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Dept. Of Commerce & Insurance
Company Examinations

REPORT ON EXAMINATION

OF

CENTURY AMERICAN INSURANCE COMPANY

Nashville, Tennessee

as of

June 30, 2004

THE DEPARTMENT OF COMMERCE AND INSURANCE

STATE OF TENNESSEE

Nashville, Tennessee

EXHIBIT
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TABLE OF CONTENTS

Item	Page
Salutation	one
Introduction	2
Scope of Examination	2
Location of Books and Records	2
Previous Examination Recommendations	3
Company History	4
Dividends	5
Growth of Company	5
Charter and Bylaws	6
Management and Control	8
Management Agreements	9
Pecuniary Interest	9
Conflict of Interest Policy	9
Control	9
Corporate Records	9
Holding Company Structure	9
Service Agreement	10
Tax Sharing Agreement	10
Fidelity Bond and Other Insurance	10
Territory	11
Plan of Operation	11
Market Conduct Activities	11
Advertising	12
Rates and Policy Forms	12
Complaints	12
Claims	12
Privacy	13
Anti-Fraud Plans	13

Reinsurance 13
Retirement Plan and Other Employee Benefits 14
Loss Experience 15
Accounts and Records 15
Statutory Deposits 16
Litigation 16
Financial Statement 17
Comments 20
Conclusion 21
Affidavit 22
Organizational Chart 23

Nashville, TN
July 7, 2005

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

The Honorable Julie Bowler
Commissioner of Insurance
Secretary, Northeastern Zone
Division of Insurance
Commonwealth of Massachusetts
One South Station, 5th Floor
Boston, Massachusetts 02110

The Honorable Walter Bell
Commissioner of Insurance
Secretary, Southeastern Zone
Alabama Department of Insurance
201 Monroe Street, Suite 1700
Montgomery, Alabama 36104

Commissioner Paula A. Flowers
Tennessee Department of Commerce and Insurance
Davy Crockett Tower, Fifth Floor
500 James Robertson Parkway
Nashville, Tennessee 37243-0565

Dear Commissioners:

Pursuant to your instructions and in accordance with Tennessee Insurance Laws and Regulations, and Resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination and market conduct review was made of the condition and affairs of:

CENTURY AMERICAN INSURANCE COMPANY
1002 Deming Way
Madison, Wisconsin 53717

(hereinafter referred to as the Company) as of June 30, 2004, and a report thereon is respectfully submitted.

INTRODUCTION

This examination was called by the Commissioner of Commerce and Insurance of the State of Tennessee and commenced on September 7, 2004. The examination was conducted under the association plan of the NAIC by duly authorized representatives of the Department of Commerce and Insurance, State of Tennessee.

SCOPE OF EXAMINATION

The period covered hereunder is from December 31, 1999, the date of the last examination, to the close of business on June 30, 2004, the date of this examination.

Location of Books and Records

The Company's books and records are kept at its main administrative office at 1002 Deming Way, Madison, Wisconsin 53717. The location of the Company's books and records was determined to be in compliance with Tenn. Code Ann. § 56-2-104.

The examination of the financial condition was conducted in accordance with guidelines and procedures contained in the NAIC Financial Condition Examiners Handbook. During the course of examination, assets were verified and valued, and liabilities were determined and estimated as of June 30, 2004. The financial condition of the Company and its amount of solvency were thereby established. Test checks were made of income and disbursement items for selected periods, and a general review was made of the Company's operations, practices and compliance with applicable statutes and regulations. All asset and liability items contained in the financial statement of this report were examined and verified with relative emphasis according to their amount and potential impact on capital and surplus.

An examination was also made into the following matters:

Company History
Charter and Bylaws
Management and Control
Corporate Records
Affiliated Companies
Fidelity Bond & Insurance
Employee Benefits
Statutory Deposits
Territory
Plan of Operation
Market Conduct Activities
Reinsurance
Loss Experience
Litigation
Accounts and Records
Subsequent Events
Financial Statement

Previous Examination Comments and Recommendations

The following comments and recommendations were contained in the December 31, 1999 examination report:

Comments

- During the course of the examination, the Company was unable to provide general ledger records for 1995 and 1996.

- The Company's annual statements are not being completed in full compliance with NAIC practices and procedures. Several minor discrepancies were found. These discrepancies have been discussed with the Company.

- The independent actuarial examination revealed that many of the footnotes, titles and references contained in the Company's consulting actuary's reserve analysis were incorrect.

Recommendations

- It is recommended that the Company maintain all accounts and records until reviewed during the examination process so as to comply with Tenn. Code Ann. § 56-1-411(b)(1).

- It is recommended that the Company comply with Tenn. Code Ann. § 56-1-505(g) and employ strict oversight when completing its annual statement to alleviate discrepancies.

1) The Company stated in writing that they are in compliance with Tenn. Code Ann. § 56-1-411(b)(1). The Company will maintain all accounts and records until reviewed during the examination process. During the period under review, it appears that the Company is in compliance with Tenn. Code Ann. § 56-1-411(b)(1).

2) The Company stated in writing that they are in compliance with Tenn. Code Ann. § 56-1-505(g). The Company will employ strict oversight when completing its annual statement to alleviate discrepancies. During the period under review, it appears that the Company is in compliance with Tenn. Code Ann. § 56-1-501(g).

COMPANY HISTORY

The Company was incorporated as a pure profit captive insurance company on October 30, 1986, according to the provisions of the Tennessee General Corporation Act and the Tennessee Captive Insurance Company Act. Effective December 29, 1992, the Company's Certificate of Authority was amended to indicate conversion from a pure captive insurance company to a fully licensed property and casualty insurance company.

On June 2, 1994, the Company acquired all of the outstanding stock of Lawyers Surety Corporation, a Texas domiciled property and casualty company. On November 4, 1994, the name of Lawyers Surety Corporation was changed to Century American Casualty Company.

On May 22, 1998, Professional Service Network, Inc. (PSN), an insurance holding company, acquired one hundred percent (100%) of the outstanding common stock of the Company from American Alliance Holding Company. PSN is a subsidiary of Physicians Insurance Company of Wisconsin, Inc.(PIC Wisconsin), the ultimate parent and a Wisconsin

domiciled property and casualty company. In connection with this acquisition, on September 1, 1999, the Company moved its operations from Durham, North Carolina to Madison, Wisconsin.

The Company is currently in run-off; there were no premiums written during the years 2001 through 2004. The Company ceased writing new and renewal business in 2000.

At June 30, 2004, the Company's authorized capital stock was four million (4,000,000) shares of three dollar ($3) par value common capital stock, of which eight hundred and thirty-three thousand two hundred and fifty two (833,252) shares were outstanding. All of the outstanding stock is owned by PSN.

Dividends

For each of the following dividends, the Company obtained approval from the Department of Commerce and Insurance.

On March 15, 2001, the Company declared and paid a five million dollar ($5,000,000) dividend to its parent company, PSN. In 2002, the Company distributed one hundred percent (100%) of Century American Casualty Company's (CACC) common stock to PSN totaling four million eight hundred and thirty-five thousand eight hundred and nine dollars ($4,835,809). The Company paid an extraordinary dividend of one million and six hundred thousand dollars ($1,600,000) in the form of cash to its parent, PSN in 2004.

Growth of Company:

The following exhibit depicts certain aspects of the growth and financial history of the Company since the previous examination, according to the annual statements filed with the Department of Commerce and Insurance, State of Tennessee:

Year	Gross Premiums Written	Net Premiums Written	Premiums Earned	Losses and LAE Incurred	Net Income	Net Admitted Assets	Capital And Surplus
2000	$26,851	$0	$0	$24,209	$(65,318)	$16,128,142	$15,611,729
2001	0	0	0	(3,918)	641,979	10,265,560	9,556,698
2002	0	0	0	41,147	109,450	6,729,829	6,645,363
2003	0	0	0	(113,443)	148,121	6,902,550	6,875,633
6/30/04	0	0	0	3,534	4,799	7,216,555	7,180,253

CHARTER AND BYLAWS

Charter:

The Company's original charter of incorporation was filed and recorded with the Tennessee Secretary of State on October 30, 1986. The charter establishes the Company as a for-profit corporation organized for the following purposes:

- To engage as a principal in the insurance business in the State of Tennessee and elsewhere as a captive insurance company.
- To make insurance and reinsurance both in the State of Tennessee and elsewhere to protect against professional liability, property, casualty, errors and omissions and comprehensive general liability pursuant to the "Tennessee Captive Insurance Company Act."
- To do all things which the Board of Directors determines to be necessary or appropriate in connection or associated therewith.
- To engage in any lawful business.

In addition to the above, the charter recites other general and specific powers in detail. These are usual in nature and consistent with statute.

The charter was amended and restated on September 15, 1997. The amended and restated charter established the maximum number of shares which the Company shall have the authority to issue at four million (4,000,000) shares of three dollar ($3) par value common stock.

The corporation's existence is perpetual and its statutory home office is established at 3401 West End Avenue, Suite 600, Nashville, Tennessee.

There were no charter amendments during the period under examination.

Bylaws:

The bylaws are such as those generally found in corporations of this type and contain no unusual provisions. They provide for the regulation of the business and for the conduct of the affairs of the Company, directors and shareholders. The bylaws contain the following provisions among others:

- The principal office of the Company shall be in Nashville, Tennessee. The Company shall have such other offices within or without the State of Tennessee as the Board may determine or as the business of the Company may require.
- The annual meeting of the Shareholders shall be held on such date as may be determined by the Board of Directors (Board). Business to be transacted at such meeting shall be the election of Directors and such other business as shall be properly brought before the meeting. If Directors are not elected at the annual meeting, the existing Board may call a special meeting of the Shareholders for the purpose of electing new Directors.
- Annual and special meetings of the shareholders shall be held at the Company's principal office or at such other place within or without the State of Tennessee as may be designated by the Board.
- The business and affairs of the Corporation shall be managed by the Board consisting of not less than three (3) members. The current number of Directors may be increased or decreased by the Directors or Shareholders.
- Regular meetings of the Board shall be held at such time as are fixed from time to time by resolution of the Board, and may be held without notice of the time or place therefore. Special meetings may be held at any time upon call of the President, a Vice President or any two (2) Directors. A majority of the total number of directors in office shall constitute a quorum for the transaction of business.
- The Board may designate two (2) or more Directors to constitute an Executive Committee. The Board may delegate to said committee such power and authority of the Board as it deems desirable except those powers specifically allocated to other bodies of the Corporation. The Board may also designate a Finance Committee, a Risk Management Committee, and such other committees deemed desirable to the management and administration of the Corporation. Committee members need not be Directors or Officers of the Corporation.
- The Officers of the Corporation shall be a Chairman of the Board, a President, a Secretary and such other Officers as may be elected by the Board. Principal Officers shall be elected annually at the first meeting of the board immediately following the Shareholders' annual meeting.

- These bylaws may be altered, amended or repealed, and new bylaws may be adopted at any meeting of the shareholders by the affirmative vote of a majority of the stock represented at such meeting, or by the affirmative vote of a majority of the members of the Board who are present at any regular or special meeting.

There were no amendments to the Company's bylaws during the period covered by this examination.

MANAGEMENT AND CONTROL

Management:

All corporate powers of the Company are exercised by and under the authority of the Board. The Company's Board at June 30, 2004, are as follows:

William Joseph Listwan, MD
Christopher James Brady
Ronald Harold Dix
David Lee Maurer
William Tuttle Montei
Richard G. Roberts, MD

The officers of the Company at June 30, 2004, are as follows:

William Tuttle Montei, President/CEO
Christopher James Brady, Vice President/Secretary
David Lee Maurer, Vice President/Treasurer
Penelope Rae O-Hara, Vice President

The following committees and their members at June 30, 2004, were as follows:

Audit Committee
Michael A. Wilson, Chair
Ronald H. Dix
William J. Listwan, M.D.
Karen B. Maclay
Andrew J. Policano, Ph.D.

Finance and Investment Committee
Ronald H. Dix, Chair
Timothy T. Flaherty, M.D.
Karen B. Maclay
Ayaz M. Samadani, M.D.

Management Agreements:

The Company has a service agreement with an affiliate in effect at June 30, 2004. See the Holding Company Structure section of this report for details.

Pecuniary Interest:

A check for compliance with Tenn. Code Ann. § 56-3-103 found that no director or officer of the Company had a pecuniary interest in the investment or disposition of Company funds.

Conflict of Interest Policy:

The Company has established guidelines and procedures for disclosing, to its Board, any material interest or affiliation on the part of its officers, directors and key employees which conflicts with the person's official duties with the Company. The statements were reviewed and found to be in compliance with Tenn. Code Ann. § 56-13-107(c).

Control:

Primary control of the Company is vested in its shareholders. The sole shareholder of the Company at June 30, 2004, was PSN. Ultimate control of the Company rests with PIC Wisconsin, a property and casualty insurance company domiciled in Wisconsin.

CORORATE RECORDS

The minutes of the meetings of the shareholders, Board, and committees held during the period under examination, were reviewed and found to be complete as to necessary detail and adequately approve and support the transactions and events of the Company.

HOLDING COMPANY STRUCTURE

An organizational chart of the Company is located on the last page of this examination report. All agreements were approved by theDepartment of Commerce and Insurance as set

forth by Tenn. Code Ann. § 56-11-205(b)(3)(E). The following agreements with affiliates were in effect at June 30, 2004:

Service Agreement:

Effective June 1, 1999, the Company entered into an agreement with PIC Wisconsin whereby PIC Wisconsin provides claims, accounting and management services to the Company. The Company compensates PIC Wisconsin quarterly for actual costs incurred for such services.

Tax Sharing Agreement:

The Company's federal income tax return is consolidated with PIC Wisconsin and its subsidiaries. The method of allocation between the companies is subject to a written agreement. The allocation is based upon separate tax return calculations. Amounts due to parent are payable on or before the fifteenth (15th) day of the third month following the close of the parent's tax year.

The Company also has two (2) reinsurance agreements with affiliates in effect at June 30, 2004. See the Reinsurance section of this report for details.

FIDELITY BOND AND OTHER INSURANCE

At June 30, 2004, the Company was insured under the following policies with a Company not licensed in Tennessee.

Type of Coverage	Amount
Insurance Company Professional Liability	$7,500,000 in the aggregate
Directors, Officers and Organization Liability Insurance Policy	$7,500,000 maximum aggregate limit of liability for all Insuring Agreements combined

Another Company not licensed in Tennessee provides a financial institution bond in which the Company is not a named insured. Minimum fidelity coverage suggested in the NAIC

Financial Condition Examiners Handbook for a company of the Company's size and premium volume is not less than seventy-five thousand dollars ($75,000).

TERRITORY

As of June 30, 2004, the Company was licensed to transact business in the states of Delaware, Florida, North Carolina and Tennessee. Documentation supporting authority to do business in the various jurisdictions was inspected and found to be in full force and effect at June 30, 2004.

PLAN OF OPERATION

Prior to November 1999, the Company wrote medical malpractice professional liability policies. Effective November 1, 1999, the Company entered into a quota share agreement with CACC, an affiliated company, which ceded one hundred percent (100%) of the direct and assumed obligations of the Company under all binders, certificates, bonds, policies, agreements or contracts of insurance, including all medical malpractice and surety policies or bonds, issued by the Company. After the Company ceased writing new business and affected the aforementioned one hundred percent (100%) quota share agreement with CACC, existing reinsurance agreements either terminated or were allowed to expire in accordance with the terms of the agreement, with the exception of a minor agreement with Everest Reinsurance Company which is scheduled to terminate November 30, 2005. See the Reinsurance section for details.

The Company is currently in run-off and up for sale, no premium has been written since the beginning of 2000 and as of June 30, 2004, the Company was not actively seeking new business and does not anticipate writing any significant premium in the near future.

MARKET CONDUCT ACTIVITIES

A market conduct review of the Company was made concurrently with the financial condition examination. The following areas were covered by this review:

Advertising:

There was no advertising material used by the Company for the current examination period to the present.

Rates and Policy Forms:

The rating of policies is determined by an actuarial evaluation performed by consulting actuaries. Policy forms are filed for approval in the states where they are issued as required by statutes and regulations. In 2000, there was one endorsement to the existing policy and two (2) tails. There has been nothing since.

Complaints:

Since January 1, 2000, Claims Handling Policies and Procedures have been established for PIC Wisconsin, the ultimate parent of the Company. PIC Wisconsin provides employee services to the Company as outlined in the Service Agreement between the two (2) companies. The Claims professionals follow the same policies and procedures for the Company as they do for PIC Wisconsin.

For those states that require electronic verification of consumer complaints, the accountant which provides services to the Company will log into their system once each quarter, at a minimum, to determine if any complaints have been made. A log is maintained of all instances where the accountant has checked the on-line system. The state, date and results are listed in a log that is maintained with all other regulatory filings. As of 2004 only the state of Florida has on-line verification of consumer complaints.

Claims:

The examiners were provided the November 2004 Loss Run in electronic format which exhibited five thousand five hundred and ten (5,510) claims. The Company initially provided the August 31, 1999 Loss Run in electronic format which would have been the same information provided during the prior examination as of December 31, 1999.

During the prior examination, TaylorWalker & Associates (actuarial firm) examined the reserves and made no adjustments. The examiners tested a random sample of twenty (20) claims to claim file information and reconciled to the reserve run.

To bring that work forward, the sample was reviewed and it was determined that twelve (12) claims tested in that sample were open claims as of the December 31, 1999 examination.

The Company provided summary activity since the last examination which indicated the following:

- Five (5) new claims had opened since the last examination; four (4) are closed with no loss payments and one (1) open with approximately seventy-three thousand dollars ($73,000) of paid LAE.
- Total claims closed since December 31, 1999 is two hundred thirteen (213). Out of this, fifty-four (54) with indemnity payments, sixty-eight (68) with no payment of any kind and ninety-one (91) with LAE payment and no indemnity.

The June 30, 2004 quarterly statement correctly records zero (0) for both Losses and LAE.

Privacy

The Company has not written any premium since 2000; therefore, the Company is not subject to Tenn. Comp. R. & Reg. §0780-1-72.

Anti-Fraud Plans

The Company is exempt from Tenn. Code Ann. § 56-53-111 because it does not have direct written premiums exceeding ten million dollars ($10,000,000).

REINSURANCE

Effective November 1, 1999, the Company entered into an Indemnity Reinsurance Agreement with CACC, an affiliated company, which ceded one hundred percent (100%) "of the direct and assumed obligations of the Company under all binders, certificates, bonds, policies, agreements or contracts of insurance, including all medical malpractice and surety policies or bonds, issued by the Company." For claims administration purposes, the Company appointed

CACC as "attorney-in-fact of the Company . . . with full power and authority to act in the name, place and stead of the Company with respect to the Policies and the Reinsurance Agreements". Therefore, under this agreement, the Company is one hundred percent (100%) reinsured and does not retain the liabilities or obligations for any policies not elsewhere reinsured.

Pursuant to a Stock Purchase Agreement dated March 30, 2004, PSN sold CACC to Access Insurance Holdings, Inc. Therefore, CACC entered into a "Wraparound Reinsurance Agreement" whereby it retroceded the business it assumed from the Company to PIC Wisconsin, the Company's ultimate parent. The agreement reinsures one hundred percent (100%) of the liabilities CACC assumed from the Company for surety bonds and policy claims, and provides for PIC Wisconsin to administer the associated claims under a separate Service Agreement.

Effective December 1, 1995, the Company and Everest Reinsurance Company executed an excess of loss reinsurance agreement for medical professional liability coverage "as per original extended reporting policy" issued by the Company to "Coastal" for "discontinued primary care clinics sold to Humana, Inc." Reinsurance limits are five hundred thousand dollars ($500,000) excess of five hundred dollars ($500,000) each loss, each insured, subject to a two million dollars ($2,000,000) aggregate. This agreement will expire November 30, 2005 after which any outstanding liabilities will fall under the one hundred percent (100%) Indemnity Reinsurance Agreement with CACC, discussed above.

The Company currently has two reinsurance agreements in effect, both of which are described above: the one hundred percent (100%) Indemnity Reinsurance Agreement with CACC and the excess of loss agreement with Everest Reinsurance Company which covers "Humana tail" exposures. The Company has no liability for unearned ceding commissions since neither agreement provides for any ceding commissions.

The treaties discussed above are standard in form and contain acceptable clauses for insolvency, arbitration and termination. The treaties were also determined to effectuate proper transfer of risk in accordance with NAIC guidelines.

RETIREMENT PLAN AND OTHER EMPLOYEEE BENEFITS

The Company has no employees of its own. All employee services are provided by PIC Wisconsin pursuant to a Service Agreement described in this report under the heading Affiliated Companies.

LOSS EXPERIENCE

The loss experience of the Company, since the previous examination, as reported in its annual statements filed with the Department of Commerce and Insurance, , is as follows:

Year	Losses Incurred	LAE Incurred	Premiums Earned	Loss Ratio
2000	$ (59,607)	$83,816	$0	0%
2001	(100,063)	96,145	0	0%
2002	1,525	39,622	0	0%
2003	149,093	35,650	0	0%
6/30/04	0	3,534	0	0%

ACCOUNTS AND RECORDS

During the course of the examination, accounts were verified and records reviewed using various tests and procedures deemed necessary to establish values for assets and liabilities appearing in the Company's annual statements. Test checks for selected periods were made of premium receipts, investment income, including interest due and accrued, disbursements, including claim payments, to the extent deemed necessary. Additionally, the Company's Risk-Based Capital Report was reviewed and found to be in compliance with requirements.

The Company switched general ledger systems from Freedom to Sun Guard EAS. The Company uses an Accounts Payable software program on a networked PC system. Microsoft Access is used to store claims data and Microsoft Excel is used to store supporting accounting data.

Overall, the accounting records and supporting data are compiled in accordance with established insurance accounting practices and generally accepted accounting principles.

The Company uses the public accounting firm PricewaterhouseCoopers LLP, Milwaukee, Wisconsin, to audit and express an opinion on its statutory financial statement. This firm has been performing such services since 1998. The first lead auditor on the examination was replaced after five (5) years and the current lead auditor has had the responsibility for only two

years. Thus, there appears to be no violation as respect to Tenn. Comp. R. & Reg. §0780-1-65.07(3).

STATUTORY DEPOSITS

In compliance with statutory requirements, the Company maintained the following deposits at June 30, 2004. These deposits were verified by direct correspondence with each state.

Where Deposited and Description	Par Value	Statement Value	Market Value
SPECIAL DEPOSIT			
North Carolina			
Evergreen Inst Treasury MM Fund	$ 200,000	$ 200,000	$ 200,000
GENERAL DEPOSIT			
Tennessee			
USTN, 1.5%, Due 7/31/2005	800,000*	797,578	795,936
USTN, 3.0%, Due 2/15/2008	1,000,000	1,001,726	1,000,590

*This amount was on deposit with AmSouth Bank in the form of restricted cash as of June 30, 2004 due to the February 11, 2004 maturity of bond FHLB. The bond referenced above was purchased on October 25, 2004 as a replacement.

LITIGATION

From the examination data made available, it appears that the only matters of law in which the Company was involved, during the period under review, were those arising out of the normal course of business. During the years under examination, no regulatory action was taken against the Company. Based upon information received from Company officials there are no agreements, commitments, obligations or pending matters of a contingent nature that would adversely affect its financial condition.

FINANCIAL STATEMENT

There follows a statement of assets and liabilities and a statement of income as of June 30, 2004, together with a reconciliation of capital and surplus for the period under review, as established by this examination.

ASSETS

	Ledger Assets	Net Admitted Assets
Bonds	$1,551,460	$1,551,460
Cash and short-term investments	5,626,309	5,626,309
Investment income due and accrued	21,014	21,014
Amounts recoverable from reinsurers	17,772	17,772
Totals	**$7,216,555**	**$7,216,555**

LIABILITIES, SURPLUS AND OTHER FUNDS

Taxes, licenses and fees		$ 2,000
Net deferred tax liability		72
Payable to parent, subsidiaries and affiliates		34,230
Total Liabilities		**36,302**
Common capital stock	$ 2,499,756	
Gross paid in and contributed surplus	18,062,026	
Unassigned funds (surplus)	(13,381,529)	
Surplus as regards policyholders		7,180,253
Totals		**$7,216,555**

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

Underwriting Income	
Premiums earned	$ 0
Deductions:	
Losses incurred	
Loss expenses incurred	3,534
Other underwriting expenses incurred	34,402
Total underwriting deductions	37,936
Net underwriting gain or (loss)	(37,936)
Investment Income	
Net investment income earned	45,435
Net realized capital gains or (losses)	
Net investment gain or (loss)	45,435
Other Income	
Net income before federal income taxes	7,499
Federal and foreign income taxes incurred	2,700
Net Income	$ 4,799

RECONCILIATION OF CAPITAL AND SURPLUS FOR THE PERIOD UNDER EXAMINATION

Surplus as regards policyholders December 31	**2000**	**2001**	**2002**	**2003**	**6/30/04**
Previous Year	$13,858,989	$15,611,729	$9,556,698	$6,645,363	$6,875,633
Net Income (loss)	(98,183)	641,979	109,450	148,121	4,799
Net unrealized capital gains or (losses)	1,392,631	(1,668,590)	3,806,273		
Change in nonadmitted assets	(200,849)	17,588		(83)	299,675
Change in net deferred income tax		(19,444)	935	703	146
Change in provision for reinsurance	659,141	(26,564)	(54,965)	81,529	
Dividends to stockholders		(5,000,000)			
Change in surplus as regards policyholders for the year			(6,773,028)		
Surplus as regards to policyholders December 31 Current Year	**$15,611,729**	**$9,556,698**	**$6,645,363**	**$6,875,633**	**$7,180,253**

COMMENTS

Fidelity Bond and Other Insurance – Page 10

The Company does not maintain a fidelity bond. Minimum fidelity coverage suggested in the NAIC Financial Condition Examiners Handbook for a company of the Company's size and premium volume is not less than seventy-five thousand dollars ($75,000).

CONCLUSION

The customary examination practices and procedures, as promulgated by the NAIC, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Century American Insurance Company of Nashville, Tennessee.

In such matter, it was concluded that as of June 30, 2004, the Company had net admitted assets of seven million two hundred and sixteen thousand five hundred and fifty five thousand dollars ($7,216,555) and liabilities, exclusive of capital and surplus, of thirty-six thousand three hundred and two dollars ($36,302). Therefore, there existed for the additional protection of policyholders, an amount of seven million one hundred and eighty thousand two hundred and fifty-three dollars ($7,180,253) in the form of capital, gross paid in and contributed surplus and unassigned funds.

In addition to the undersigned, Juli-Kay Baumann and Jay Uselton of the Tennessee Department of Commerce and Insurance participated in the work of this examination.

Respectfully submitted,

Stephanie D. Higgins

Stephanie D. Higgins, CFE
Examiner-in-Charge
State of Tennessee

Lacy R. Smith

Lacy R. Smith, Examiner II
State of Tennessee

AFFIDAVIT

The undersigned deposes and says that she has duly executed the attached examination report of Century American Insurance Company, dated July 7, 2005, and made as of June 30, 2004, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information and belief.

Stephanie D. Higgins

Stephanie D. Higgins, CPE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, N.A.I.C.

Subscribed and sworn to before me this
7th day of July, 2005

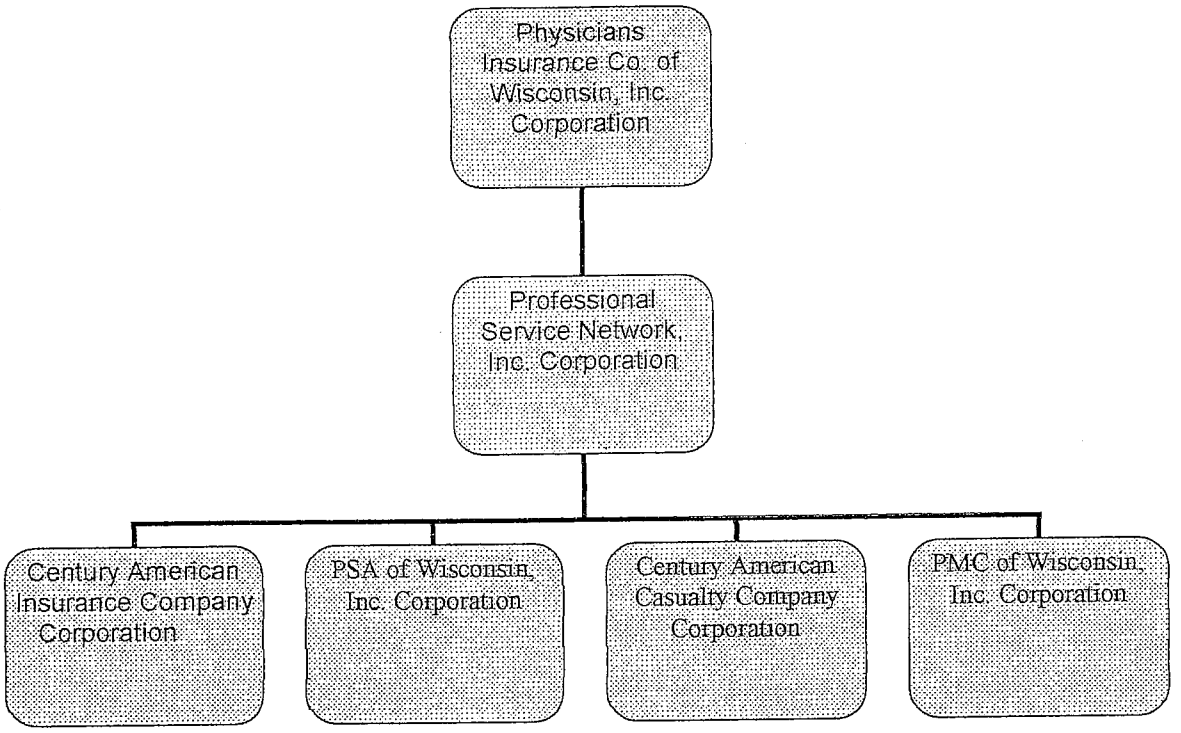
Helen M. Dorsey
Notary

County Davidson

State Tennessee

Commission Expires 03/25/2006

ORGANIZATIONAL CHART



Century American
Insurance Group

Century American Casualty Company
Century American Insurance Company

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JUL 15 2005
Dept. Of Commerce & Insurance
Company Examinations

July 14, 2005

Don Spann, CFE
Insurance Examination Director
Tennessee Department of Commerce and Insurance
Davy Crockett Tower, Fifth Fl.
500 James Robertson Pwy.
Nashville, TN 37243-0565

Dear Mr. Spann:

The purpose of this letter is to make a written submission or rebuttal with respect to matters contained within the Report on Examination of Century American Insurance Company as of June 30, 2004. Our comments are as follows:

On page 9, the title CORORATE RECORDS is misspelled. It should be CORPORATE RECORDS. Also on page 9, the second sentence under the HOLDING COMPANY STRUCTURE heading needs a space between "the and Department".

On page 10, under the **FIDELITY BOND AND OTHER INSURANCE** heading, with respect to the financial institution bond, while the Company is not a named insured on the policy, all of the Company's business is administered by employees of Physicians Insurance Company of Wisconsin, Inc. ("PIC") through a service agreement, and all employees of PIC are covered with a $1 million financial institution bond. The Definitions section of the bond defines employee as "a natural person in the service of the Insured at any of the Insured's offices or premises covered hereunder whom the Insured compensates directly by salary or commissions and whom the Insured has the right to direct and control while performing services for the Insured" (see Exhibit A). Clearly PIC employees performing services for the Company are covered. The insuring agreement and definitions are attached. We suggest the wording as follows: "Another company not licensed in Tennessee provides a financial institution bond in the amount of one million ($1,000,000) in which the Company is not a named insured, but the bond covers the employees administering the Company's business. The amount of the bond exceeds the minimum fidelity coverage suggested in the NAIC Financial Condition Examiners Handbook for a company of the Company's size and premium volume is not less than seventy-five thousand dollars ($75,000)." In addition, we believe the comment on page 20 should be removed.

EXHIBIT
tabbies
B

1002 Deming Way • P.O. Box 45650 • Madison, WI 53744-5650 • 608-831-6476 • Fax 608-831-0084

On page 12, under the **Claims** heading, the report states "The examiners were provided the November 2004 Loss Run in electronic format which exhibited five thousand five hundred and ten (5,510) claims." This is incorrect because it includes the claims for Century American Casualty Company and the Company. The Company exhibited three thousand three hundred thirty seven (3,337) claims in the November 2004 loss run, which is indicated by PCO 1 in the report. We recommend changing to the correct number of claims.

On page 14, under the **REINSURANCE** heading, second paragraph, the third sentence states "The agreement reinsures one hundred percent (100%) of the liabilities CACC assumed from the Company for surety bonds and policy claims, and provides for PIC Wisconsin to administer the associated claims under a separate Service Agreement." A detailed review of the agreements shows that there are four (4) levels of reinsurance for the Company's claims. First, the primary reinsurance contracts (see Exhibit B) respond to a loss. If the primary contract doesn't respond to the loss because it isn't covered or the reinsurer fails, the Indemnity Reinsurance Agreement (see Exhibit C) will cover the loss. CACC will then seek to recover losses from the Loss Portfolio transfer between CACC and Cologne Reinsurance Company (Dublin) Ltd. Finally, if a loss is not covered or paid by any of the preceding reinsurance contracts, the Wraparound Reinsurance Agreement will cover the loss (see Exhibit D). Knowing this, we believe the current wording is misleading. We suggest the following: "The agreement reinsures 100 percent of the liabilities not recovered from the Indemnity Reinsurance Agreement between CACC and the Company, and provides for PIC Wisconsin to administer the associated claims under a separate Service Agreement."

On page 14, under the **REINSURANCE** heading, third paragraph, the second sentence states "Reinsurance limits are five hundred thousand dollars ($500,000) excess of five hundred dollars...". It should be "excess of five hundred **thousand** dollars."

On page 14, under the **REINSURANCE** heading, third paragraph, the last sentence states "This agreement will expire November 30, 2005 after which any outstanding liabilities will fall under the one hundred percent (100%) Indemnity Reinsurance Agreement with CACC, discussed above." The attached cover note and facultative certificate state that it covers "Claims-made during the period of December 1, 1995 (Inception Date) through November 30, 2005 (Expiration Date)." (see Exhibit E) We believe this indicates that no more claims can be reported on this contract, but it would still cover claims that have already been reported. Therefore, we suggest the following wording: "This agreement will expire November 30, 2005 after which date no more claims can be made under the reinsurance policy. Claims made after this date will fall under the one hundred percent (100%) Indemnity Reinsurance Agreement with CACC, discussed above."

On page 14, under the **REINSURANCE** heading, fourth paragraph, we suggest adding the following sentence to clarify that, while our reinsurance contracts have terminated or expired, they are still responding to losses and are still "active" in that sense: "As mentioned above, all but two (2) of the Company's reinsurance contracts have terminated or expired, but the terminated or expired contracts still cover losses for the respective time periods during which they were effective."

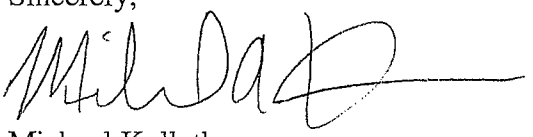
On page 14, "employee" is misspelled in the title **RETIREMENT AND OTHER EMPLOYEEE BENEFITS.**

On page 15, under the **LOSS EXPERIENCE** heading, the losses incurred for 2003 should have brackets around the number, i.e. ($149,093) (see Exhibit F).

On page 16, under the **STATUTORY DEPOSITS** heading, because the statement value and market value are as of September 30, 2005 (see Exhibit G), we believe it should be indicated with an additional sentence as follows: "These deposits were verified by direct correspondence with each state. The Statement Value and Market Value are as of September 30, 2005." In addition, the note (*) indicates the bond was purchased October 25, 2004. The attached Exhibit G shows the date should be August 20, 2004.

We appreciate the opportunity to respond to the exam. If you have any questions, please feel free to call me at (608) 831-8331.

Sincerely,



Michael Kollath
Assistant Vice President of Finance

Enclosures

Exhibit A

The Underwriter, in consideration of an agreed premium, and in reliance upon all statements made and information furnished to the Underwriter by the Insured in applying for this bond, and subject to the Declarations, Insuring Agreements, General Agreements, Conditions and Limitations and other terms hereof, agrees to indemnify the Insured for

INSURING AGREEMENTS

FIDELITY

(A) Loss resulting directly from dishonest or fraudulent acts committed by an Employee acting alone or in collusion with others.

Such dishonest or fraudulent acts must be committed by the Employee with the manifest intent:

(a) to cause the Insured to sustain such loss; and

(b) to obtain financial benefit for the Employee or another person or entity.

As used in this Insuring Agreement, financial benefit does not include any employee benefits earned in the normal course of employment, including: salaries, commissions, fees, bonuses, promotions, awards, profit sharing or pensions.

ON PREMISES

(B) (1) Loss of Property resulting directly from

(a) robbery, burglary, misplacement, mysterious unexplainable disappearance and damage thereto or destruction thereof, or

(b) common-law or statutory larceny, committed by a person present in an office of the Insured covered under this bond,

while the Property is lodged or deposited within

(i) any of the Insured's offices covered under this bond, or

(ii) offices of any financial institutions, attorneys of the Insured or clearing houses or

(iii) any premises where the Insured leases safe deposit boxes

or, while lodged or deposited with any authority of a political subdivision in the United States or Canada.

(2) Loss of or damage to

(a) furnishings, fixtures, supplies or equipment within an office of the Insured covered under this bond resulting directly from larceny or theft in, or by burglary or robbery of, such office, or attempt thereat, or by vandalism or malicious mischief, or

(b) such office resulting from larceny or theft in, or by burglary or robbery of such office or attempt thereat, or to the interior of such office by vandalism or malicious mischief,

provided that

(i) the Insured is the owner of such furnishings, fixtures, supplies, equipment, or office or is liable for such loss or damage, and

(ii) the loss is not caused by fire

IN TRANSIT

(C) Loss of Property resulting directly from robbery, commonlaw or statutory larceny, misplacement, mysterious unexplainable disappearance, being lost or made away with, and damage thereto or destruction thereof, while the Property is in transit anywhere in the custody of

(a) a natural person acting as a messenger of the Insured (or another natural person acting as messenger or custodian during an emergency arising from the incapacity of the original messenger), or

(b) a Transportation Company and being transported in an armored motor vehicle, or

(c) a Transportation Company and being transported in a conveyance other than an armored motor vehicle provided that covered Property transported in such manner is limited to the following:

(i) records, whether recorded in writing or electronically, and

(ii) Certificated Securities issued in registered form and not endorsed, or with restrictive endorsements, and

(iii) Negotiable Instruments not payable to bearer, or not endorsed, or with restrictive endorsements.

Coverage under this Insuring Agreement begins immediately upon the receipt of such Property by the natural person or Transportation Company and ends immediately upon delivery to the designated recipient or its agent.

FORGERY OR ALTERATION

(D) Loss resulting directly from Forgery or alteration of, on, or in any

1. request made for change of beneficiary in any policy issued by the Insured.
2. policy loan agreement made with the Insured.
3. assignment to the Insured of any of its policies.
4. Negotiable Instruments other than registered or bearer obligations, made or drawn by or drawn upon the Insured, or made or drawn by one acting as agent of the Insured, or purporting to have been made as herein before set forth.

A mechanically reproduced facsimile signature is treated the same as a handwritten signature.

SECURITIES

(E) Loss resulting directly from the Insured having, in good faith, for its own account or for the account of others,

(1) acquired, sold or delivered, or given value, extended credit or assumed liability, on the faith of, any original

(a) Certificated Security,

(b) deed, mortgage or other instrument conveying title to, or creating or discharging a lien upon, real property,

(c) Evidence of Debt,

(d) corporate, partnership or personal Guarantee,

(e) Security Agreement,

(f) Letter of Credit,

(g) Instruction to a Federal Reserve Bank of the United States, or

(h) Statement of Uncertificated Security of any Federal Reserve Bank of the United States

which

(i) bears a signature of any maker, drawer, issuer, endorser, assignor, lessee, transfer agent, registrar, acceptor, surety, guarantor, or of any person signing in any other capacity which is a Forgery, or

(ii) is altered, or

(iii) is lost or stolen;

(2) guaranteed in writing or witnessed any signature upon any transfer, assignment, bill of sale, power of attorney, Guarantee, or any items listed in (a) through (g) above,

(3) acquired, sold or delivered, or given value, extended credit or assumed liability, on the faith of any item listed in (a) or (b) above which is a Counterfeit

Actual physical possession of the items listed in (a) through (h) above by the Insured or its authorized representative is a condition precedent to the Insured's having relied on the faith of such items.

A mechanically reproduced facsimile signature is treated the same as a handwritten signature.

GENERAL AGREEMENTS

ADDITIONAL OFFICES OR EMPLOYEES—CONSOLIDATION, MERGER OR PURCHASE OF ASSETS—NOTICE

A. If the Insured shall, while this bond is in force, establish any additional offices, other than by consolidation or merger with, or purchase or acquisition of assets or liabilities of, another institution, such offices shall be automatically covered hereunder from the date of such establishment without the requirement of notice to the Underwriter or the payment of additional premium for the remainder of the premium period.

If the Insured shall, while this bond is in force, consolidate or merge with, or purchase or acquire assets or liabilities of, another institution, the Insured shall not have such coverage as is afforded under this bond for loss which

(a) has occurred or will occur in offices or premises, or
(b) has been caused or will be caused by an employee or employees of such institution, or

(c) has arisen or will arise out of the assets or liabilities acquired by the Insured as a result of such consolidation, merger or purchase or acquisition of assets or liabilities unless the Insured shall

(i) give the Underwriter written notice of the proposed consolidation, merger or purchase or acquisition of assets or liabilities prior to the proposed effective date of such action and
(ii) obtain the written consent of the Underwriter to extend the coverage provided by this bond to such additional offices or premises, Employees and other exposures, and
(iii) upon obtaining such consent, pay to the Underwriter an additional premium.

CHANGE OF CONTROL—NOTICE

B. When the Insured learns of a change in control, it shall give written notice to the Underwriter.

As used in this General Agreement, control means the power to determine the management or policy of a controlling holding company or the Insured by virtue of voting-stock ownership. A change in ownership of voting-stock which results in direct or indirect ownership by a stockholder or an affiliated group of stockholders of ten percent (10%) or more of such stock shall be presumed to result in a change of control for the purpose of the required notice.

Failure to give the required notice shall result in termination of coverage for any loss involving a transferee, to be effective upon the date of stock transfer.

REPRESENTATION OF INSURED

C. The Insured represents that the information furnished in the application for this bond is complete, true and correct. Such application constitutes part of this bond.

Any misrepresentation, omission, concealment or incorrect statement of a material fact, in the application or otherwise, shall be grounds for the rescission of this bond.

JOINT INSURED

D. If two or more Insureds are covered under this bond, the first named Insured shall act for all Insureds. Payment by the Underwriter to the first named Insured of loss sustained by any Insured shall fully release the Underwriter on account of such loss. If the first named Insured ceases to be covered under this bond, the Insured next named shall thereafter be considered as the first named Insured. Knowledge possessed or discovery made by any Insured shall constitute knowledge or discovery by all Insureds for all purposes of this bond. The liability of the Underwriter for loss or losses sustained by all Insureds shall not exceed the amount for which the Underwriter would have been liable had all such loss or losses been sustained by one Insured.

NOTICE OF LEGAL PROCEEDINGS AGAINST INSURED—ELECTION TO DEFEND

E. The Insured shall notify the Underwriter at the earliest practicable moment, not to exceed 30 days after notice thereof, of any legal proceeding brought to determine the Insured's liability for any loss, claim or damage, which, if established, would constitute a collectible loss under this bond. Concurrently, the Insured shall furnish copies of all pleadings and pertinent papers to the Underwriter.

The Underwriter, at its sole option, may elect to conduct the defense of such legal proceeding, in whole or in part. The defense by the Underwriter shall be in the Insured's name through attorneys selected by the Underwriter. The Insured shall provide all reasonable information and assistance required by the Underwriter for such defense.

If the Underwriter elects to defend the Insured, in whole or in part, any judgment against the Insured on those counts or causes of action which the Underwriter defended on behalf of the Insured or any settlement in which the Underwriter participates and all attorneys' fees, costs and expenses incurred by the Underwriter in the defense of the litigation shall be a loss covered by this bond.

If the Insured does not give the notices required in subsection (a) of Section 5 of this bond and in the first paragraph of this General Agreement, or if the Underwriter elects not to defend any causes of action, neither a judgment against the Insured, nor a settlement of any legal proceeding by the Insured, shall determine the existence, extent or amount of coverage under this bond for loss sustained by the Insured, and the Underwriter shall not be liable for any attorneys' fees, costs and expenses incurred by the Insured.

With respect to this General Agreement, subsections (b) and (d) of Section 5 of this bond apply upon the entry of such judgment or the occurrence of such settlement instead of upon discovery of loss. In addition, the Insured must notify the Underwriter within 30 days after such judgment is entered against it or after the Insured settles such legal proceeding, and, subject to subsection (e) of Section 5, the Insured may not bring legal proceedings for the recovery of such loss after the expiration of 24 months from the date of such final judgment or settlement.

CONDITIONS AND LIMITATIONS

DEFINITIONS

Section 1. As used in this bond.

(a) Acceptance means a draft which the drawee has, by signature written thereon, engaged to honor as presented.

(b) Certificate of Deposit means an acknowledgement in writing by a financial institution of receipt of Money with an engagement to repay it.

(c) Certificated Security means a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer, which is:

(1) represented by an instrument issued in bearer or registered form;

(2) of a type commonly dealt in on securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment; and

(3) either one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.

(d) Counterfeit means an imitation of an actual valid original which is intended to deceive and to be taken as the original.

(e) Employee means

(1) a natural person in the service of the Insured at any of the Insured's offices or premises covered hereunder whom the Insured compensates directly by salary or commissions and whom the Insured has the right to direct and control while performing services for the Insured;

(2) an attorney retained by the Insured and an employee of such attorney while either is performing legal services for the Insured;

(3) a person provided by an employment contractor to perform employee duties for the Insured under the Insured's supervision at any of the Insured's offices or premises covered hereunder; and a guest student pursuing studies or duties in any of said offices or premises;

(4) an employee of an institution merged or consolidated with the Insured prior to the effective date of this bond; and

(5) each natural person, partnership or corporation authorized by the Insured to perform services as data processor of checks or other accounting records of the Insured (not including preparation or modification of computer software or programs), herein called Processor. (Each such Processor, and the partners, officers and employees of such Processor shall, collectively, be deemed to be one Employee for all the purposes of this bond, excepting, however, the second paragraph of Section 12. A Federal Reserve Bank or clearing house shall not be construed to be a Processor.)

Employee does not mean brokers, general agents, sub-agents, loan agents, fiscal agents, property management agents, real estate agents, other representatives of the same general character, or independent contractors except contractors as set forth in (2) or (5) above.

(f) Evidence of Debt means an instrument, including a Negotiable Instrument, executed by a customer of the Insured and held by the Insured which in the regular course of business is treated as evidencing the customer's debt to the Insured

(g) Forgery means the signing of the name of another person or organization with intent to deceive, it does not mean a signature which consists in whole or in part of one's own name signed with or without authority, in any capacity, for any purpose.

(h) Guarantee means a written undertaking obligating the signer to pay the debt of another to the Insured or its assignee or to a financial institution from which the Insured has purchased participation in the debt, if the debt is not paid in accordance with its terms.

(i) Instruction means a written order to the issuer of an Uncertificated Security requesting that the transfer, pledge, or release from pledge of the Uncertificated Security specified be registered.

(j) Letter of Credit means an engagement in writing by a bank or other person made at the request of a customer that the bank or other person will honor drafts or other demands for payment upon compliance with the conditions specified in the Letter of Credit .

(k) Money means a medium of exchange in current use authorized or adopted by a domestic or foreign government as a part of its currency.

(l) Negotiable Instrument means any writing

(1) signed by the maker or drawer; and

(2) containing any unconditional promise or order to pay a sum certain in Money and no other promise, order, obligation or power given by the maker or drawer; and

(3) is payable on demand or at a definite time; and

(4) is payable to order or bearer.

(m) Property means Money, Certificated Securities, Uncertificated Securities of any Federal Reserve Bank of the United States, Negotiable Instruments, Certificates of Deposit, Acceptances, Evidences of Debt, Security Agreements, Withdrawal Orders, Letters of Credit, abstracts of title, deeds and mortgages on real estate, revenue and other stamps, books of account and other records whether recorded in writing or electronically and tangible items of personal property which are not herein before enumerated.

(n) Security Agreement means an agreement which creates an interest in personal property or fixtures and which secures payment or performance of an obligation.

(o) Statement of Uncertificated Security means a written statement of the issuer of an Uncertificated Security containing:

(1) A description of the Issue of which the Uncertificated Security is a part;

(2) the number of shares or units:

(a) transferred to the registered owner;

(b) pledged by the registered owner to the registered pledgee;

(c) released from pledge by the registered pledgee;

(d) registered in the name of the registered owner on the date of the statement; or

(e) subject to pledge on the date of the statement;

(3) the name and address of the registered owner and registered pledgee;

(4) a notation of any liens and restrictions of the issuer and any adverse claims to which the Uncertificated Security is or may be subject or a statement that there are none of those liens, restrictions or adverse claims; and

(5) the date:

(a) the transfer of the shares or units to the new registered owner of the shares or units was registered;

(b) the pledge of the registered pledgee was registered, or
(c) of the statement, if it is a periodic or annual statement.

(p) Transportation Company means any organization which provides its own or leased vehicles for transportation or which provides freight forwarding or air express services

(q) Uncertificated Security means a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer, which is:

(1) not represented by an instrument and the transfer of which is registered upon books maintained for that purpose by or on behalf of the issuer;

(2) of a type commonly dealt in on securities exchanges or markets; and

(3) either one of a class or series or by its terms divisible into a class or series of shares, participations, interests or obligations.

EXCLUSIONS

Section 2. This bond does not cover:

(a) loss resulting directly or indirectly from forgery or alteration, except when covered under Insuring Agreements (A), (D), or (E);

(b) loss due to riot or civil commotion outside the United States of America and Canada; or loss due to military, naval or usurped power, war or insurrection unless such loss occurs in transit in the circumstances recited in Insuring Agreement (C), and unless, when such transit was initiated, there was no knowledge of such riot, civil commotion, military, naval or usurped power, war or insurrection on the part of any person acting for the Insured in initiating such transit;

(c) loss resulting directly or indirectly from the effects of nuclear fission or fusion or radioactivity; provided, however, that this paragraph shall not apply to loss resulting from industrial uses of nuclear energy;

(d) loss resulting directly or indirectly from any acts of any director or trustee of the Insured other than one employed as a salaried, pensioned or elected official or an Employee of the Insured, except when performing acts coming within the scope of the usual duties of an Employee, or while acting as a member of any committee duly elected or appointed by resolution of the board of directors or trustees of the Insured to perform specific, as distinguished from general, directorial acts on behalf of the Insured;

(e) loss resulting directly or indirectly from the complete or partial nonpayment of, or default upon, any loan or transaction involving the Insured as a lender or borrower, or extension of credit, including the purchase, discounting or other acquisition of false or genuine accounts, invoices, notes, agreements or Evidences of Debt, whether such loan, transaction or extension was procured in good faith or through trick, artifice, fraud or false pretenses, except when covered under Insuring Agreements (A), (D) or (E);

(f) loss resulting directly or indirectly from

(i) an incorrectly or dishonestly prepared title search, survey, inspection or other report made by an Employee,

(ii) a defective document or instrument taken by the Insured whether or not the Employee accepting such document or instrument knew of such defect, or

(iii) contractual or extra-contractual liability sustained by the Insured

in connection with the issuance of contracts or purported contracts of insurance, indemnity or suretyship;

(g) loss caused by an Employee, except when covered under Insuring Agreement (A) or when covered under Insuring Agreement (B) or (C) and resulting directly from misplacement, mysterious unexplainable disappearance or destruction of or damage to Property;

(h) loss resulting directly or indirectly from counterfeiting, except when covered under Insuring Agreements (A) or (E);

(i) loss resulting directly or indirectly from trading, with or without the knowledge of the Insured, whether or not represented by any indebtedness or balance shown to be due the Insured on any account, actual or fictitious, and notwithstanding any act or omission on the part of any Employee in connection with any account relating to such trading, indebtedness, or balance, except when covered under Insuring Agreements (D) or (E);

(j) loss of any tangible item of personal property which is not specifically enumerated in the paragraph defining Property if such property is specifically insured by other insurance of any kind and in any amount obtained by the Insured, and in any event, loss of such property occuring more than 60 days after the Insured takes possession of such property, except when covered under Insuring Agreement (A);

(k) loss of Property while

(1) in the mail, or

(2) in the custody of any Transportation Company, unless covered under Insuring Agreement (C)

except when covered under Insuring Agreement (A);

(l) potential income, including but not limited to interest and dividends, not realized by the Insured;

(m) loss through the surrender of Property away from an office of the Insured as a result of a threat

(1) to do bodily harm to any person, except loss of Property in transit in the custody of any person acting as messenger provided that when such transit was initiated there was no knowledge by the Insured of any such threat, or

(2) to do damage to the premises or property of the Insured, except when covered under Insuring Agreement (A);

(n) damages of any type for which the Insured is legally liable, except compensatory damages, but not multiples thereof, arising directly from a loss covered under this bond;

(o) all fees, costs and expenses incurred by the Insured

(1) in establishing the existence of or amount of loss covered under this bond, or

(2) as a party to any legal proceeding whether or not such legal proceeding exposes the Insured to loss covered by this bond;

(p) indirect or consequential loss of any nature;

(q) loss resulting from any violation by the Insured or by any Employee

(1) of law regulating (i) the issuance, purchase or sale of securities, (ii) securities transactions upon security exchanges or over the counter market, (iii) investment companies, or (iv) investment advisers, or

(2) of any rule or regulation made pursuant to any such law, unless it is established by the Insured that the act or acts which caused the said loss involved fraudulent or dishonest conduct which would have caused a loss to the Insured in a similar amount in the absence of such laws, rules or regulations;

(r) loss resulting directly or indirectly from the failure of a financial or depository institution, or its receiver or liquidator, to pay or deliver, on demand of the Insured, funds or Property of the Insured held by it in any capacity, except when covered under Insuring Agreements (A) or (B)(1)(a);

(s) loss involving any Uncertificated Security except an Uncer-

tificated Security of any Federal Reserve Bank of the United States or when covered under Insuring Agreement (A);

(t) damages resulting from any civil, criminal or other legal proceeding in which the Insured is alleged to have engaged in racketeering activity except when the Insured establishes that the act or acts giving rise to such damages were committed by an Employee under circumstances which result directly in a loss to the Insured covered by Insuring Agreement (A). For the purposes of this exclusion, "racketeering activity" is defined in 18 United States Code 1961 et seq., as amended;

(u) loss resulting directly or indirectly from any dishonest or fraudulent act or acts committed by any non-Employee who is a securities, commodities, money, mortgage, real estate, loan, insurance, property management, investment banking broker, agent or other representative of the same general character.

DISCOVERY

Section 3. This bond applies to loss discovered by the Insured during the Bond Period. Discovery occurs when the Insured first becomes aware of facts which would cause a reasonable person to assume that a loss of a type covered by this bond has been or will be incurred, regardless of when the act or acts causing or contributing to such loss occurred, even though the exact amount or details of loss may not then be known.

Discovery also occurs when the Insured receives notice of an actual or potential claim in which it is alleged that the Insured is liable to a third party under circumstances which, if true, would constitute a loss under this bond.

LIMIT OF LIABILITY

Section 4.

Aggregate Limit of Liability

The Underwriter's total liability for all losses discovered during the Bond Period shown in Item 2 of the Declarations shall not exceed the Aggregate Limit of Liability shown in Item 3 of the Declarations. The Aggregate Limit of Liability shall be reduced by the amount of any payment made under the terms of this bond.

Upon exhaustion of the Aggregate Limit of Liability by such payments:

(a) The Underwriter shall have no further liability for loss or losses regardless of when discovered and whether or not previously reported to the Underwriter, and

(b) The Underwriter shall have no obligation under General Agreement E to continue the defense of the Insured, and upon notice by the Underwriter to the Insured that the Aggregate Limit of Liability has been exhausted, the Insured shall assume all responsibility for its defense at its own cost.

The Aggregate Limit of Liability shall not be increased or reinstated by any recovery made and applied in accordance with subsections (a), (b) and (c) of Section 7. In the event that a loss of Property is settled by the Underwriter through the use of a lost instrument bond, such loss shall not reduce the Aggregate Limit of Liability.

Single Loss Limit of Liability

Subject to the Aggregate Limit of Liability, the Underwriter's liability for each Single Loss shall not exceed the applicable Single Loss Limit of Liability shown in Item 4 of the Declarations. If a Single Loss is covered under more than one Insuring Agreement or Coverage, the maximum payable shall not exceed the largest applicable Single Loss Limit of Liability.

Single Loss Defined

Single Loss means all covered loss, including court costs and attorneys' fees incurred by the Underwriter under General Agreement E, resulting from

(a) any one act or series of related acts of burglary, robbery or attempt thereat, in which no Employee is implicated, or

(b) any one act or series of related unintentional or negligent acts or omissions on the part of any person (whether an Employee or not) resulting in damage to or destruction or misplacement of Property, or

(c) all acts or omissions other than those specified in (a) and (b) preceding, caused by any person (whether an Employee or not) or in which such person is implicated, or

(d) any one casualty or event not specified in (a), (b) or (c) preceding.

NOTICE/PROOF—LEGAL PROCEEDINGS AGAINST UNDERWRITER

Section 5.

(a) At the earliest practicable moment, not to exceed 30 days, after discovery of loss, the Insured shall give the Underwriter notice thereof.

(b) Within 6 months after such discovery, the Insured shall furnish to the Underwriter proof of loss, duly sworn to, with full particulars.

(c) Lost Certificated Securities listed in a proof of loss shall be identified by certificate or bond numbers if such securities were issued therewith.

(d) Legal proceedings for the recovery of any loss hereunder shall not be brought prior to the expiration of 60 days after the original proof of loss is filed with the Underwriter or after the expiration of 24 months from the discovery of such loss.

(e) If any limitation embodied in this bond is prohibited by any law controlling the construction hereof, such limitation shall be deemed to be amended so as to equal the minimum period of limitation provided by such law.

(f) This bond affords coverage only in favor of the Insured. No suit, action or legal proceedings shall be brought hereunder by any one other than the named Insured.

VALUATION

Section 6. Any loss of Money, or loss payable in Money, shall be paid, at the option of the Insured, in the Money of the country in which the loss was sustained or in the United States of America dollar equivalent thereof determined at the rate of exchange at the time of payment of such loss.

Securities

The Underwriter shall settle in kind its liability under this bond on account of a loss of any securities or, at the option of the Insured, shall pay to the Insured the cost of replacing such securities, determined by the market value thereof at the time of such settlement. In case of a loss of subscription, conversion or redemption privileges through the misplacement or loss of securities, the amount of such loss shall be the value of privileges immediately preceding the expiration thereof. If such securities cannot be replaced or have no quoted market value, or if such privileges have no quoted market value, their value shall be determined by agreement or arbitration.

If the applicable coverage of this bond is subject to a Deductible Amount and/or is not sufficient in amount to indemnify the Insured in full for the loss of securities for which claim is made hereunder, the liability of the Underwriter under this bond is limited to the payment for, or the duplication of, so much of such securities as has a value equal to the amount of such applicable coverage.

Books of Account and Other Records

In case of loss of, or damage to, any books of account or other records used by the Insured in its business, the Underwriter shall be liable under this bond only if such books or records are actually reproduced and then for not more than the cost of the blank books, blank pages or other materials plus the cost of labor for the actual transcription or copying of data which shall have been furnished by the Insured in order to reproduce such books and other records.

Property other than Money, Securities or Records

In case of loss of, or damage to, any Property other than Money, securities, books of account or other records, or damage covered under Insuring Agreement (B)(2), the Underwriter shall not be liable for more than the actual cash value of such Property, or of items covered under Insuring Agreement (B)(2).The Underwriter may, at its election, pay the actual cash value of, replace or repair such property. Disagreement between the Underwriter and the Insured as to the cash value or as to the adequacy of repair or replacement shall be resolved by arbitration.

Set-Off

Any loss covered under this bond shall be reduced by a setoff consisting of any amount owed to the Employee (or to his or her assignee) causing the loss if such loss is covered under Insuring Agreement (A).

ASSIGNMENT—SUBROGATION—RECOVERY—COOPERATION

Section 7.

(a) In the event of payment under this bond, the Insured shall deliver, if so requested by the Underwriter, an assignment of such of the Insured's rights, title and interest and causes of action as it has against any person or entity to the extent of the loss payment.

(b) In the event of payment under this bond, the Underwriter shall be subrogated to all of the Insured's rights of recovery therefor against any person or entity to the extent of such payment.

(c) Recoveries, whether effected by the Underwriter or by the Insured, shall be applied net of the expense of such recovery first to the satisfaction of the Insured's loss which would otherwise have been paid but for the fact that it is in excess of either the Single or Aggregate Limit of Liability, secondly, to the Underwriter as reimbursement of amounts paid in settlement of the Insured's claim, and thirdly, to the Insured in satisfaction of any Deductible Amount. Recovery on account of loss of securities as set forth in the second paragraph of Section 6 or recovery from reinsurance and/or indemnity of the Underwriter shall not be deemed a recovery as used herein.

(d) Upon the Underwriter's request and at reasonable times and places designated by the Underwriter the Insured shall

(1) submit to examination by the Underwriter and subscribe to the same under oath; and

(2) produce for the Underwriter's examination all pertinent records; and

(3) cooperate with the Underwriter in all matters pertaining to the loss.

(e) The Insured shall execute all papers and render assistance to secure to the Underwriter the rights and causes of action provided for herein. The Insured shall do nothing after discovery of loss to prejudice such rights or causes of action.

LIMIT OF LIABILITY UNDER THIS BOND AND PRIOR INSURANCE

Section 8. With respect to any loss set forth in sub-section (c) of Section 4 of this bond which is recoverable or recovered in whole or in part under any other bonds or policies issued by the Underwriter to the Insured or to any predecessor in interest of the Insured and terminated or canceled or allowed to expire and in which the period for discovery has not expired at the time any such loss thereunder is discovered, the total liability of the Underwriter under this bond and under such other bonds or policies shall not exceed, in the aggregate, the amount carried hereunder on such loss or the amount available to the Insured under such other bonds or policies, as limited by the terms and conditions thereof, for any such loss if the latter amount be the larger.

If the coverage of this bond supersedes in whole or in part the coverage of any other bond or policy of insurance issued by an Insurer other than the Underwriter and terminated, canceled or allowed to expire, the Underwriter, with respect to any loss sustained prior to such termination, cancelation or expiration and discovered within the period permitted under such other bond or policy for the discovery of loss thereunder, shall be liable under this bond only for that part of such loss covered by this bond as is in excess of the amount recoverable or recovered on account of such loss under such other bond or policy, anything to the contrary in such other bond or policy notwithstanding.

OTHER INSURANCE OR INDEMNITY

Section 9. Coverage afforded hereunder shall apply only as excess over any valid and collectible insurance or indemnity obtained by the Insured, or by one other than the Insured on Property subject to exclusion (j) or by a Transportation Company, or by another entity on whose premises the loss occurred or which employed the person causing the loss or the messenger conveying the Property involved.

OWNERSHIP

Section 10. This bond shall apply to loss of Property (1) owned by the Insured, (2) held by the Insured in any capacity, or (3) for which the Insured is legally liable. This bond shall be for the sole use and benefit of the Insured named in the Declarations.

DEDUCTIBLE AMOUNT

Section 11. The Underwriter shall be liable hereunder only for the amount by which any single loss, as defined in Section 4, exceeds the Single Loss Deductible amount for the Insuring Agreement or Coverage applicable to such loss, subject to the Aggregate Limit of Liability and the applicable Single Loss Limit of Liability.

The Insured shall, in the time and in the manner prescribed in this bond, give the Underwriter notice of any loss of the kind covered by the terms of this bond, whether or not the Underwriter is liable therefor, and upon the request of the Underwriter shall file with it a brief statement giving the particulars concerning such loss.

TERMINATION OR CANCELATION

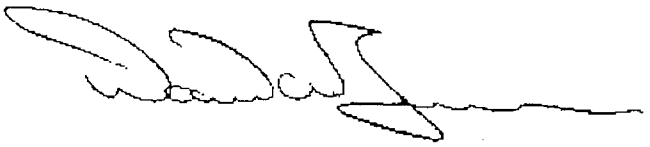
Section 12 This bond terminates as an entirety upon occurrence of any of the following:—(a) 60 days after the receipt by the Insured of a written notice from the Underwriter of its desire to cancel this bond, or (b) immediately upon the receipt by the Underwriter of a written notice from the Insured of its desire to cancel this bond, or (c) immediately upon the taking over of the Insured by a receiver or other liquidator or by State or Federal officials, or (d) immediately upon the taking over of the Insured by another institution, or (e) immediately upon exhaustion of the Aggregate Limit of Liability, or (f) immediately upon expiration of the Bond Period as set forth in Item 2 of the Declarations.

This bond terminates as to any Employee or any partner, officer or employee of any Processor-(a) as soon as any Insured, or any director or officer not in collusion with such person, learns of any dishonest or fraudulent act committed by such person at any time, whether in the employment of the Insured or otherwise, whether or not of the type covered under Insuring Agreement (A), against the Insured or any other person or entity, without prejudice to the loss of any Property then in transit in the custody of such person, or (b) 15 days after the receipt by the Insured of a written notice from the Underwriter of its desire to cancel this bond as to such person.

Termination of the bond as to any Insured terminates liability for any loss sustained by such Insured which is discovered after the effective date of such termination.

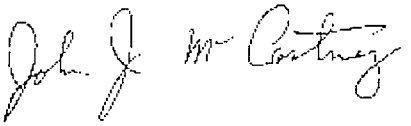
IN WITNESS WHEREOF, the Underwriter has caused this Bond to be signed by its President and by its Secretary at Baltimore, Maryland, and to be countersigned on the DECLARATIONS page by a duly authorized representative.

Attest



Secretary

By



President

Century American Insurance Group

History of Reinsurance Structure

Coastal Business	1992	1993	1994	1995	1996	1997	1998 and 1999
Lead Reinsurer	Reliance Ins. Co.	Reliance Ins. Co.	Reliance Ins. Co.	Reliance Ins. Co. (CNA w/ 40% slip)	Reliance Ins. Co. (TIG Re w/ 30% slip)	Everest Re	PIC Wisconsin
Description of Reinsurance	500,000 xs 500,000	500,000 xs 500,000	500,000 xs 500,000	500,000 xs 500,000	500,000 xs 500,000	75% quota share, ground up	800,000 xs 200,000 each and every
Aggregate Att. Point	$6,000,000	$8,000,000	$11,250,000	$13,900,000	$16,700,000	none	none
Total Prem. of Lead Program	$2,250,000	$2,425,000	$3,250,000	$3,450,000	$4,000,000	75% of GNWPI (GNWPI=81.73% of gross written)	max.@ 32% of GNWPI (GNWPI=85% of gross written)
Other Coastal Reinsurers	none	none	none	CNA Companies	TIG Re		
Description of Reinsurance			N/A	90% quota share of underlying $500,000	50% quota share of underlying $500,000		
Premium for Other Reins.				$10,133,100	$7,055,750		
Non-Coastal Business							
Lead Reinsurer	N/A	N/A	TIG Re	TIG Re	Swiss Re	Swiss Re (60%)	same as above
Description of Reinsurance			8/94 - 12/31/94 60% quota share	1/195-8/95 60% quota share	60% quota share of 750,000 xs 250,000	Everest Re (40%) 750,000 xs 250,000	
Aggregate Att. Point			none	none	none	none	
Terms of Reinsurance			25% Ceding Comm.	25% Ceding Comm.	25.0% Ceding Comm. (combined) max @ 27.5%	24.0% Ceding Comm. (combined) max @ 30.5%	

Exhibit 8

caicinv

Exhibit C

Indemnity Reinsurance Agreement

THIS INDEMNITY REINSURANCE AGREEMENT (this "Agreement"), is executed the 29th day of December, 1999 between Century American Insurance Company, a corporation duly organized and existing under the laws of the State of Tennessee (the "Company"), and Century American Casualty Company, a corporation organized and existing under the laws of the State of Texas (the "Reinsurer").

WITNESSETH:

WHEREAS, the Company wishes to cede to the Reinsurer 100% of its insurance obligations as described below.

WHEREAS, the Reinsurer wishes to assume such obligations of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and premises, and subject to the terms and conditions stated herein, the parties hereto agree as follows:

ARTICLE I
BUSINESS REINSURED

1. The Company hereby cedes to the Reinsurer, and the Reinsurer hereby reinsures and assumes, One Hundred Percent (100%) of the direct and assumed obligations of the Company under any and all binders, certificates, bonds, policies, agreements or contracts of insurance, including all medical malpractice and surety policies or bonds, issued by the Company, and all other contracts or agreements which are collateral thereto (the "Policies"). The effective date of the reinsurance will be as of November 1, 1999 ("Effective Date"); provided, however, that the business reinsured and assumed hereunder shall also include any and all business written through the date of this Agreement if later than the Effective Date. The Reinsurer will reinsure its obligations hereunder One Hundred Percent (100%) pursuant to a reinsurance agreement with Physicians Insurance Company of Wisconsin, Inc., a Wisconsin insurance company, and Cologne Reinsurance Company (Dublin) LTD.

   It is also expressly covenanted and agreed by the Company that all reinsurance agreements between the Company and reinsurers as listed on Exhibit A hereto will remain in force for the benefit of the Reinsurer to the extent such agreements are not inconsistent with this Agreement.

2. All reinsurance for which the Reinsurer shall be liable by virtue of this Agreement shall be subject in all respects to the same terms, rates and conditions, interpretations and waivers and to the same modifications and cancellations as the Policies. The Reinsurer accepts and assumes the Policy Liabilities (as defined in Article IV below) subject to any and all defenses, set-offs and counterclaims to which the Company would be entitled with respect to

Exhibit D

EXECUTION COPY

WRAPAROUND REINSURANCE AGREEMENT

This Wraparound Reinsurance Agreement, effective October 1, 2004 (the "Effective Date") subject to any required regulatory approval, is made by and between Century American Casualty Company, a Texas domestic insurance company, 3010 LBJ Freeway, Suite 1100, P.O. Box 819045, Dallas, TX 75381-9045 (hereinafter called the "Ceding Company"), and Physicians Insurance Company of Wisconsin, Inc., a Wisconsin domestic insurance company, 1002 Deming Way, P.O. Box 45650, Madison, WI 53744-5650 (hereinafter called the "Reinsurer").

RECITALS

WHEREAS, Ceding Company is a Texas insurance corporation licensed to issue various lines of insurance in certain states and was owned indirectly by Reinsurer; and

WHEREAS, Ceding Company's parent, Professional Service Network, Inc. ("Parent"), entered into that certain Stock Purchase Agreement dated March 30, 2004 by and between Access Insurance Holdings, Inc. (the "Purchaser") and Parent (the "Purchase Agreement") pursuant to which Purchaser is acquiring Ceding Company, in a transaction to close contemporaneously with this Agreement and, as a condition to the Purchase Agreement, the parties shall enter into this Agreement; and

WHEREAS, Ceding Company desires to reinsure its liability for the Surety Bonds and Policy Claims (both as defined below) to Reinsurer, with Reinsurer's liability attaching after the inability to collect any other applicable reinsurance; and to have Reinsurer administer the Surety Bonds and Policy Claims under that certain separate Service Agreement of even date herewith by and between Reinsurer and Ceding Company;

NOW, THEREFORE, in consideration of the premises and conditions contained herein, it is agreed as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, the following terms shall apply:

A. "Policy Claims" shall mean any and all claims attributable to policies the Ceding Company issued on or before the Effective Date, regardless of when such claims shall arise.

B. "Premium" shall mean 100% of the premium collected by the Ceding Company for Surety Bonds on or after the Effective Date.

C. "Surety Bonds" shall mean the surety bonds originally issued by the Ceding Company on or before the Effective Date, including those subsequently renewed through Jurisco of Florida, Inc., and as set forth in the attached Schedule A.

ARTICLE II

COVERAGE

A. Ceding Company hereby cedes and Reinsurer hereby agrees to indemnify Ceding Company for a 100% quota share of the liability of Ceding Company for Surety Bonds, including claim liability, commissions to sales agents, taxes, fees, expenses and assessments, whether such liabilities arise before, on or after the Effective Date.

1. The liability of Reinsurer under this Article II.A. shall be complete and coextensive with that of Ceding Company, subject to the terms, conditions, and limitations set forth in this Agreement, and shall extend to each and every original Surety Bond, and each and every rewrite, renewal or extension of the Surety Bonds.

2. The liability of Reinsurer under this Article II.A. shall attach only after Ceding Company is unable to collect from any other insurer or reinsurer that also has such liability. Reinsurer shall ensure that Ceding Company has received payment of all amounts owed by any other insurer or other reinsurer obligated for such Surety Bond liability within ninety (90) days after such insurer or reinsurer has been billed for such obligation. It is the intention of the parties that no reduction of surplus of the Ceding Company occur in connection with the inability to collect from any other insurer or reinsurer. Any amounts paid by Reinsurer in place of other insurers or reinsurers shall be assigned and payable to Reinsurer as a credit against any prior payment by Reinsurer to Ceding Company, and upon payment by Reinsurer of such amounts, Reinsurer shall be subrogated to all rights and claims of Ceding Company with respect to such insurer or reinsurer.

B. Ceding Company hereby cedes and Reinsurer hereby agrees to indemnify Ceding Company for Ceding Company's liability on each Policy Claim, and loss adjustment expenses allocated thereto. The liability of Reinsurer under this Article II.B. shall attach only after Ceding Company is unable to collect from any other insurer or reinsurer that also has such liability. Reinsurer shall ensure that Ceding Company has received payment of all amounts owed by any other insurer or other reinsurer obligated for such Policy Claims liability within ninety (90) days after such insurer or reinsurer has been billed for such obligation. Any amounts paid by Reinsurer on behalf of other insurers or reinsurers shall be assigned and payable to Reinsurer as a credit against any prior payment by Reinsurer to Ceding Company, and upon payment by Reinsurer of such amounts, Reinsurer shall be subrogated to all rights and claims of Ceding Company with respect to such insurer or reinsurer.

C. Reinsurer shall establish and maintain proper statutory reserves as required by law and sufficient for the liabilities reinsured hereunder. Reinsurer shall establish such reserves in its sole discretion under the terms of the Service Agreement. If the authorities with jurisdiction over Ceding Company's reserves do not allow Ceding Company full credit for reinsurance under this Agreement because Reinsurer is not a qualified reinsurer, Reinsurer shall provide security, the form of which shall be determined in Reinsurer's sole discretion so long as such security allows Ceding Company to receive full credit for the reinsurance and entirely removes any reserve liability for the risk reinsured hereunder from Ceding Company's statutory balance sheet. Ceding Company undertakes to use and apply any amounts which it may draw upon from such security pursuant to the

Exhibit E

January 16, 1996

REINSURANCE COVER NOTE

To: Mr. Mitch Perry
Vice President
Century American Insurance Company
2828 Croasdaile Drive
Durham, North Carolina 27704

Pursuant to your request and subject to the consideration as hereinafter set forth, we have bound the following reinsurance:

REINSURED: Century American Insurance Company

TERM: Claims-made during the period of December 1, 1995 (Inception Date) through November 30, 2005 (Expiration Date)

BUSINESS COVERED: Excess of loss medical professional liability coverage as per original extended reporting policy issued by the Reinsured to Coastal Physician Group, Inc. for discontinued primary care clinic's sold to Humana, Inc. on the Inception Date hereof.

REINSURED LIMITS: $500,000 excess $500,000 each loss, each insured subject to $2,000,000 aggregate.

PREMIUM: $365,000 (Flat)

INTERMEDIARY: Healthcare Risk Management Services, Inc.

CONDITIONS:

1. Limits of liability afforded by the Reinsured to individual physicians under the original policies not to exceed limits provided immediately prior to effective date of this coverage.
2. This Reinsurance does not apply to losses reported after Expiration Date hereon.
3. Allocated loss adjustment expenses pro-rata based on indemnity paid. Allocated loss adjustment expenses are paid in addition to the per loss event limit, but are included in Reinsurer's aggregate limit hereon.
4. Subject in all respects to standard facultative reinsurance certificate to be issued by Reinsurer.
5. Coverage as per the Reinsured's policy form except as provided in Condition (1) & (4) above.

TERMS

INFORMATION:

Original policy limits not to exceed $1,000,000/$3,000,000 per physician, and all corporate entities to share in individual physician limits. In those claims involving physicians with limits less than $1,000,000/$3,000,000 or for claims against the corporate entities only, the limit afforded the corporate entities under original policies will be the difference between $1,000,000 and the individual physician's limit, if any. Maximum limit offered the corporate entities will not exceed $1,000,000 any one loss.

Authorized and bound effective December 1, 1995.

HEALTHCARE RISK MANAGEMENT SERVICES, INC.

By: _____
Philip E. Reischman, President

Date: _____

HRMS

Prudential Reinsurance Company

A subsidiary of The Prudential Insurance Company of America

Home Office, 3 Gateway Center, Newark, New Jersey 07102-4077
(A Stock Company, herein called Prudential Reinsurance)

Facultative Reinsurance

Certificate No. RFC404181
Prior Certificate No. NEW
Contract No. 166317

Does hereby reinsure:
CENTURY AMERICAN INSURANCE COMPANY
(Name and Address of Ceding Company)

Company's Policy No: 122020-20

(Herein called the Company) in respect to the COMPANY's policy hereinafter described in consideration of the payments of the premium, and subject to the terms, conditions and amount of liability set forth herein as follows:

NAME AND ADDRESS OF INSURED: COASTAL PHYSICIAN GROUP OF FLORIDA, INC.

REINSURANCE PERIOD From: 11/30/1995 To: 11/30/2005

COVERAGE MEDICAL MALPRACTICE LIABILITY

LOCATION OF RISK FT. LAUDERDALE, FL

SECTION A - COMPANY'S POLICY LIMITS:
$1,000,000 EACH LOSS, EACH INSURED AND $3,000,000 IN THE AGGREGATE PER INSURED INCLUDING THE CORPORATE ENTITY AND DIFFERENCE BETWEEN $1,000,000 AND INDIVIDUAL PHYSICIAN'S LIMIT IF ANY.

SECTION B - COMPANY'S RETENTION:
FIRST $500,000 EACH LOSS, EACH INSURED AND ALL LOSSES ABOVE REINSURERS AGGREGATE.

SECTION C - REINSURANCE ACCEPTED:
$500,000 IN EXCESS OF $500,000 EACH LOSS, EACH INSURED (SUBJECT TO $2,000,000 AGGREGATE.

ESTIMATED EXPOSURE	ORIGINAL RATE FLAT CHARGE	GROSS REINS. PREMIUM	NET REINS. PREMIUM
			$365,000.00
		LESS CEDING COSTS %	MINIMUM PREMIUM $365,000.00

INSTALLMENT PREMIUMS

DUE DATE	AMOUNT DUE
11/30/95	$365,000.00

☐ ADJUSTABLE PREMIUM
ADJUSTMENT PERIOD:
☒ NON-ADJUSTABLE PREMIUM

TOTAL PREMIUM $365,000.00

COUNTER SIGNED AT NEW YORK FAC OFFICE

DATE SIGNED 5/2/96

PRUDENTIAL REINSURANCE COMPANY

BY Mark B. Elberg
(Authorized Signature)

Exhibit F

ANNUAL STATEMENT FOR THE YEAR 2003 OF THE Century American Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 34, Column 4)		
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	(149,093)	1,525
3. Loss expenses incurred (Part 3, Line 25, Column 1)	35,650	39,622
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	43,806	71,933
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Line 2 through Line 5)	(69,637)	113,080
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	69,637	(113,080)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	147,201	261,137
10. Net realized capital gains (losses) (Exhibit of Capital Gains (Losses))		1,007
11. Net investment gain (loss) (Line 9 plus Line 10)	147,201	262,144
OTHER INCOME		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered $ ....., amount charged off $ .....)		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	70	25,035
15. Total other income (Line 12 through Line 14)	70	25,035
16. Net income before dividends to policyholders and before federal and foreign income taxes (Line 8 plus Line 11 plus Line 15)	216,908	174,099
17. Dividends to policyholders		
18. Net income, after dividends to policyholders but before federal and foreign income taxes (Line 16 minus Line 17)	216,908	174,099
19. Federal and foreign income taxes incurred	68,787	64,649
20. Net income (Line 18 minus Line 19) (to Line 22)	148,121	109,450
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 38, Column 2)	6,645,363	9,556,698
GAINS AND (LOSSES) IN SURPLUS		
22. Net income (from Line 20)	148,121	109,450
23. Change in net unrealized capital gains or (losses)		3,806,273
24. Change in net unrealized foreign exchange capital gain (loss)		
25. Change in net deferred income tax	703	935
26. Change in nonadmitted assets (Exhibit 1, Line 5, Column 3)	(83)	
27. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	81,529	(54,965)
28. Change in surplus notes		
29. Surplus (contributed to) withdrawn from protected cells		
30. Cumulative effect of changes in accounting principles		
31. Capital changes:		
31.1 Paid in		
31.2 Transferred from surplus (Stock Dividend)		
31.3 Transferred to surplus		
32. Surplus adjustments:		
32.1 Paid in		
32.2 Transferred to capital (Stock Dividend)		
32.3 Transferred from capital		
33. Net remittances from or (to) Home Office		
34. Dividends to stockholders		
35. Change in treasury stock (Page 3, Line 34.1 and 34.2, Column 2 minus Column 1)		
36. Aggregate write-ins for gains and losses in surplus		(6,773,028)
37. Change in surplus as regards policyholders for the year (Line 22 through Line 36)	230,270	(2,911,335)
38. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 37) (Page 3, Line 35)	6,875,633	6,645,363
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)		
1401. Miscellaneous Revenue	70	25,035
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)	70	25,035
3601. Dividend of Common Stock to Parent		(6,701,896)
3602. Amortization of Goodwill		(71,132)
3603.		
3698. Summary of remaining write-ins for Line 36 from overflow page		
3699. Totals (Line 3601 through Line 3603 plus Line 3698) (Line 36 above)		(6,773,028)

Securities Held
As Of 09/30/2004

	CUSIP	Security Description	Mdy Rat	Tr Date Set Date	Par Val / Shares	Cost	Accr'd Income	Book Value	Market Value Market Price	Unreal G/L
Long Term Bonds										
US Government Bonds										
D	912828-AH-3	US Treasury Note 3.250 08/15/2007	AAA	08/21/2002 08/26/2002	550,000.00	549,398.44	2,282.95	549,641.39	556,077.50 101.105	6,436.11
D	912828-AT-7	US Treasury Note 3.000 02/15/2008	AAA	02/12/2003 02/18/2003	1,000,000.00	1,002,500.00	3,831.52	1,001,726.25	1,000,590.00 100.059	(1,136.25)
		Subtotal for US Government Bonds :			**1,550,000.00**	**1,551,898.44**	**6,114.47**	**1,551,367.64**	**1,556,667.50**	**5,299.86**
		Subtotal for Long Term Bonds:			**1,550,000.00**	**1,551,898.44**	**6,114.47**	**1,551,367.64** JB	**1,556,667.50**	**5,299.86**
Short Term Investments										
US Government Bonds										
D	912828-BE-9	US Treasury Note 1.500 07/31/2005	AAA	08/20/2004 08/25/2004	800,000.00	797,250.00	2,021.74	797,578.41	795,936.00 99.492	-1,642.41
		Subtotal for US Government Bonds :			**800,000.00**	**797,250.00**	**2,021.74**	**797,578.41**	**795,936.00**	**(1,642.41)**
Money Market Funds										
D	299920-43-9	Evergreen Inst Treas MMkt		09/30/2004 09/30/2004	200,495.64	200,495.64	212.98	200,495.64	200,495.64 1.000	
	31846V-73-2	First American Prime Obligation Fd		09/30/2004 09/30/2004	1,941,418.27	1,941,418.27	2,042.75	1,941,418.27	1,941,418.27 1.000	
		Subtotal for Money Market Funds :			**2,141,913.91**	**2,141,913.91**	**2,255.73**	**2,141,913.91**	**2,141,913.91**	
		Subtotal for Short Term Investments:			**2,941,913.91**	**2,939,163.91**	**4,277.47**	**2,939,492.32** JB	**2,937,849.91**	**(1,642.41)**
Grand Total:						**4,491,062.35**	**10,391.94** 6,092.37	**4,490,859.96**	**4,494,517.41**	**3,657.45**

Bal @ 12/31/03 36,913.23
12-1 @ 9/30/04 10,391.94
26,521.29 A 4,299.57 Δ
JB

MXSG.AT