BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

IN THE MATTER OF:	)	
	)	**No.: 05-048**
CENTURY AMERICAN INSURANCE COMPANY	)	

ORDER ADOPTING EXAMINATION REPORT WITH MODIFICATIONS

Pursuant to Tenn. Code Ann. §§ 56-13-101, *et seq.*, and §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the "Division") has examined certain affairs of Century American Insurance Company (hereinafter also referred to as the "Company"), a captive insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 30th day of June, 2004, the examiner-in-charge filed with the Division, on the 7th day of July, 2005, a verified, written report on examination, and a copy of that report has been sent to Century American Insurance Company. (The Report on Examination of Century American Insurance Company is attached hereto and marked as Exhibit A). The Division received written rebuttal to said examination report from the Company on July 15, 2005. (A copy of the Company's written rebuttal is attached hereto and marked as Exhibit B.)

Pursuant to Tenn. Code Ann. § 56-13-120 and § 56-1-411, said examination report regarding the affairs of Century American Insurance Company, filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 7th day of July, 2005, is hereby **ADOPTED** as filed with the following **MODIFICATIONS**:

1. The Report on Examination is hereby **MODIFIED** by deleting on page nine (9) the title "**CORORATE RECORDS**" and replacing it with the title "**CORPORATE RECORDS**".

2. The Report on Examination is hereby **MODIFIED** by replacing on page fourteen (14) in the second full paragraph the sentence reading "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." with the following sentence: "Reinsurance limits are five hundred thousand dollars ($500,000) excess of five hundred thousand dollars ($500,000) each loss, each insured, subject to a two million dollars ($2,000,000) aggregate."

3. The Report on Examination is hereby **MODIFIED** by deleting on page fourteen (14) the title "**RETIREMENT AND OTHER EMPLOYEEE BENEFITS**" and replacing it with the title "**RETIREMENT AND OTHER EMPLOYEE BENEFITS**".

4. The Report on Examination is hereby **MODIFIED** by replacing on page fifteen (15), under the heading "**LOSS EXPERIENCE**" the numeral "149,093" with the following: "(149,093)".

5. The Report on Examination is hereby **MODIFIED** by adding the following paragraphs at the end of the section titled "**REINSURANCE**":

> "In response to a notice from the Department of Commerce and Insurance dated June 1, 2005, which requested the disclosure of finite risk transactions, the Company informed the Department of Commerce and Insurance that it has one finite reinsurance contract in which the total amount payable by the reinsurer is limited to one-hundred fifty percent (150%) of the gross premium ceded. The contract is effective from January 1, 1997, to January 1, 1998, and is a seventy-five percent (75%) quota share contract. Total gross premium ceded is thirteen million four hundred seventy-seven thousand five hundred forty-two dollars ($13,477,542), with a ceding commission of two million four hundred sixty-two thousand three hundred forty-seven dollars ($2,462,347), making the net premium ceded eleven million fifteen thousand one-hundred ninety-five dollars ($11,015,195). As of March 31, 2005, total ceded losses on this contract were fifteen million four hundred fifty-one thousand sixteen dollars ($15,451,016), putting the reinsurer in a loss

position, thereby evidencing an actual transfer of risk.

The Company also responded that it "has no separate written or oral agreements that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract"."

The adoption of this examination report shall not preclude the Department from imposing sanctions against Century American Insurance Company for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 25th day of ~~January~~ July, 2005.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:

Eric J. Stansell

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, and Don Spann, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Century American Insurance Company, 1002 Deming Way, Madison, Wisconsin 53717, on this the 28th day of July, 2005.

Eric J. Stansell

Eric J. Stansell
Certifying Attorney