart



Related Party Transactions

Service Agreement: Effective January 1, 2005, the Company entered into a service agreement with AmFed Companies, LLC, Utilization Management, LLC and AmFed Insurance Services, LLC, (collectively referred to as AmFed) which replaced the previous service agreement between the parties. Pursuant to this agreement, AmFed wrote and administered worker's compensation products and had the responsibility for premium collection, claims adjustment, claims payment and underwriting on behalf of the Company.

Marketing and Accounting Agreement: Effective January 1, 2004, the Company entered into a marketing and accounting agreement with AmFed Companies, LLC, Utilization Management, LLC and AmFed Insurance Services, LLC, (collectively referred to as AmFed) which replaced the previous agreement between the parties. Pursuant to this agreement, AmFed performed all accounting, reporting, and marketing functions for the Company.

The Company incurred expenses of approximately \$573,000, \$553,000, and \$489,000 for 2007, 2006 and 2005, respectively, for the services provided by various affiliates per the terms of the agreements discussed above.

MANAGEMENT AND CONTROL

Stockholder

At December 31, 2007, the Company had 400,000 of its authorized shares of \$1 par value common stock issued and outstanding which was 100% owned by AmFed National Insurance Company. The ultimate parent was AmFed Holding Company, Inc., a Mississippi formed holding company that provided insurance related and non-insurance related services through its wholly-owned subsidiaries. The Company did not pay any dividends during the examination period.

Board of Directors

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board of Directors (Board). As of December 31, 2007, the members of the duly elected Board along with their place of residence and principal occupation were as follows:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
John Williams Roberts Madison, Mississippi	President and Chief Executive Officer, AmFed Companies, LLC
Michael Glenn Richardson Madison, Mississippi	Executive Vice President and Chief Operating Officer, AmFed Companies, LLC
Gregory Thomas McLemore Brandon, Mississippi	Executive Vice President and Chief Financial Officer, AmFed Companies, LLC

Officers

The officers duly elected by the Board of Directors and holding office at December 31, 2007 were as follows:

<u>Name</u>	<u>Position</u>
John Williams Roberts	President
Gregory Thomas McLemore	Executive Vice President, Secretary/Treasurer
Ronald Hodges Riggan	Executive Vice President
Michael Glenn Richardson	Executive Vice President
Brenda Denise Van Velkinburgh	Executive Vice President

Committees

There were no active committees of the Board as of the examination date.

Conflict of Interest

The Company maintained a policy whereby disclosure was made to the Board of Directors of any material interest or affiliation on the part of any officer or director that was a conflict, or would likely be a conflict, with the official duties of such persons. Written statements were signed annually by all officers and members of the Board of Directors.

CORPORATE RECORDS

The Articles of Association, Bylaws and any amendments thereto, were reviewed and duly applied in other sections of this report as deemed appropriate. Minutes of the meetings of the stockholders and Board taken during the period covered by this examination were reviewed and appeared to be complete with regard to recording the matters brought up at the meetings for deliberation.

FIDELITY BOND AND OTHER INSURANCE

Insurance policies were in force at December 31, 2007 that appeared to be adequate to protect the Company's interest, and the fidelity insurance coverage exceeded the NAIC's suggested minimum amount.

DIRECTORS', OFFICERS', EMPLOYEES' AND AGENTS' WELFARE

The Directors, Officers, Employees and Agents of the Company served in similar capacities for affiliated companies and did not receive any direct compensation or benefits from the Company.

REINSURANCE

Effective March 1, 2004, the Company entered into a 100% quota share reinsurance agreement with its wholly owned parent, AmFed National Insurance Company (AFNIC). Under the terms of this agreement, the Company ceded 100% of its written workers' compensation and employers liability business to AFNIC, net of a commission allowance of 20%. The commission allowance percentage was changed to 27% effective October 1, 2005. The amounts reported at December 31, 2007 for ceded reinsurance follow:

Reinsurance premiums ceded	\$	3,955,011
Reinsurance recoverable		290,318
Reserve credits taken		3,200,000
Unearned premium ceded		925,901
Ceded premiums payable		719,343

ACCOUNTS AND RECORDS

The 2007 trial balance provided by the Company was tied to the financial statements within the statutory annual statement filed with the MID, with no material exceptions noted. The Company was audited annually by an independent CPA firm and the Company's unpaid loss estimates were calculated by a consulting actuarial firm.

STATUTORY DEPOSITS

The Company's statutory deposit with the state of Mississippi complied with Miss. Code Ann. § 83-19-31(2). The following chart displays the Company's deposits at December 31, 2007.

<u>Description</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Maturity Date</u>
Municipal Bond	<u>\$200,000</u>	<u>\$201,920</u>	1/1/2009
Total	<u>\$200,000</u>	<u>\$201,920</u>	

**AMFED CASUALTY INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2007**

Introduction

The following financial statements, as determined by the examination, consist of a Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2007, a Statement of Income for year ended December 31, 2007, a Reconciliation of Surplus as Regards Policyholders for examination period ended December 31, 2007, and a Reconciliation of Examination Changes to Surplus at December 31, 2007.

AmFed Casualty Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds

<i>December 31,</i>	2007
Assets	
Bonds	\$ 553,062
Common stocks	195,454
Cash, cash equivalents and short-term investments	1,023,687
Investment income due and accrued	12,221
Uncollected premiums	29,102
Amounts recoverable from reinsurers	290,317
Total assets	\$ 2,103,843
Liabilities, Surplus and Other Funds	
Commissions payable	\$ 34,746
Taxes, licenses and fees	33,409
Current federal income taxes	8,483
Net deferred tax liability	9,343
Ceded reinsurance premiums payable	719,343
Payable to parent, subsidiaries and affiliates	18,204
Total liabilities	823,528
Common stock, \$1 par value; 1,000,000 shares authorized; 400,000 shares issued and outstanding	400,000
Gross paid in and contributed surplus	800,000
Unassigned funds (surplus)	80,315
Surplus as regards policyholders	1,280,315
Total liabilities, surplus and other funds	\$ 2,103,843

AmFed Casualty Insurance Company

Statement of Income

<i>For the Year Ended December 31,</i>	2007
Revenues	
Net investment income	\$ 55,985
Realized capital gains	13,460
Other income	9,808
<hr/>	
Total revenues	79,253
Benefits and expenses	
Commissions, (net of ceded commission allowances of \$1,067,853)	(334,959)
Other underwriting expenses	330,812
<hr/>	
Total benefits and expenses	(4,147)
<hr/>	
Income before federal income taxes	83,400
Federal income tax expense	3,698
<hr/>	
Net income	\$ 79,702

AmFed Casualty Insurance Company

Reconciliation of Surplus as Regards Policyholders

For the examination period ended December 31, 2007

	2005	2006	2007
Surplus as regards policyholders, beginning of the year	\$ 1,084,565	\$ 1,071,364	\$ 1,206,383
Net income (loss)	(119,179)	125,260	79,702
Change in net unrealized capital gains / (losses)	31	6,668	8,023
Change in net deferred income tax	5,481	3,091	(13,793)
Change in non-admitted assets	466	-	-
Surplus adjustment: paid in	100,000	-	-
Surplus as regards policyholders, end of year	\$ 1,071,364	\$ 1,206,383	\$ 1,280,315

**AMFED CASUALTY INSURANCE COMPANY
RECONCILIATION OF EXAMINATION CHANGES TO SURPLUS
DECEMBER 31, 2007**

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2007. The surplus as regards policyholders, which totaled \$1,280,315 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

A full market conduct examination was not conducted; however, specific areas of the market conduct activities were reviewed. The specific areas reviewed included those items as indicated below.

Policy Forms and Underwriting

Based upon procedures performed during the course of the examination, the Company appeared to have the appropriate licensure to issue its products, and the applicable policy forms appeared to be appropriately approved by the MID. As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the information on the face of the application was reviewed in order to ensure that all pertinent information on the applications appeared complete and accurate. No material concerns were noted.

Territory and Plan of Operation

The Company was licensed as a single-line property and casualty company to transact business only in the State of Mississippi. During the examination period, the Company's operations consisted of writing workers' compensation and employers' liability coverage.

Advertising and Sales Material

The Company's advertising and sales materials that were utilized during the time period covered by this examination were reviewed with no exceptions or material concerns noted.

Treatment of Policyholders

The Company maintained a complaint log during the period under examination and all complaints appeared to have been appropriately resolved amicably and no policyholder abuse was noted. As a component of the liability testing associated with the related sample items selected, and in conjunction with both the controls and substantive testing, the claim files were reviewed for general indicators of policyholder treatment concerns without material exception.

Privacy

The Company had a privacy policy in place for the protection of its policyholders, and based upon the procedures performed during the course of the examination, the policy appeared to be in compliance with applicable laws and standards.

COMMITMENTS AND CONTINGENCIES

The Company is subject to periodic guaranty fund and other assessments by the State of Mississippi. Amounts assessed to each company are generally related to its proportion of business written. The Company's policy is to accrue assessments as the related written premium upon which the assessment is based is written. As of December 31, 2007, the Company had remitted amounts estimated to approximate its maximum annual assessments.

SUBSEQUENT EVENTS

In October 2008, AmFed Holding Company, the Company's ultimate parent, sold all of its insurance and insurance related subsidiaries to Companion Property and Casualty Insurance Company, a multi-line insurance company licensed in 47 states and headquartered in Columbia, South Carolina.

ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Administrative Examiner	Mitch Rayborn, CFE, FLMI
Examiner-in-charge	R. Dale Miller, CPA, CFE
Actuary	Robert P. Daniel, ACAS, MAAA Merlino & Associates, Inc.

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



R. Dale Miller, CPA, CFE, CFF
Examiner-in-charge