



**THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE**

**REPORT OF EXAMINATION OF THE
ATLANTIC CHARTER INSURANCE COMPANY**

Boston, Massachusetts

As of December 31, 2010

NAIC GROUP CODE 1178

NAIC COMPANY CODE 44326

EMPLOYERS ID NO. 04-3104363

For Informational Purposes Only

ATLANTIC CHARTER INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
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March 30, 2012

The Honorable Joseph G. Murphy
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

ATLANTIC CHARTER INSURANCE COMPANY

at its home office located at 25 New Chardon Street, Boston, MA, 02114-4721. The following report thereon is respectfully submitted.

For Informational Purposes Only

Atlantic Charter Insurance Company

SCOPE OF EXAMINATION

Atlantic Charter Insurance Company (hereinafter referred to as "Company" or "Atlantic Charter") was last examined as of December 31, 2005 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the period from January 1, 2006 through December 31, 2010, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Concurrent with this examination, the following insurance affiliates in the Atlantic Charter insurance group were also examined and separate Reports of Examination have been issued:

Endeavour Insurance Company
Independence Casualty Insurance Company

The examination was conducted in accordance with standards established by the Financial Condition (E) Committee of the NAIC as well as with the requirements of the NAIC Financial Condition Examiners' Handbook, the examination standards of the Division and consistent with Massachusetts General Laws ("M.G.L."). The principal focus of the examination was 2010 activity; however, transactions both prior and subsequent hereto were reviewed as deemed appropriate.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, surety bonds and other insurance, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company is audited annually by Ernst & Young LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2006 through 2010. A review and use of the certified public accountants' work papers was made to the extent deemed appropriate and effective. An independent actuarial firm, Milliman, Inc., was retained by the Division to evaluate the adequacy of the Company's loss and loss adjustment expense reserves as of December 31, 2010. An evaluation of the adequacy and effectiveness of the Information Technology Systems' controls was done to determine the level of reliance to be placed on summary information generated by the data processing systems.

Status of Prior Examination Findings

It appears that the previous examination comments have been addressed.

Atlantic Charter Insurance Company

HISTORY

General

The Company was incorporated on November 19, 1990, under the laws of the Commonwealth of Massachusetts. It commenced business on January 1, 1991, and began accepting insurance risks on February 1, 1991. The Company, a licensed property and casualty insurer, writes workers' compensation insurance at a deviated rate (currently, at a 10% deviation) on employers in Massachusetts through a network of independent agents and brokers. The Company is licensed, as are its affiliates, to conduct business in the Commonwealth of Massachusetts and the State of New Hampshire.

The Company is a wholly owned subsidiary of Charter Management Company, Inc. ("CMC"), a Massachusetts corporation owned by Linda J. Sallop (68%) and Mitchel I. Weisman (32%). The Company's largest producer is the Nathan Sallop Insurance Agency ("NSIA").

Besides its direct business, the Company assumes 100% of the business written by two affiliates, Endeavour Insurance Company ("EIC") and Independence Casualty Insurance Company ("ICIC"). Additionally, the Company participates as a Voluntary Direct Assignment Carrier ("VDAC") in the Massachusetts Workers' Compensation Assigned Risk Pool ("MaWCARP"), the residual market mechanism for workers' compensation insurance in the Commonwealth.

Capital Stock

The Articles of Organization for the Company authorized 200,000 shares of capital stock with no par value. In 1990, the Company initially was capitalized through the issuance of 50,000 shares of capital stock at a price of \$60.00 per share, as prescribed by Section 48 of MGL Chapter 175. All shares were purchased by CMC. In 1991, the Board of Directors voted to issue to CMC upon payment of \$0.3 million, an additional 5,000 shares of no par value common capital stock at \$60.00 per share.

As of December 31, 2010, the Company in total had authorized 200,000 shares of no par value common capital stock, of which 55,000 have been issued and are outstanding. All outstanding shares are held by CMC.

Dividends to Shareholders

The Company declared and paid dividends during the examination period as follows:

2010	\$15,000,000
2009	4,862,000
2008	4,862,000
2007	4,862,000
2006	4,862,000

Atlantic Charter Insurance Company

Dividends to Policyholders

The Company declared and paid dividends during the examination period as follows:

2010	\$ 602,915
2009	553,232
2008	942,375
2007	1,027,568
2006	1,217,493

Growth of the Company

The growth of the Company for the years 2006 through 2010 is shown in the following schedule, which was prepared from the Company's Annual Statements, including any changes as a result of the examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Net Premiums Written</u>	<u>Surplus</u>
2010	\$157,685,588	\$41,027,781	\$57,769,681
2009	161,726,249	39,751,873	62,117,848
2008	148,038,619	36,331,544	54,379,497
2007	150,256,301	41,745,718	57,304,294
2006	145,950,265	48,061,251	57,143,506

Management

Annual Meeting

In accordance with the Company's by-laws, the annual meeting of stockholders shall be held on the first Tuesday in March in each year. A majority in interest of all stock issued, outstanding, and entitled to vote at a meeting shall constitute a quorum of the stockholders. Stockholders entitled to vote shall have one vote for each share of stock owned by them and a proportionate vote for any fractional share of stock owned by them. Stockholders may vote in person or by proxy. If an annual meeting shall not have been held on the date fixed in the bylaws, a special meeting in lieu of an annual meeting may be held with all the force and effect of an annual meeting. The bylaws also specify that any action permitted to be taken at any meeting of the stockholders may be taken without a meeting if all stockholders entitled to vote on the matter consent to the action in writing. The corporate records document that for each year in the examination period, the requirement for an annual meeting was satisfied with an action by consent of the Company's sole stockholder.

Atlantic Charter Insurance Company

Board of Directors

According to the bylaws, the business of the Company shall be managed by a board of directors which may exercise all of the powers of the Company except those exclusively conferred upon or reserved solely to the stockholders. The board of directors shall consist of not fewer than five directors and the stockholders shall fix the number of directors for the ensuing corporate year at the annual meeting of the stockholders or at any special meeting held for that purpose. The directors shall be elected at the annual meeting of stockholders or the special meeting in lieu of the annual meeting. Each director shall hold office until the next annual meeting of the stockholders and until a successor shall have been duly elected and qualified, but any director may resign. The stockholders may remove any director from office with or without cause. The board of directors may remove any director from office for cause. If the office of a director becomes vacant for any reason, the stockholders or the board of directors may elect a successor to complete the unexpired term of the predecessor, but only the stockholders may fill a vacancy resulting from enlargement of the board. A director may, but need not, be a stockholder, an officer, or an employee of the Company. The bylaws permit that by a majority vote of the board of directors, the board may be divided into two or more classes, such classes to be as nearly equal in number as possible.

At December 31, 2010, the Company's board of directors had the common governance of the same seven (7) people serving as directors on the board of affiliates. Directors duly elected and serving at December 31, 2010, with business affiliation follow:

<u>Name of Director</u>	<u>Business Affiliation</u>
Linda Jane Sallop, Esq.	President and Chairperson of the Company
Mitchel Ira Weisman, Esq.	Executive Vice President and Secretary of the Company
David Allan Bakst, Esq.	Senior Partner, Morrison Mahoney, LLP
Julianne M. Bowler*	Former Massachusetts Commissioner of Insurance
Brian Albert Brooks, C.F.A.	Senior Partner, Retired, PricewaterhouseCoopers, LLP
William Joseph Marney	Underwriting Manager, Retired, The Hartford Companies
Eric Dear Schaller	Chief Executive Officer, The Bullfinch Companies, Inc.

* Newly elected to Directorship since the prior examination.

Directors Linda J. Sallop and Mitchel I. Weisman also serve on the Board of Directors for Charter Management Company, Inc.

The bylaws do not specify the number of meetings of the board of directors to be held during a year and they allow the board of directors to take action by consent and/or telephonic meetings. At any meeting of the board, a majority of the directors then in office shall constitute a quorum but in no event shall a quorum be less than four directors. The minutes indicated that a quorum was obtained for all meetings of the board of directors held during the examination period.

Atlantic Charter Insurance Company

The bylaws allow that the directors may elect from their number an executive committee, an investment committee, and such other committees as they may determine. In accord therewith, the board of directors appointed an Investment Committee and an Audit Committee. The purpose and membership of each committee at December 31, 2010, are as follows:

Investment Committee

The Investment Committee monitors the performance of the Company's investments and authorizes the purchase and/or sale of securities. At the date of examination, the members of the Investment Committee were Director Linda J. Sallop, Director Brian A. Brooks, and Director Eric D. Schlager.

Audit Committee

The Audit Committee coordinates and oversees services of the Company's auditors and it serves as a liaison between the Company and its auditors. At the date of examination, the Audit Committee consisted of Directors Brian A. Brooks and William J. Jeanev.

Officers

According to the Company's bylaws, the officers of the Company shall be a president, a treasurer, a secretary and such other officers as the board of directors may determine. The board of directors shall elect the president, treasurer, secretary, and any other officers. The president may, but need not, be a director. The secretary shall be a resident of Massachusetts. To the extent permitted by law, any two or more offices may be held by the same person. No officer need be a stockholder in or an employee of the Company.

The elected officers and their respective titles at December 31, 2010 follow:

<u>Name</u>	<u>Title</u>
Linda J. Sallop, Esq.	President
Mitchel I. Weisman, Esq.	Executive Vice President and Secretary
Joseph N. Russo, CPA	Treasurer
Faye O. Shulman	Vice President
David A. Bakst, Esq.	Assistant Secretary

Atlantic Charter Insurance Company

Conflict of Interest Procedures

The Company has adopted a policy statement pertaining to conflicts of interest in accordance with Question 17 of the General Interrogatories of the Annual Statement. The Company has an established procedure for the disclosure to the board of directors of any material interest or affiliation on the part of any officer or director, which conflicts or is likely to conflict with his or her official duties.

Annually, each officer and director completes a questionnaire disclosing any material conflicts of interest. The completed questionnaires were reviewed, and no discrepancies were noted in the responses to the General Interrogatories regarding conflicts of interest as reflected in the Company's 2010 Annual Statement.

Corporate Records

Articles of Organization and By-laws

The by-laws and Articles of Organization and amendments thereto were read. During the examination period, there were no changes to the by-laws or the Articles of Organization.

Disaster Recovery and Business Continuity

The Company does provide for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with M.G.L. c.175 ss.180M-180Q.

Board of Directors Minutes

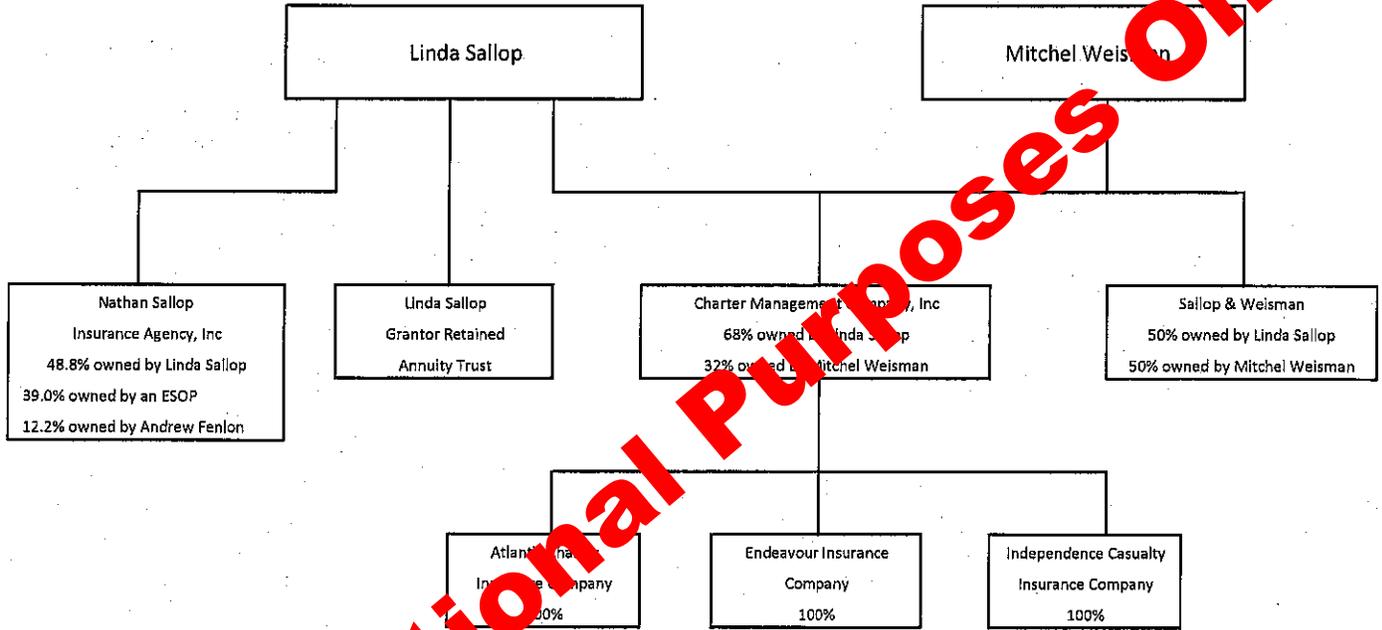
The minutes of the board of directors and committee meetings for the period under statutory examination were read. The minutes indicated that all meetings were held in accordance with the Company's by-laws and the laws of the Commonwealth of Massachusetts. Activities of the committees were reviewed at each meeting of the board of directors.

The minutes of the June 20, 2007 meeting of the board of directors meeting noted that the prior Report of Examination as of December 31, 2005 was reviewed by the Audit Committee.

Atlantic Charter Insurance Company

AFFILIATED COMPANIES

Per Form B, as filed with the Massachusetts Division of Insurance, the Company is a member of a holding company system and is subject to the registration requirements of M.G.L. c.175, s206C of the Massachusetts General Laws and Regulation 211 CMR 7.00. Charter Management Company, Inc. is the "ultimate controlling person".



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Atlantic Charter Insurance Company

Transactions and Agreements with Parent and Affiliates

Service Agreement

Per the terms of a written services agreement effective January 1, 2002, the Company receives management, general administrative, underwriting, claims, financial accounting, and other services from its parent company, CMC. Under terms of the agreement, the Company shall pay to CMC 100% of the actual costs and expenses incurred by CMC on behalf of the Company.

Inter-Affiliate Reinsurance Agreement

The Company has a quota share reinsurance agreement with EIC and ICIC where the Company assumes all of the business written by these two affiliated insurers.

Tax Sharing Agreement

The Company participates in a written tax allocation agreement entered into as of May 4, 2004, with three affiliates, CMC, EIC, and ICIC. Per such agreement, CMC collects from or refunds to its participating subsidiaries the amount of taxes or benefits by an allocation method based upon the respective tax liability of each member computed as if a separate return were filed in accordance with the Internal Revenue Code.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with M.G.L. c.175 s.60. The aggregate limit of liability exceeds the NAIC suggested minimum.

The Company has further protected its interests and property by purchasing policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts and was in force as of December 31, 2010.

PENSION AND OTHER INSURANCE PLANS

All company personnel are actually employees of CMC. As employees of CMC, they are offered various insurance plans including health, dental, life and disability.

CMC sponsors a defined contribution plan in which employees may elect to participate. CMC may match the employee contribution upon approval of the board of directors.

STATUTORY DEPOSITS

<u>Location</u>	<u>Description of Deposit</u>	<u>Value</u>
New Hampshire	Cash	\$500,000
Total		<u>\$500,000</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company is licensed to write workers' compensation and employers' liability in Massachusetts and New Hampshire. The company writes business through brokers and independent agents.

Treatment of Policyholders – Market Conduct

During the financial examination, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2010 through December 31, 2010. The market conduct examination was called pursuant to authority in Massachusetts General Laws (M.G.L.) Chapter 175 Section 4.

The market conduct examination was conducted at the direction of and under the overall management and control of, the market conduct examination staff of the Division. Representatives of the firm of Rudmose & Noller Advisors, LLC were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins.

The basic business areas reviewed under the market conduct examination are Company Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Services, Underwriting and Rating, Claims, in addition to an assessment of the Company's internal control environment. Once this market conduct examination was completed, a report on the Comprehensive Market Conduct Examination of the Company for the period January 1, 2010 through December 31, 2010 was issued and became a public document.

REINSURANCE

The Company has a limited program of reinsurance. It assumes reinsurance from two affiliated companies and releases its statutorily imposed residual market obligations from MaWCARP; it also is carrying a small block of workers' compensation coverage in run-off mode assumed previously from a non-affiliated company. The Company cedes reinsurance above its \$500,000 retention to a non-affiliated reinsurance company. The following briefly describes the major features of the Company's reinsurance activity.

Inter-Affiliate Reinsurance Agreements

Effective August 9, 1996, the Company began to participate in a 100% quota share reinsurance agreement with EIC whereby EIC cedes to the Company the premiums, losses, loss adjustment expenses, and underwriting expenses of all insurance risks underwritten or assumed by EIC on or after such effective date. The Company agreed to be solely responsible for the servicing and administration of such business and bears all of the costs associated with performing such servicing. The agreement is prospective in nature.

Atlantic Charter Insurance Company

Effective June 15, 2004, the Company executed and began to participate in a similar 100% quota share reinsurance agreement with ICIC whereby ICIC cedes all of the premiums, losses, loss adjustment expenses, and underwriting expenses of its insurance risks underwritten or assumed on or after such effective date. Likewise under this agreement, the Company assumes ICIC's business and similarly is responsible for servicing and administering the business.

Assumed Reinsurance

Involuntary Pool

As a licensed insurer, the Company has statutorily mandated participation in MaWCARP, the residual market mechanism for workers' compensation insurance in the Commonwealth of Massachusetts. MaWCARP bases the distributions of its operating results on a policy year basis and allocates its financial results among insurers in the property and casualty industry in proportion to their respective voluntary writings. Effective January 1, 1999, the Company exercised its option to fulfill its statutory obligation to MaWCARP by becoming a voluntary direct assignment carrier which is assigned its estimated share of MaWCARP values in the form of specific risks in lieu of a percentage of MaWCARP's overall results. The Company retains the underwriting risk of such policies and is responsible for their claims, loss adjustment expenses, and underwriting expenses.

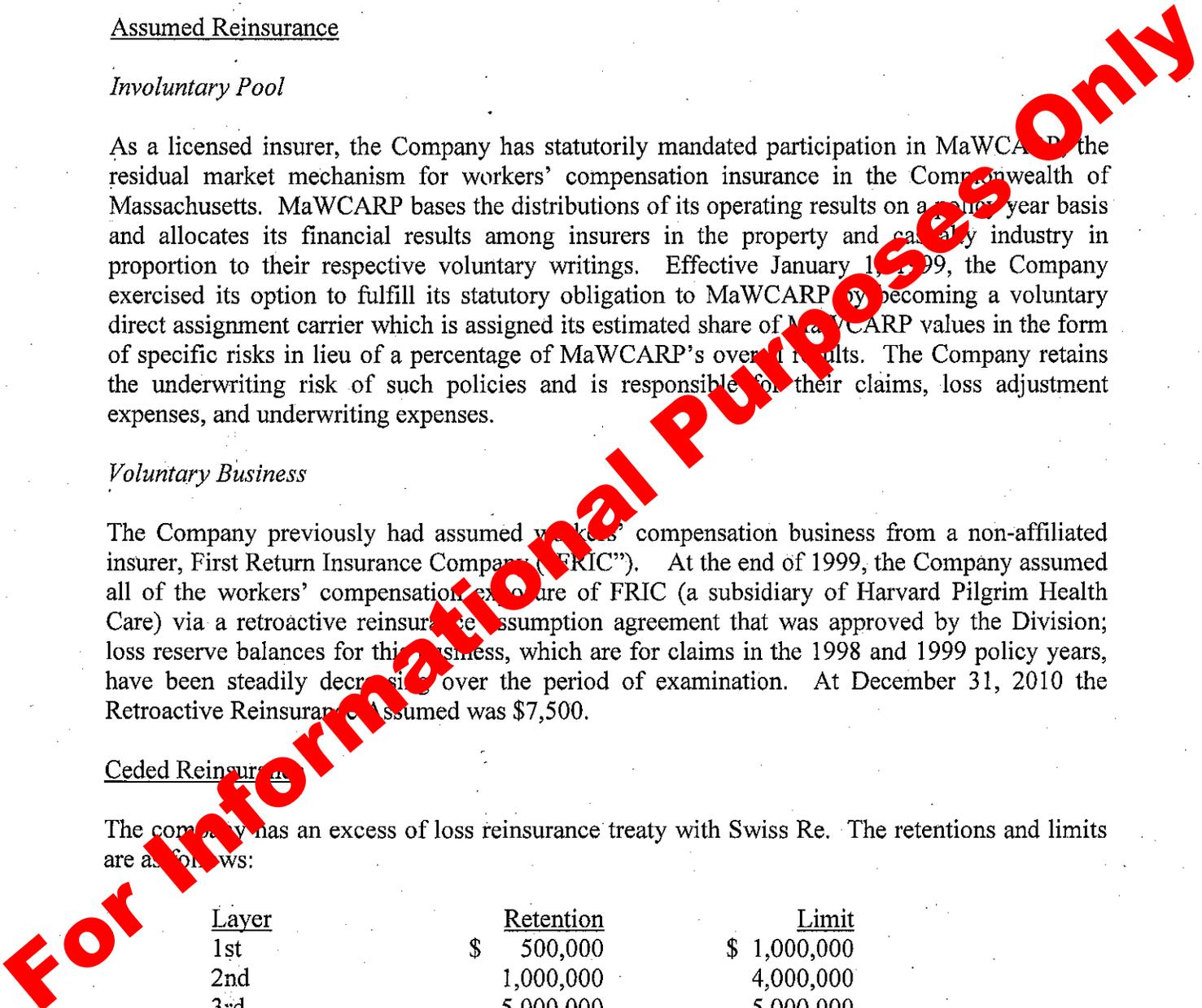
Voluntary Business

The Company previously had assumed workers' compensation business from a non-affiliated insurer, First Return Insurance Company ("FRIC"). At the end of 1999, the Company assumed all of the workers' compensation exposure of FRIC (a subsidiary of Harvard Pilgrim Health Care) via a retroactive reinsurance assumption agreement that was approved by the Division; loss reserve balances for this business, which are for claims in the 1998 and 1999 policy years, have been steadily decreasing over the period of examination. At December 31, 2010 the Retroactive Reinsurance Assumed was \$7,500.

Ceded Reinsurance

The company has an excess of loss reinsurance treaty with Swiss Re. The retentions and limits are as follows:

<u>Layer</u>	<u>Retention</u>	<u>Limit</u>
1st	\$ 500,000	\$ 1,000,000
2nd	1,000,000	4,000,000
3rd	5,000,000	5,000,000
4th	10,000,000	10,000,000



Atlantic Charter Insurance Company

SUBSEQUENT EVENTS

In September 2011, John Gray, retired Senior Vice President of General Re became a member of the board of directors.

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires and through a review of the work performed by the Company's independent certified public accountants. No material differences were noted.

The NAIC provides a questionnaire covering the evaluation of the controls in the Information Technology environment. The questionnaire was completed by the Company and reviewed by the Division to evaluate the adequacy of the Information Technology controls. No material deficiencies were noted.

The Company uses an automated general ledger system. Trial balances were traced from the general ledger and supporting documents to the 2010 annual statement. No material exceptions were noted.

The books and records of the Company are audited annually by Ernst & Young LLP, independent Certified Public Accountants, in accordance with 211 CMR 23.00.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts and by the *National Association of Insurance Commissioners* as of December 31, 2010:

Statement of Assets, Liabilities and Surplus and Other Funds as of December 31, 2010

Underwriting and Investment Exhibit Statement of Income for the Year Ended December 31, 2010

Reconciliation of Capital and Surplus For the Five Year Period Ended December 31, 2010

Atlantic Charter Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2010

Assets	Per Company	Examination Changes	Per Statutory Examination	Notes
Bonds	\$ 128,750,127	\$ 0	\$ 128,750,127	
Preferred stocks	1,456,985		1,456,985	
Common stocks	11,922,406		11,922,406	
Cash and short term investments	4,078,452		4,078,452	
Subtotal cash and invested assets	146,207,970		146,207,970	
Investment income due and accrued	1,850,711		1,850,711	
Premiums and considerations:				
Uncollected premiums	1,312,168		1,312,168	
Deferred premiums	6,301,789		6,301,789	
Reinsurance:				
Amounts recoverable from reinsurers	9,161		9,161	
Other amounts receivable under reinsurance contracts	91,440		91,440	
Current federal and foreign income tax recoverable and interest thereon	546,112		546,112	
Net deferred tax asset	1,366,237		1,366,237	
Total Assets	<u>\$ 157,685,588</u>	<u>\$ 0</u>	<u>\$ 157,685,588</u>	

Atlantic Charter Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2010

Liabilities	Per Company	Examination Changes	Per Statutory Examination	Notes
Losses	\$ 77,371,244	\$ 0	\$ 77,371,244	1
Loss adjustment expenses	7,716,880		7,716,880	1
Commissions payable	334,773		334,773	
Other expenses	19,324		19,324	
Unearned premiums	13,409,665		13,409,665	
Advance premium	481,206		481,206	
Amounts withheld for account of others	524,775		524,775	
Derivatives	3,100		3,100	
Aggregate write-ins for liabilities	54,940		54,940	
Total liabilities	99,915,907	0	99,915,907	
Common capital stock	1,100,000		1,100,000	
Gross paid in and contributed surplus	2,200,000		2,200,000	
Unassigned funds	54,469,681		54,469,681	
Surplus as regards policyholders	57,769,681		57,769,681	
Total Liabilities and Capital and Surplus	\$ 157,685,588	\$ 0	\$ 157,685,588	

Atlantic Charter Insurance Company

Underwriting and Investment Exhibit Statement of Income For the Year Ended December 31, 2010

	Per Company	Examination Changes	Per Statutory Examination	Notes
Premiums earned	\$ 41,082,876	\$ 0	\$ 41,082,876	
Deductions:				
Losses incurred	16,339,915		16,339,915	
Loss adjustment expenses incurred	9,739,357		9,739,357	
Other underwriting expenses incurred	11,306,407		11,306,407	
Total underwriting deductions	37,385,679		37,385,679	
Net underwriting gain	3,697,197	0	3,697,197	
Net investment income earned	6,064,706		6,064,706	
Net realized capital gains	2,299,160		2,299,160	
Net investment gain	8,363,866	0	8,363,866	
Finance and service changes not included in premiums	(226,931)		(226,931)	
Total other income	(226,931)	0	(226,931)	
Net income before dividends to policyholders	11,834,132		11,834,132	
Dividends to policyholders	602,915		602,915	
Net income before federal taxes	11,231,217	0	11,231,217	
Federal and foreign taxes incurred	1,360,026		1,360,026	
Net Income	\$ 9,871,191	\$ 0	\$ 9,871,191	

Atlantic Charter Insurance Company

Reconciliation of Capital and Surplus
For the Five Year Period Ended December 31, 2010

	2010	2009	2008	2007	2006
Surplus as regards policyholders as of, December 31, prior year	\$ 62,117,848	\$ 54,379,497	\$ 57,304,294	\$ 57,143,507	\$ 57,675,640
Net income	9,871,191	9,356,026	1,247,645	6,028,646	6,287,226
Change in net unrealized capital gains or (losses)	813,510	1,560,402	(947,886)	(531,329)	173,748
Change in net unrealized foreign exchange capital gain	50,972	-	-	-	-
Change in net deferred income tax	(1,481,435)	(1,923,629)	740,329	289,577	637,195
Change in non-admitted assets	1,397,595	3,607,552	80,916	(764,107)	(2,768,302)
Dividends to stockholders	(15,000,000)	(4,862,000)	(4,862,000)	(4,862,000)	(4,862,000)
Net change in capital and surplus for the year	(4,348,167)	7,038,351	(2,924,797)	160,787	(532,133)
Surplus as regards policyholders as of, December 31, current year	\$ 57,769,681	\$ 62,117,848	\$ 54,379,497	\$ 57,304,294	\$ 57,143,507

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Loss and Loss Adjustment Expense Reserves

The Division retained the consulting actuarial services of Milliman, Inc. to provide an independent actuarial review of the loss and loss adjustment expense reserves carried by the company. The table below shows the findings resulting from their actuarial evaluation of the company on both a net of reinsurance and gross of reinsurance basis.

Loss & Loss Adjustment Expense Reserves as of December 31, 2010
(000's omitted)

Reserve Category	Milliman Indicated			Carried
	Low	Selected	High	
<i><u>Net of Reinsurance</u></i>				
Losses and Defense & Cost Containment	57,294	63,291	69,106	
Adjusting & Other	14,706	16,934	19,161	
Pool Assumed	<u>5,113</u>	<u>5,113</u>	<u>5,113</u>	
Total Loss & Expense	77,294	85,337	93,380	85,088
<i><u>Gross of Reinsurance</u></i>				
Losses and Defense & Cost Containment	58,598	64,538	70,478	
Adjusting & Other	14,706	16,934	19,161	
Pool Assumed	<u>5,113</u>	<u>5,113</u>	<u>5,113</u>	
Total Loss & Expense	78,417	86,584	94,752	85,088

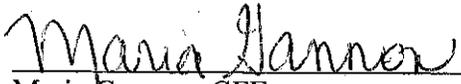
Milliman's review indicates that the carried gross and net Loss and LAE reserves as of December 31, 2010 fall within a range of reasonableness.

ACKNOWLEDGEMENT

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by the following Division examiners who participated in this examination is hereby acknowledged:

Richard Looney, Financial Examiner III
Carla Mallqui, Financial Examiner II
Steven Tsimtsos, Financial Examiner II



Maria Gannon, CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance



Guangping Wei, CFE
Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance



Raffaele J. Ciaramella, Jr., CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance