

**STATE OF NORTH DAKOTA  
BISMARCK, NORTH DAKOTA**

**REPORT OF EXAMINATION**

**OF**

**U.S. UNDERWRITERS INSURANCE COMPANY  
BISMARCK, NORTH DAKOTA**

**AS OF  
DECEMBER 31, 2013**

STATE OF NORTH DAKOTA  
DEPARTMENT OF INSURANCE

I, the undersigned, Commissioner of Insurance of the State of North Dakota do hereby certify that I have compared the annexed copy of the Report of Examination of the

**U.S. Underwriters Insurance Company**

**Bismarck, North Dakota**

as of December 31, 2013, with the original on file in this Department and that the same is a correct transcript therefrom and of the whole of said original.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the City of Bismarck, this 15<sup>th</sup> day of April, 2015.

  
\_\_\_\_\_  
Adam Hamm  
Insurance Commissioner

# TABLE OF CONTENTS

SCOPE OF EXAMINATION.....	1
STATUS OF PRIOR EXAMINATION FINDINGS .....	2
SUMMARY OF SIGNIFICANT FINDINGS .....	2
SUBSEQUENT EVENTS.....	2
HISTORY.....	2
General.....	2
Capital Stock .....	2
Dividends to Stockholders .....	3
Management.....	3
Board of Directors.....	3
Officers.....	4
Committees .....	4
Conflict of Interest.....	4
Board of Directors, Stockholders and Committee Minutes .....	4
Articles of Incorporation and Bylaws .....	5
AFFILIATED COMPANIES .....	5
Holding Company System .....	5
INTERCOMPANY AGREEMENTS .....	6
Expense Sharing Agreement.....	6
Investment Services Agreement.....	6
Federal Income Tax Agreement.....	6
FIDELITY BONDS AND OTHER INSURANCE.....	6
PENSION, STOCK OWNERSHIP, AND OTHER INSURANCE PLANS.....	7
STATUTORY DEPOSITS .....	7
TERRITORY AND PLAN OF OPERATION.....	7
GROWTH OF COMPANY.....	8
LOSS EXPERIENCE .....	9
REINSURANCE.....	9
Assumed .....	9
Ceded.....	9
Loss Portfolio Transfer.....	12
ACCOUNTS AND RECORDS .....	12
FINANCIAL STATEMENTS .....	13
CONCLUSION.....	18
COMMENTS AND RECOMMENDATIONS.....	19

Bismarck, North Dakota  
March 10, 2015

Honorable Adam Hamm  
Commissioner  
North Dakota Insurance Department  
600 East Boulevard Avenue, Dept. 401  
Bismarck, ND 58505-0320

Commissioner:

Pursuant to your instructions and statutory requirements, a financial examination has been made of the books, records and financial condition of

**U.S. Underwriters Insurance Company  
Bismarck, North Dakota**

as of December 31, 2013.

U.S. Underwriters Insurance Company, hereinafter referred to as the "Company", was last examined as of December 31, 2008, by Examiners representing the North Dakota Insurance Department.

The present examination was conducted as of December 31, 2013, by Examiners representing the North Dakota Insurance Department.

**SCOPE OF EXAMINATION**

This examination was a risk-focused financial condition examination conducted in accordance with N.D.C.C. § 26.1-03-19.3 and observed guidelines and procedures contained in the NAIC *Financial Condition Examiners Handbook*. The examination was conducted to determine the Company's financial condition, its compliance with statutes, and to review the corporate affairs and insurance operations. This statutory examination covers the five-year period from January 1, 2009, to and including December 31, 2013, including any material transactions or events occurring subsequent to the examination date and noted during the course of this statutory examination.

Our examination was conducted in accordance with examination policies and standards established by the North Dakota Insurance Department and procedures recommended by the NAIC. In accordance with the NAIC *Financial Condition Examiners Handbook*, we planned and performed the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. Our examination also included assessment of the accounting principles used and significant estimates made by management as well as evaluation of the overall financial statement presentation, management's compliance with

statutory accounting principles, annual statement instructions, and when applicable, to domestic state regulations.

Work papers provided by the Company's independent auditor, WeiserMazars, L.L.P. (formerly Smart and Associates, L.L.P.), were reviewed and where deemed appropriate certain procedures and conclusions documented in those work papers have been relied upon and copied for inclusion into the working papers for this examination.

This examination was conducted by Examiners representing the North Dakota Insurance Department.

## **STATUS OF PRIOR EXAMINATION FINDINGS**

There were no examination findings in the preceding Report on Examination which covered the period from January 1, 2004, to December 31, 2008.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings or material changes in the financial statements.

## **SUBSEQUENT EVENTS**

As of the date of this report, there are no reportable subsequent events.

## **HISTORY**

### **General**

The Company was originally incorporated under the laws of the State of Delaware on January 10, 1972, and commenced business on December 27, 1977. Effective December 30, 1992, the Company changed its state of domicile from the Delaware to North Dakota. The Company currently operates in North Dakota as a stock insurance company.

### **Capital Stock**

At December 31, 2013, 840,000 shares of common stock, with a par value of \$5 per share and an aggregate value of \$4,200,000 were issued and outstanding. On May 16, 2013, the Company paid a stock dividend of 640,000 shares to its parent, Mount Vernon Fire Insurance Company.

The Company's original Articles of Incorporation authorized the Company to issue 200,000 shares of common stock with a par value of \$5 per share. With the approval of the North Dakota Insurance Department, the Company amended the Articles of Incorporation in 2014. The amended Articles authorized the Company to issue 840,000 shares of common stock with a par value of \$5 per share.

## Dividends to Stockholders

The Company did not declare or pay any dividends during the examination period other than the stock dividend paid on May 16, 2013, as reported in the Capital Stock section of this report.

## Management

The Company's Articles of Incorporation provide that the Board of Directors shall consist of not less than 3 and no more than 21 persons.

## Board of Directors

Management of the Company is vested in its Board of Directors ("Board"), which was comprised of the following members at December 31, 2013:

<b>Name and Address</b>	<b>Principal Occupation</b>
Thomas P. Nerney Villanova, PA	President & Chief Executive Officer United States Liability Insurance Company
David S. Charlton Pottstown, PA	Executive VP, Chief Underwriting Officer United States Liability Insurance Company
John G. Donahue, Jr. Newtown Square, PA	Vice President United States Liability Insurance Company
Diane S. Duda Lansdale, PA	Senior Vice President, Chief Actuarial Officer United States Liability Insurance Company
Shelley L. Palma Wayne, PA	Senior Vice President, Claims United States Liability Insurance Company
John Richard Petersen, Jr. Malvern, PA	Senior Vice President, Secretary, Chief Compliance Officer United States Liability Insurance Company
Louis F. Rivituso West Chester, PA	Senior Vice President, Chief Financial Officer United States Liability Insurance Company
Thomas C. Snyder Exton, PA	Senior Vice President, Chief Marketing Officer United States Liability Insurance Company
Lisa K. Kuesel-Traynor Malvern, PA	Senior Vice President, Chief Operating Officer United States Liability Insurance Company
Steven R. Zodtner Wayne, PA	Executive Vice President, Business Development and Renewal Underwriting United States Liability Insurance Company

## **Officers**

The Bylaws provide that the officers of the corporation shall be a President, a Vice President, a Secretary, a Treasurer, and such other Officers and Assistant Officers as may be deemed necessary may be elected or appointed by the Directors.

Officers serving as of December 31, 2013, were as follows:

<b>Name</b>	<b>Title</b>
Thomas Patrick Nerney	President & Chief Executive Officer
John Richard Petersen, Jr.	Corporate Secretary, Senior Vice President
Louis Francis Rivituso	Chief Financial Officer, Senior Vice President, Treasurer
David Scott Charlton	Executive Vice President
Steven Robert Zodtner	Executive Vice President
Jack Thomas Carballo	Senior Vice President
Dorinda Kauffman Culp	Senior Vice President
Diane Symnoski Duda	Senior Vice President
Shelley Laurice Palma	Senior Vice President
Thomas Christopher Snyder	Senior Vice President
Lisa Kathleen Kuesel Traynor	Senior Vice President

## **Committees**

The Company has an Executive and Investment Committee made up of the following members:

Thomas P. Nerney, Chairman  
Warren E. Buffett  
Louis F. Rivituso  
Marc D. Hamburg  
Mark D. Millard  
Daniel J. Jaksich

## **Conflict of Interest**

The Company maintains a formal conflict of interest policy and an established procedure for disclosure of any material interest or affiliations that might tend to influence a board member, officer, or employee in the performance of their duties. Conflict of interest statements executed during the period under examination were reviewed with no material conflicts noted.

## **Board of Directors, Stockholders and Committee Minutes**

The minutes of the Board of Directors and stockholder meetings for the period under examination were read and no exceptions were noted. As the meeting minutes of Executive and Investment Committees are not maintained by the Group and all of the other relevant committees are at the Berkshire Hathaway level, no committee meeting minutes were reviewed for the exam period.

**Articles of Incorporation and Bylaws**

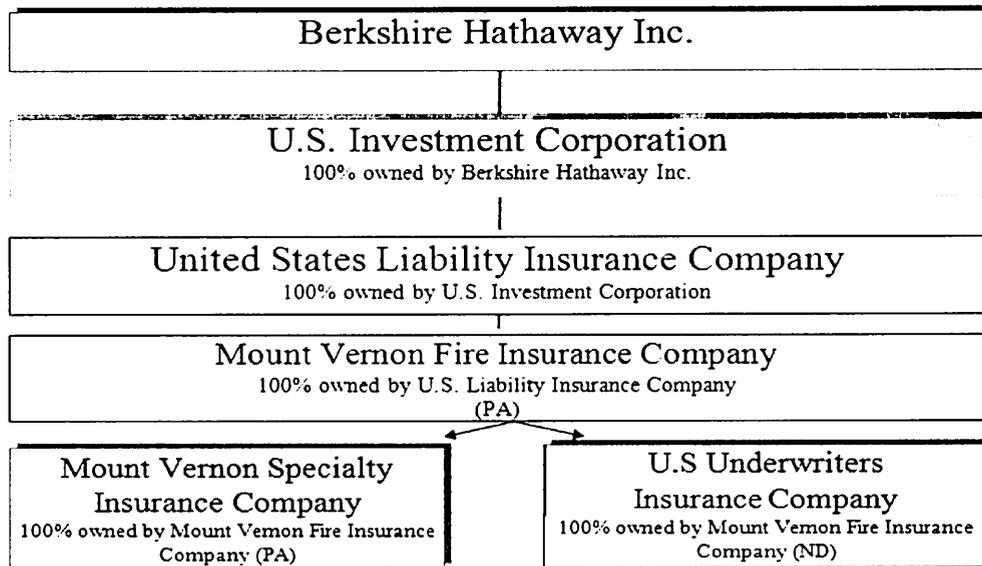
There were no amendments made to the Company's Articles of Incorporation or Bylaws during the examination period. However, the Company's Articles of Incorporation were amended on February 14, 2014, to increase the Company's authorized shares of common stock to 840,000 shares. The par value of the common stock remained unchanged at \$5 per share.

**AFFILIATED COMPANIES**

**Holding Company System**

On August 8, 2000, 100 percent of the stock of U.S. Investment Corporation, the holding Company for United States Liability Insurance Company, Mount Vernon Fire Insurance Company and US Underwriters Insurance Company was acquired by Berkshire Hathaway, Inc. On April 25, 2012, Mount Vernon Specialty Insurance Company, the other subsidiary of Mount Vernon Fire, was incorporated in Pennsylvania; it commenced business on December 11, 2012.

The following is an abbreviated organization chart showing the relationship of the Company and U.S. Investment Company within the Berkshire Hathaway, Inc. holding company system.



United States Liability and its subsidiaries, Mount Vernon Fire, Mount Vernon Specialty and U.S. Underwriters form the United States Liability Insurance Group (the USLI Group). The Companies have common management, underwriting, claims, marketing and support staff. The companies write similar products.

## INTERCOMPANY AGREEMENTS

### **Expense Sharing Agreement:**

Effective November 17, 2003, the Company entered into an Expense Sharing Agreement ("Expense Agreement") with its affiliates US Liability Insurance Company and Mount Vernon Fire Insurance Company. The Companies share the same offices, facilities and staff and the Expense Agreement states that general expenses will be allocated based on the net premium writings of each company in relation to the total for the group. The Agreement was amended on December 7, 2006, to state that balances under the Agreement are due 60 days after the end of each quarter. The Agreement was amended on November 9, 2012, to include Mount Vernon Specialty. The Agreement and the amendment were in writing and were approved by the Board of Directors.

Effective November 6, 2013, the Agreement was revised to add certain provisions required by the New York Department of Financial Services as an approval condition of an application submitted by Mount Vernon Specialty for a certificate of authority. The additional provisions appear to be nonsubstantive in nature and do not change the methodology for expense sharing provided in the prior agreement. The revised agreement supersedes and replaces the prior expense sharing agreement dated November 17, 2003.

### **Investment Services Agreement:**

Effective January 1, 2007, US Liability Insurance Company, Mount Vernon Fire Insurance Company, and the Company entered into an Investment Services Agreement ("Investment Agreement") with National Indemnity Company (NICO). Under the Investment Agreement, NICO will manage the Company's investments subject to guidelines established and approved by the Company's Board of Directors. The Company will be furnished with quarterly reports valued as of the last business day of the respective period. Transactions will be furnished to the Company within 10 days after the end of each calendar month. The Company will be charged a fee, payable quarterly, computed to equal NICO's cost of providing services under the agreement. The Agreement was amended on November 9, 2012, to include Mount Vernon Specialty.

### **Federal Income Tax Agreement:**

The Company entered into a Joint Tax Return Agreement with United States Liability Insurance Company, Mount Vernon Fire Insurance Company and Berkshire Hathaway, Inc. effective November 17, 2003. The agreement authorizes the Treasurer of Berkshire Hathaway, Inc. to file a joint tax return on behalf of the three named companies based upon the taxable profit and loss of each company. The Agreement was amended on November 9, 2012, to include Mount Vernon Specialty.

## FIDELITY BONDS AND OTHER INSURANCE

As of December 31, 2013, the Company along with the other subsidiaries of U.S. Investment Company did not carry any coverage for loss resulting from dishonest or fraudulent acts committed by employees. U.S. Investment Company elected to self-insure this risk. The

suggested minimum amount for the Group per the NAIC Financial Examiner's Handbook is \$1,750,000.

The USLI Group also elected to self-insure for some of the other risks exposures affecting the Group.

## PENSION, STOCK OWNERSHIP, AND OTHER INSURANCE PLANS

All employees of the Company are considered to be employed by United States Liability Insurance Company ("U.S. Liability"), an affiliate of the Company. Employee benefits fully provided by U.S. Liability include group medical coverage, life, accidental death and dismemberment, short-term and long-term disability, a 401(k) plan and a profit sharing plan. 91 percent of the cost for employee's group dental coverage is covered by U.S. Liability and the rest is paid by the employees. The Company contributes up to 15 percent of each employee's annual salary to the profit sharing plan. Costs associated with these plans are allocated to the Company and other affiliates based on premiums written.

## STATUTORY DEPOSITS

Deposits maintained by or through regulatory agencies are as follows:

State	Type of Asset	Fair Value	Statement Value
Nevada	Certificate of Deposit	\$200,000	\$200,000
New York	Bond	\$3,017,220	\$3,015,689
North Dakota	Bond	\$1,500,945	\$1,500,102
Total:		\$4,718,165	\$4,715,791

The deposit held by the State of New York is for the benefit of policyholders, claimants, and/or creditors of that jurisdiction. The other deposits are for the benefit of all policyholders, claimants, and/or creditors.

## TERRITORY AND PLAN OF OPERATION

At December 31, 2013, the Company was licensed in North Dakota to write property, casualty and accident and health lines of business. The Company is also an admitted carrier in 25 additional states and is an eligible surplus lines insurer in the States of Delaware, Pennsylvania, and New York. The Company currently writes primarily commercial liability on a surplus lines basis.

Direct premiums written by state during the period under review were as follows:

State	2013	2012	2011	2010	2009
Delaware	\$734,892	\$626,151	\$596,196	\$639,362	\$688,798
New York	21,401,201	26,153,591	30,924,738	33,398,297	35,738,451
North Dakota	502,596	495,216	353,298	271,965	346,547
Pennsylvania	6,588,872	6,706,454	8,703,255	9,518,194	9,463,059
Total:	<u>\$29,227,561</u>	<u>\$33,981,412</u>	<u>\$40,577,487</u>	<u>\$43,827,818</u>	<u>\$46,236,855</u>

The Company solicits business through wholesale and retail agents who do not have authority to bind insurance without approval of the Company. Prior to 2010, all business of the Group was written through approximately 175 professional wholesale brokers with roughly 395 locations throughout the U.S. In June 2010, the Group began expanding its distribution system to include selected retail agents. As of December 31, 2013, the number of wholesale brokers that the Group works with stands at 176 and retail brokers at 1,428.

## GROWTH OF COMPANY

The following represents the Company's direct written premium activity as it relates to surplus over the period of our examination:

	Premiums Written				
	2013	2012	2011	2010	2009
Direct	\$29,227,561	\$33,981,412	\$40,577,487	\$43,827,818	\$46,236,855
Assumed	0	0	0	0	0
Total Premiums	<u>\$29,227,561</u>	<u>\$33,981,412</u>	<u>\$40,577,487</u>	<u>\$43,827,818</u>	<u>\$46,236,855</u>
Surplus	115,665,031	102,062,803	90,100,449	78,372,885	65,337,065
Premium-to-Surplus	25%	33%	45%	56%	71%

The premiums to surplus ratio has been trending down as a result of the USLI Group emphasizing writing on an admitted basis and the effects of the slowly recovering economy.

## LOSS EXPERIENCE

The following represents the five-year history of the Company's loss reserves:

	2013	2012	2011	2010	2009
Loss reserves	33,344,278	34,618,494	39,596,376	45,415,833	47,669,734
LAE reserves	11,004,415	12,086,044	13,957,238	15,145,498	16,746,123
Total Reserves	\$44,348,693	\$46,704,538	\$53,553,614	\$60,561,331	\$64,415,857
Losses and LAE Incurred	5,154,338	3,047,147	6,174,492	7,466,782	3,958,355

## REINSURANCE

### Assumed

The Company does not assume any reinsurance.

### Ceded

At December 31, 2013, the Company had the following principal reinsurance treaties in force:

Type:	<b>50% Quota Share</b>
Reinsurer:	National Indemnity Company
Scope:	All lines of business
Company's Retention:	50% of net loss
Reinsurance Limits:	Three times net earned subject premium per all occurrences
Effective Date:	January 1, 2007
Termination:	At the end of any calendar year with 365 days written notice.

Type: **Casualty Excess of Loss**

Reinsurers:	<u>Layer 1</u>	<u>Layer2&amp;3</u>
Hannover Re	25%	25%
Partner Re	15%	15%
National Indemnity	60%	60%

Scope: Section A: All casualty coverage (excluding Proctor Blanket Liability)

Section B: Employment Practices Liability, Non-Profit Directors & Officers, Specified Professions Errors & Omissions, Community Associations Directors & Officers, Non-Profit Social Services, Technology Errors & Omissions, and Allied Healthcare.

Coverage: First Layer - \$750,000 excess of \$250,000(Section B Only)  
Second Layer - \$5,000,000 excess of \$1,000,000 (Section A Only)  
Third Layer - \$5,000,000 excess of \$6,000,000 (Section A Only)

Company's Retention: \$250,000 per risk per occurrence

Intermediary: Towers Watson

Effective Date: January 1, 2013

Term: Continuous until terminated by either party

Type: **Property Per Risk Excess of Loss**

Reinsurers: Swiss Re - 15%  
Partner Re - 10%  
Hannover Re - 25%  
National Indemnity Company - 50%

Scope: All property coverage (excluding Proctor Mortgage Guard)

Company's Retention: \$1,000,000 per risk per occurrence

Reinsurance Limits: \$2,000,000 excess of \$1,000,000

Intermediary: Towers Watson

Effective Date: January 1, 2013

Term: Continuous until terminated by either party

Type: **Property Per Risk Excess of Loss – Automatic Facultative**

Reinsurers: Swiss Re - 36%  
 Catlin (Lloyds) - 34%  
 Hannover Re - 15%  
 TOA Re - 15%

Scope: Bar/Tavern, Fraternal Club with limited cooking;  
 Restaurant, Fast Food Restaurant, Fraternal Club  
 with Cooking, Caterer, Convenience/Deli/Grocery with  
 cooking; Fraternal Club without Cooking; Officer;  
 Vacant Building, Partially Vacant, Building  
 Renovation, Builders Risk; Apartments; Dwellings;  
 Fitness Center - New Ventures; Laundromats;  
 Warehouses.

Company's Retention: \$500,000 per risk per occurrence

Reinsurance Limits: \$4,500,000 excess of \$500,000

Intermediary: Towers Watson

Effective Date: May 1, 2010

Term: Continuous until terminated by either party

Type: **Property Per Occurrence**

Reinsurers:	Layer 1	Layer 2	Layer 3
Hannover Re	15%	15%	15%
Mapfre Re	5%	5%	5%
Da Vinci Re	11.75%	11.75%	9.25%
Renaissance Re	11.75%	11.75%	9.25%
Lloyds	43.50%	37.50%	35%
Transatlantic Re	0%	4%	10%
Alterra	13%	15%	16.50%

Scope: All property coverage including Proctor Mortgage  
 Guard

Coverage: First Layer - \$2,500,000 excess of \$2,500,000  
 Second Layer - \$5,000,000 excess of \$5,000,000  
 Third Layer - \$25,000,000 excess of \$10,000,000

Company's Retention: \$2,500,000 per risk per occurrence

Intermediary: Towers Watson

Effective Date: January 1, 2013

Term: One year or December 31, 2013

Business Covered: All property coverage including Proctor Mortgage Guard

Type: **Cyber Liability Quota Share**

Reinsurers: Aspen Re - 25%  
Hannover Re - 55%

Scope: Cyber liability and data security policies

Company's Retention: 20% of Liability

Reinsurance Limits: \$1,000,000 of Net Liability to and for each and every insured, each and every Policy, each and every claim.

Effective Date: June 1, 2013

Term: One year or June 1, 2014

The reinsurance agreements contain the insolvency clause required by N.D.C.C. § 26.1-02-21 and all of the required clauses set forth in the *NAIC's Accounting Practices and Procedures Manual*.

### **Loss Portfolio Transfer**

The Company, United States Liability Insurance Company, and Mount Vernon Fire, hereinafter called Reinsureds, entered into a Loss Portfolio Transfer agreement ("LPT agreement") on January 2, 2007, with an affiliate company, National Indemnity Company ("NICO"). NICO is a wholly-owned subsidiary of Berkshire Hathaway, Inc., the ultimate controlling entity. Under the terms of the agreement, the Reinsureds transferred 50% of all net reserves as of January 1, 2007, to NICO. Mount Vernon Specialty was added to the agreement amended and effective on January 1, 2013. The LPT agreement will remain in effect until the obligations arising under the agreement have been discharged.

## **ACCOUNTS AND RECORDS**

The Company's accounting procedures, internal controls, and transaction cycles were reviewed during the course of the examination and a trial balance as of December 31, 2013, was traced to the appropriate schedules of the Company's 2013 Annual Statement. The Company's ledgers are maintained electronically. Revenues and expenses were test checked to the extent deemed necessary.

The Company is audited annually by an outside firm of independent certified public accountants. The work papers of this firm were made available to the Examiners and were used to the extent deemed appropriate for this examination.

## **FINANCIAL STATEMENTS**

The financial statements of the Company are presented on the following pages in the sequence listed below:

Statement of Assets, Liabilities, Surplus and Other Funds, December 31, 2013  
Underwriting and Investment Exhibit, Year 2013  
Reconciliation of Capital and Surplus, January 1, 2009 through December 31, 2013

**U.S. Underwriters Insurance Company**  
**Statement of Assets, Liabilities, Surplus, and Other Funds**  
**as of December 31, 2013**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 119,886,751		\$ 119,886,751
Common stocks	16,150,000		16,150,000
Cash, cash equivalents, and short term investments	31,252,546		31,252,546
Investment income due and accrued	82,228		82,228
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	3,457,246	\$ 197,094	3,260,152
Deferred premiums	68,669		68,669
Reinsurance:			
Amounts recoverable from Reinsurers	1,551,271		1,551,271
Current federal and foreign income tax recoverable and interest thereon	1,043,902		1,043,902
<b>Totals</b>	<b>\$173,492,613</b>	<b>\$197,094</b>	<b>\$173,295,519</b>

**U.S. Underwriters Insurance Company**  
**Statement of Assets, Liabilities, Surplus, and Other Funds**  
**as of December 31, 2013**

Losses		\$ 33,344,278
Loss adjustment expenses		11,004,415
Commissions payable, contingent commissions and similar charges		125,060
Taxes, licenses, and fees		34,975
Net deferred tax liability		3,582,483
Unearned premiums		6,790,127
Ceded reinsurance premiums payable		2,042,969
Payable to parent, subsidiaries, and affiliates		<u>706,181</u>
Total liabilities		\$ 57,630,488
Common capital stock	\$ 4,200,000	
Gross paid in and contributed surplus	14,000,000	
Unassigned funds (surplus)	<u>97,465,031</u>	
Surplus as regards policyholders		<u>115,665,031</u>
Total		<u><u>\$173,295,519</u></u>

**U.S. Underwriters Insurance Company  
Underwriting and Investment Exhibit  
for the Year Ended December 31, 2013**

**UNDERWRITING INCOME**

Premiums earned		\$14,167,472
Deductions:		
Losses incurred	\$ 3,336,244	
Loss expenses incurred	1,818,094	
Other underwriting expenses incurred	<u>5,171,327</u>	
Total underwriting deductions		<u>10,325,665</u>
Net underwriting gain or (loss)		\$3,841,807

**INVESTMENT INCOME**

Net investment income earned	\$7,187,309	
Net realized capital gains or losses	3,090,000	
Net investment gain or (loss)	<u>10,277,309</u>	
Net income before federal income taxes		\$14,119,116
Federal income taxes incurred		<u>4,619,399</u>
Net income		<u>\$9,499,717</u>

**U.S. Underwriters Insurance Company  
Reconciliation of Capital and Surplus Accounts**

	2013	2012	December 31 2011	2010	2009
Capital and surplus, December 31, previous year	\$102,062,803	\$90,100,449	\$78,372,888	\$65,337,066	\$55,167,488
Net income	9,499,717	10,449,390	8,537,871	7,482,086	9,478,852
Change in net unrealized capital gains or (losses)	2,420,925	1,416,837	(436,800)	1,829,376	539,088
Change in net unrealized foreign exchange capital gain or (loss)	1,813,500	760,500	3,100,500	1,989,000	0
Change in net deferred income tax	(352,216)	(420,033)	(432,314)	(115,780)	(565,879)
Change in nonadmitted assets	220,302	(244,340)	958,304	1,851,140	717,517
Transferred from surplus (Stock Dividend)	3,200,000				
Transferred to capital (Stock Dividend)	(3,200,000)				
Net change in capital and surplus for the year	\$13,602,228	\$11,962,354	\$11,727,561	\$13,035,822	\$10,169,578
Capital and surplus, December 31, current year	\$115,665,031	\$102,062,803	\$90,100,449	\$78,372,888	\$65,337,066

## CONCLUSION

The financial condition of the Company, as of December 31, 2013, as determined by this examination is summarized as follows:

Admitted Assets		<u>\$173,295,519</u>
Total Liabilities	\$57,630,488	
Surplus as Regards Policyholders	<u>115,665,031</u>	
Liabilities, Surplus, and Other Funds		<u>\$173,295,519</u>

No change was made to the amounts reported by the Company in its 2013 annual statement.

Since the last examination conducted as of December 31, 2008, the Company's admitted assets have increased \$26,517,012, its total liabilities have decreased \$33,980,534, and its surplus as regards policyholders has increased \$60,497,546.

The courteous cooperation extended by the officers and employees of the Company during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Edward Moody, CPA and CFE, Director of Company Licensing and Examinations of the North Dakota Insurance Department participated in this examination.

Respectfully submitted,



---

Emily Cheng, CPA & CFE  
Contract Examiner  
N.D. Insurance Department

## COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations.