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

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

Examination of: Monroe Guaranty Insurance Company

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Monroe Guaranty Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 21, 2014, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Monroe Guaranty Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 23, 2014
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0033 9036 64

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

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

Examination of: Monroe Guaranty Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Monroe Guaranty Insurance Company (hereinafter "Company") for the time period January 1, 2008 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on April 14, 2014.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 21, 2014 and was received by the Company on May 27, 2014.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS:**

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Monroe Guaranty Insurance Company as of December 31, 2012.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Monroe Guaranty Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.

2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.

3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 23 day of June, 2014.

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

MONROE GUARANTY INSURANCE COMPANY

NAIC COMPANY CODE 32506

As of

December 31, 2012

TABLE OF CONTENTS

STATE OF INDIANA **IDOI**

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

April 14, 2014

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3776, an examination has been made of the affairs and financial condition of:

Monroe Guaranty Insurance Company
12800 North Meridian Street, Suite 200
Carmel, Indiana 46032

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

The Report of Examination, showing the status of the Company as of December 31, 2012, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2008. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2009 through December 31, 2012, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by BDO USA, LLP Certified Public Accountants for each year of the examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

David Shepherd, FCAS, MAAA, of Merlinos & Associates, Inc. a consulting actuary appointed by the INDOI, conducted a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2012.

In accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook), Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company, and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, the examiners performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

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

HISTORY

The Company was formed in November 1971 as Northern Financial and Guaranty Company of Bermuda, and provided product liability insurance for its parent, Cook Group, Inc., an international manufacturer and distributor of medical products. On June 21, 1974, the Company was reformed under the laws of the State of Indiana, and its present name was adopted on July 2, 1975.

On October 7, 1991, Monroe Guaranty Companies, Inc. (MGCI) acquired the Company from Cook Group, Inc. At that time, the Company's employees owned 80% of MGCI through an Employee Stock Ownership Plan. In 2000, MGCI and the Company were acquired by FCCI Insurance Group, Inc. (FCCI), a Florida domiciled holding company. On October 1, 2003, MGCI merged into FCCI with FCCI as the surviving entity. FCCI is owned by FCCI Insurance Company, a Florida domiciled property and casualty insurer. The Company's ultimate parent is FCCI Mutual Insurance Holding Company (FCCI Mutual), a Florida corporation.

CAPITAL AND SURPLUS

As of December 31, 2012, the Company's total capitalization was $48,814,990 which included: common capital stock of $3,000,000 consisting of 1,000 shares of authorized, issued and outstanding with no par value, gross paid-in contributed surplus of $31,200,000, and unassigned funds (surplus) of $14,614,990. All of the outstanding shares were owned by FCCI at the examination date. The Company paid no shareholder dividends during the period covered by this examination.

TERRITORY AND PLAN OF OPERATION

The Company is a property and casualty insurance company that writes various commercial lines of business in the Midwestern and Southeastern states. As of December 31, 2012, the Company is licensed to transact business in nineteen (19) states and wrote $19.5 million in direct business. The highest concentrations of premium are in Georgia ($6.7 million), Indiana ($4.2 million), Alabama ($1.8 million), South Carolina ($1.5 million) and Michigan ($1.1 million).

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

GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Capital & Surplus	Net Premiums Earned	Net Income (Loss)
2012	$45,544,658	($3,270,332)	$48,814,990	$0	$1,068,694
2011	44,258,848	(3,457,309)	47,716,157	0	1,691,477
2010	42,912,335	(3,755,275)	46,667,610	0	2,048,481
2009	40,195,855	(4,839,742)	45,035,597	0	1,845,312

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

MANAGEMENT AND CONTROL

Directors

The Code of Bylaws (Bylaws) specify all corporate actions and business affairs of the corporation must be authorized or approved by the shareholders of the corporation. All corporate powers shall be excised by or under the authority of the Board of Directors, and the business and affairs of the corporation shall be managed pursuant to the policies of the Board of Directors.

The number of directors shall be ten (10). The number of directors may be increased or decreased by the affirmative vote of a majority of the directors, but at no time shall the board of directors consist of less than five (5) persons. Effective November 29, 2012, the number of directors was decreased to nine (9). At all times, at least one (1) of the Directors shall reside in the State of Indiana.

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

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

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

Officers

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

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

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

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

Effective June 2011

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

Effective September 2011

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

Corporate Governance

The Company's Bylaws specify the Board of Directors shall appoint a Nominating Committee. The Nominating Committee shall be responsible for nominating directors. The Board may appoint such other committees as it shall determine from time to time. Two of the Board committees and the member directors elected to serve as of December 31, 2012 were as follows:

Audit Committee:

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

Investment Committee:

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

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

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any one director, officer or key employee, which is likely to conflict with their official duties. From a review of the officers and directors signed statements, there were no conflicts of interest reported by any of the officers or directors.

OATH OF OFFICE

Indiana Code 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director signed an "Oath of Office" statement for 2012 and previous years.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments made to the Articles of Incorporation or Bylaws during the period under examination.

Minutes

The Board of Directors and shareholder meeting minutes were reviewed for the period under examination through the fieldwork date, and significant actions taken during each meeting were noted. It was noted the annual meetings and other regular Board meetings were held in accordance with the Bylaws. The Company's 2009 to 2012 Annual Shareholders meetings weren't held until after the first five months of each year. This is in violation of IC-27-1-7-7(b) which requires the Annual Shareholders meeting to be held within five months of the fiscal close of December 31, for each year. **Please see the "Other Significant Findings" section of this report regarding this issue.**

AFFILIATED COMPANIES

Organizational Structure

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

The group includes six insurance companies of which five are reinsured by their indirect parent, FCCI Insurance Company, under a 100% quota share agreement. The following organizational chart depicts the composition of the group as of December 31, 2012.

Organizational Chart

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

Intercompany Agreements

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

Management Services Agreement

A Management Services Agreement is in place between the Company and FCCI Services, Inc. and all of the affiliates of the FCCI Insurance Group. This agreement was effective January 1, 2007. Insurance and general management services are provided under this agreement. A First Amendment to the Management Services Agreement was made as a result of the changes to comply with the Statement of Statutory Accounting Principles in the NAIC Accounting Practices and Procedures Manual. A Second Amendment to the Management Services Agreement was submitted to the INDOI on March 6, 2009, and was subsequently not disapproved on April 6, 2009, and executed on April 7, 2009. The amendment adds Brierfield Insurance Company to the agreement as an affiliate, effective January 1, 2009. In 2012, the amount of fees paid by the Company under this agreement was $3,020,913.

Federal and State Tax Allocation Agreement

The Company is party to a Federal and State Tax Allocation Agreement to file a consolidated tax return with FCCI Insurance Company and other affiliates. The method of allocation between companies is subject to written agreement, approved by the Board of Directors. Allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled annually within 90 days of the filing of the Consolidated Federal Income Tax Return. For the taxable year beginning 2009 and thereafter, the "Addition of Mississippi Insurance Managers, Inc. (MIM) and Centerpoint, Inc. to the Tax Allocation Agreement", was submitted to the INDOI on September 9, 2009, and was subsequently not disapproved on October 2, 2009. Amounts paid in 2012 under this agreement were $318,977 (Federal) and $49,480 (State).

Operating Agreement of FCCI Tax Credit, LLC

Effective November 23, 2010, the Company, National Trust Insurance Company and FCCI Insurance Company entered into an Operating Agreement with FCCI Tax Credit, LLC, a newly formed entity with the primary purpose of indirectly investing in low income housing properties in order to obtain low income housing tax credits for its members. The agreement will be in effect until amended or terminated by the parties or until FCCI Tax Credit, LLC is dissolved. As of December 31, 2012, the Company owned 16%, FCCI Insurance Company owned 62%, and National Trust owned 22%. FCCI Insurance Company acts as a manager under this agreement. The Agreement was submitted to the INDOI on September 27, 2010 and was not disapproved by the INDOI on November 12, 2010.

Capital Maintenance Agreements

As a condition of authorization to write workers' compensation coverage under the Longshore and Harbor Workers' Compensation Act and its extensions, the Department of Labor, Office of Workers' Programs, Division of Longshore and Harbor Workers' Compensation, required the Company and its affiliate Brierfield Insurance Company to enter into capital maintenance agreements with FCCI Insurance Company. The proposed agreements require the Company, FCCI Insurance Company, and Brierfield Insurance Company to maintain specified capital levels in the Company and Brierfield Insurance Company. The agreements and any potential capital contributions are contingent upon any necessary regulatory approval.

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

FIDELITY BOND AND OTHER INSURANCE

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

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

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory deposit as of December 31, 2012:

State		Book Value		Fair Value
For all Policyholders				
Georgia	$	102,720	$	108,559
Indiana		2,198,057		2,431,687
Virginia		400,894		415,564
All Other Special Deposits				
Florida		201,228		202,422
North Carolina		653,590		747,191
U.S. Department of Labor		526,786		543,806
Total Other Special Deposits	$	4,083,275	$	4,449,229

REINSURANCE

The Company's reinsurance program is described below:

Reinsurance Ceded

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

On the Company's 2012 Annual Statement Schedule F, the premium ceded to non-affiliates represents facultative reinsurance primarily for the property and umbrella lines. Losses ceded to non-affiliates were primarily to General Reinsurance Corporation under reinsurance agreements that were entered into prior to the Company's 2000 acquisition by FCCI.

Reinsurance Assumed

As a direct writer of insurance, the Company is required by certain states to participate in underwriting pools. These pools require that all insurers share proportionally in providing insurance coverage for certain high-risk insured's. As of December 31, 2012, the Company participated in the underwriting pools of eleven (11) states.

RESERVES

Russell H Grieg, Jr., FCAS, MAAA, CFA of Towers Watson was the Company's Appointed Actuary for the Company in 2012. Mr. Grieg was appointed by the Board of Directors of the Company on August 30, 2004, to render an opinion on the statutory-basis loss reserves of the Company. He also rendered an opinion on such reserves for the years ended December 31, 2011, 2010 and 2009.

The scope of the opinion stated the Actuary examined the reserves as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials as of December 31, 2012. In forming the opinion, information prepared by the Company was relied upon. The provided data was evaluated for reasonableness and consistency. The data was reconciled to Schedule P - Part 1 of the Company's Annual Statement as of December 31, 2012. The examination included such review of the actuarial assumptions and methods and such tests of the calculations as considered necessary.

The 2012 opinion stated the reserve balances: 1) meet the requirements of the insurance laws of Indiana; 2) are consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board; and 3) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

David Shepherd FCAS, MAAA of Merlinos and Associates was appointed by the INDOI to conduct a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2012. He concluded that the actuarial methods and assumptions used by the appointed actuary were reasonable with no exceptions noted.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ended December 31, 2012, was agreed to the Annual Statement without exception. The Annual Statement totals for Admitted Assets, Liabilities, Surplus, Premiums Written and Net Income for the years ended December 31, 2009 through December 31, 2012, were agreed to each year's trial balance with no exceptions noted. The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

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

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

The Examiners determined the Company's accounting procedures, practices, and account records were satisfactory.

FINANCIAL EXHIBITS

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

MONROE GUARANTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	$ 43,900,005	$ -	$ 43,900,005	$ 42,426,204
Cash $(60,024), cash equivalents $0 and short-term investments $900,326	840,302	-	840,302	318,082
Other invested assets	261,102	-	261,102	301,662
Subtotals, cash and invested assets	$ 45,001,409	$ -	$ 45,001,409	$ 43,045,948
Investment income due and accrued	427,003	-	427,003	402,808
Amounts recoverable from reinsurers	6	-	6	(3,490)
Funds held by or deposited with reinsured companies	12,063	-	12,063	11,967
Current federal and foreign income tax recoverable and interest thereon	-	-	-	316,650
Net deferred tax asset	104,177	-	104,177	74,038
Receivable from parent, subsidiaries and affiliates	-	-	-	384,561
Aggregate write-ins for other than invested assets	-	-	-	26,366
Total Assets	**$ 45,544,658**	**$ -**	**$ 45,544,658**	**$ 44,258,848**

MONROE GUARANTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	$ -	$ -	$ -	$ -
Reinsurance payable on paid losses and loss adjustment expenses	764,253	-	764,253	690,742
Loss adjustment expenses	-	-	-	-
Commissions payable, contingent commissions and other similar charges	533,532	-	533,532	537,158
Taxes, licenses and fees	975,056	-	975,056	620,114
Current federal and foreign income taxes	370,861	-	370,861	-
Unearned premiums after deducting unearned premiums for ceded reinsurance of $9,869,980	-	-	-	-
Advance premium	9,897	-	9,897	20,156
Ceded reinsurance premiums payable	(6,712,884)	-	(6,712,884)	(5,761,472)
Amounts withheld or retained by company for account of others	505,984	-	505,984	413,192
Remittances and items not allocated	257,349	-	257,349	240
Aggregte write-ins for liabilities	25,620	-	25,620	22,561
Total Liabilities	**$ (3,270,332)**	**$ -**	**$ (3,270,332)**	**$ (3,457,309)**
Aggregate write-ins for speial surplus funds	$ -	$ -	$ -	$ 59,497
Common capital stock	3,000,000	-	3,000,000	3,000,000
Gross paid in and contributed surplus	31,200,000	-	31,200,000	31,200,000
Unassigned funds (surplus)	14,614,990	-	14,614,990	13,456,660
Surplus as regards policyholders	**$ 48,814,990**	**$ -**	**$ 48,814,990**	**$ 47,716,157**
Totals	**$ 45,544,658**	**$ -**	**$ 45,544,658**	**$ 44,258,848**

MONROE GUARANTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Summary of Operations

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums earned	$ -	$ -	$ -	$ -
Losses incurred	-	-	-	-
Loss expenses incurred	-	-	-	-
Other underwriting expenese incurred	(28,800)	-	(28,800)	59,825
Total underwriting deductions	$ (28,800)	$ -	$ (28,800)	$ 59,825
Net underwrting gain (loss)	**$ 28,800**	**$ -**	**$ 28,800**	**$ (59,825)**
Net investment income earned	$ 1,382,636	$ -	$ 1,382,636	$ 1,370,032
Net realized capital gains (losses) less capital gains tax	70,094	-	70,094	34,014
Net investment gain (loss)	**$ 1,452,730**	**$ -**	**$ 1,452,730**	**$ 1,404,046**
Net gain (loss) from agents' or premium balances charged off	$ (112,675)	$ -	$ (112,675)	$ (21,636)
Finance and service charges not included in premiums	43,362	-	43,362	37,459
Aggregate write-ins for miscellaneous income	61	-	61	7,302
Total other income	**$ (69,252)**	**$ -**	**$ (69,252)**	**$ 23,125**
Net income before dividends to policyholders, after capital gains tax before all other federal income taxes	$ 1,412,278	$ -	$ 1,412,278	$ 1,367,346
Dividends to policyholders	12,793	-	12,793	12,794
Net income before dividends to policyholders, after capital gains tax before all other federal income taxes	$ 1,399,485	$ -	$ 1,399,485	$ 1,354,552
Federal and foreign income taxes incurred	330,791	-	330,791	(336,925)
Net income	**$ 1,068,694**	**$ -**	**$ 1,068,694**	**$ 1,691,477**

MONROE GURANTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	As of December 31, 2012			
	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Capital and Surplus Account:				
Surplus as regards policyholders, December 31, prior year	$ 47,716,157	$ -	$ 47,716,157	$ 46,667,610
Net income	$ 1,068,694	$ -	$ 1,068,694	$ 1,691,477
Change in net deferred income tax	33,974	-	33,974	(649,960)
Change in nonadmitted assets	(3,835)	-	(3,835)	7,030
Change in surplus as regards policyholders for the year	**$ 1,098,833**	**$ -**	**$ 1,098,833**	**$ 1,048,547**
Surplus as regards policyholders, December 31, current year	**$ 48,814,990**	**$ -**	**$ 48,814,990**	**$ 47,716,157**

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2012, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Annual Shareholders Meeting

The Company's 2009 to 2012 Annual Shareholders Meetings weren't held until after the first five months of each year. This is in violation of IC-27-1-7-7(b) which requires the Annual Shareholders meeting to be held within five months of the fiscal close of December 31.

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

SUBSEQUENT EVENTS

Changes in Management

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

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., hereinafter collectively referred to as the "Examiners" performed an examination of the **Monroe Guaranty Insurance Company** as of **December 31, 2012**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2012 NAIC *Financial Condition Examiner's Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of the **Monroe Guaranty Insurance Company** as of **December 31, 2012,** as determined by the undersigned.

David Daulton, CFE
The Thomas Consulting Group, Inc.

State of: MA
County of: Middlesex

On this 16th day of May, 2014, before me personally appeared, David Daulton, to sign this document.

IN WITNESS WHEROF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires 9/4/2020 Elizabeth A. Tober
Notary Public

ELIZABETH A. TOBER
Notary Public
Commonwealth of Massachusetts
My Commission Expires September 4, 2020