STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT OF EXAMINATION OF

AMERICAN MINING INSURANCE COMPANY, INC.

BIRMINGHAM, ALABAMA

AS OF DECEMBER 31, 2009

PARTICIPATION:
SOUTHEASTERN ZONE, NAIC
ALABAMA
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Lori Brock, CFE, being duly sworn, states as follows:

1. I have the authority to represent Alabama in the examination of American Mining Insurance Company, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of American Mining Insurance Company, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

Examiner-in-charge

Subscribed and sworn before me by Lori Brock on this 7th day of April, 2011.

(SEAL)

(Signature of Notary Public)

My commission expires JUNE 24, 2014.
Mary Taylor, Chair, Examination Oversight (E) Task Force
Director of Insurance
Ohio Department of Insurance
50 West Town Street, Suite 300
Columbus, Ohio 43215

Mila Kofman, Secretary, Northeastern Zone
Superintendent of Insurance
Department of Professional & Financial Regulations
Maine Bureau of Insurance
State House Station
Augusta, Maine 04333-0034

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

Monica J. Lindeen, Secretary, Western Zone
Commissioner of Securities & Insurance
Montana State Auditor's Office
840 Helena Avenue
Helena, Montana 59601

Sharon P. Clark, Secretary, Southeastern Zone
Commissioner of Insurance
Kentucky Department of Insurance 34
P.O. Box 517
Frankfort, Kentucky 40602-0517

Jim L. Ridling, Commissioner
Alabama Department of Insurance
P.O. Box 30351
Montgomery, Alabama 36130-3351

Dear Director, Superintendent and Commissioners:

Pursuant to your authorizations and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

American Mining Insurance Company, Inc.
Birmingham, Alabama

at its home office located at 3490 Independence Drive, Birmingham, Alabama, 35209 as of December 31, 2009. The report of examination is submitted herewith. Where the description “Company” appears herein without qualification, it will be understood to indicate American Mining Insurance Company, Inc.
SCOPE OF EXAMINATION

The Company was last examined for the five year period ended December 31, 2008, by the examiners representing the Southeastern Zone, NAIC. In an effort to have a coordinated examination of all insurance subsidiaries of the W.R. Berkley Corporation, it was decided that the Alabama examiners would conduct a one-year examination that covered the intervening period from the date of the last examination through December 31, 2009. These examinations were coordinated with Delaware being the lead state. The examiners relied upon work of the Delaware examination where appropriate. In addition, the Company’s examination covered the compliance with previous recommendations made in the 2008 Report of Examination, and those issues identified during the planning as immaterial to the coordinated examination but were material to the AMIC examination. Where deemed appropriate, transactions, activities and similar items subsequent to 2009 were reviewed.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department regulations, bulletins and directives and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2009, and to identify the Company’s prospective risks by obtaining information about the Company including corporate governance, by identifying and assessing inherent risks within the Company and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with statutory accounting principles and annual statement instructions.

The Company’s annual statement for the year under examination was compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company’s information systems (IS) was conducted concurrently with the financial examination. The IS examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company’s territory and plan of operation, management and operations, claims, complaint handling, marketing and sales, policyholder services, producer licensing, underwriting and rating, and privacy standards. See “MARKET CONDUCT ACTIVITIES” on page 18 for further discussion of the market conduct examination.
KPMG, LLP was the Company’s certified public accountants (CPAs) for the year under examination. The examiners reviewed the CPAs’ workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed certificate of representation was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2009.

**ORGANIZATION AND HISTORY**

The Company was incorporated on February 7, 1984, under the laws of the State of Alabama. The Certificate of Incorporation was filed for record in the office of the Judge of Probate of Jefferson County, Alabama.

Article II of the Articles of Incorporation, as amended (June 19, 1989), lists the objects, purposes and powers for which the organization was incorporated. The primary purpose of the incorporation was “To insure against any other kind of loss, or damage or liability described within the definition of ‘casualty insurance’ contained in section 27-5-6 of the Alabama Insurance Code...”

Article V of the Articles of Incorporation authorized 100,000 shares of $10 par value common stock, with an aggregate value of $1,000,000. Under the name of “Southern Fire Insurance Company, Inc,” the Company began business on February 1, 1987, with paid-in capital in the amount of $400,000 and paid-in surplus in the amount of $600,000 derived from the sale of 40,000 shares of authorized stock.

The Articles of Incorporation were amended on December 16, 1987 to change the name of the Company to “Interlaken Insurance Company, Inc.” On April 4, 1989, the Articles of Incorporation were amended to change the name of the Company to its present name, “American Mining Insurance Company, Inc.”

Article V of the Company’s Articles of Incorporation was amended on December 27, 1989. The amended articles stated, in part,

The aggregate number of shares of all classes of stock which the Corporation shall have the authority to issue is 111,500, which shall be divided into two classes of stock, so that 100,000 shares having a par value of $10.00 per share shall be shares of common stock and 11,500 shares having a par value of $100.00 per share shall be shares of preferred stock. The stated capital of the Corporation shall be at least equal to the sum of the aggregate par value of all issued shares of common and preferred stock, plus such amounts as, from time to time, by resolution of the Board of Directors may be transferred thereto.

The authorized capital of the Company consisted of 100,000 shares of common stock with a par value of $10 per share and 11,500 shares of preferred stock with a par value of $100 per share. At December 31, 2008, 60,000 shares of common stock, with a value of $600,000 and 11,500 shares of preferred stock, with a value of $1,150,000, were issued and outstanding. CGH Insurance Group, Inc. (CGH) has complete stock ownership which it acquired on April 4, 1989.
The Gross paid in and contributed surplus was $17,729,992. During 2005, the Company received a surplus contribution of $7,925,000.

On October 4, 2007, all of the outstanding shares of CGH were purchased by Berkley Regional Insurance Company, whose ultimate parent is W. R. Berkley Corporation.

Article V of the Company's Articles of Incorporation was amended on January 19, 2010. The amended articles stated, in part,

The aggregate number of shares of all classes of stock which the Corporation shall have the authority to issue is 111,500, which shall be divided into two classes of stock, so that 100,000 shares having a par value of $60.00 per share shall be shares of common stock and 11,500 shares having a par value of $100.00 per share shall be shares of preferred stock. The stated capital of the Corporation shall be at least equal to the sum of the aggregate par value of all issued shares of common and preferred stock, plus such amounts as, from time to time, by resolution of the Board of Directors may be transferred thereto.

MANAGEMENT AND CONTROL

Stockholder

The Company is a stock corporation with ultimate control vested in its stockholders. At December 31, 2009, 100% of the Company's issued and outstanding common and preferred capital stock was owned by CGH Insurance Group, Inc., an Alabama corporation.

Board of Directors

Members elected to the Board of Directors of the Company by the sole shareholder and serving at December 31, 2009, were as follows.

<table>
<thead>
<tr>
<th>Director</th>
<th>Residence</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eugene George Ballard</td>
<td>Katonah, New York</td>
<td>Senior Vice President &amp; Chief Financial Officer of W. R. Berkley Corporation</td>
</tr>
<tr>
<td>William Robert Berkley, Jr.</td>
<td>Greenwich, Connecticut</td>
<td>President &amp; Chief Operating Officer of W. R. Berkley Corporation</td>
</tr>
<tr>
<td>Chandler Fletcher Cox, Jr.</td>
<td>Mountain Brook, Alabama</td>
<td>President &amp; Chief Executive Officer of American Mining Insurance Company</td>
</tr>
<tr>
<td>Dominick Giovannelli</td>
<td>Vestavia Hills, Alabama</td>
<td>Executive Vice President &amp; Chief Financial Officer of American Mining Insurance Company</td>
</tr>
<tr>
<td>Peter Lind Kamford</td>
<td>Greenwich, Connecticut</td>
<td>Senior Vice President of W. R. Berkley Corporation</td>
</tr>
<tr>
<td>Ira Seth Lederman</td>
<td>Bedford, New York</td>
<td>Senior Vice President, General Counsel &amp; Secretary of W. R. Berkley Corporation</td>
</tr>
</tbody>
</table>
Committees

No committees of the board were in existence during the examination period. However, the Company established an Audit Committee on June 24, 2010. Members of the Audit Committee as of year-end 2010 are:

Chandler Fletcher Cox, Jr.
Dominick Giovannelli
William Robert Berkley, Jr.
Robert Daly Stone
Eugene George Ballard
Ira Seth Lederman

Officers

Officers of the Company elected by the Board of Directors and serving at December 31, 2009 were as follows:

<table>
<thead>
<tr>
<th>Officer</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chandler Fletcher Cox, Jr.</td>
<td>President &amp; Chief Executive Officer</td>
</tr>
<tr>
<td>Dominick Giovannelli</td>
<td>Executive Vice President &amp; Chief Financial Officer</td>
</tr>
<tr>
<td>Gregory Thomas Pierre</td>
<td>Treasurer</td>
</tr>
<tr>
<td>Gregory Steven Barth</td>
<td>Senior Vice President, Chief Underwriting Officer</td>
</tr>
<tr>
<td>William Wallace Schrimpf, Sr.</td>
<td>Senior Vice President, General Counsel and Chief Claims Officer</td>
</tr>
<tr>
<td>Ruth Ann Howald</td>
<td>Senior Vice President, Chief Actuary</td>
</tr>
<tr>
<td>John Dale Thompson</td>
<td>Senior Vice President, Mid Atlantic Region</td>
</tr>
<tr>
<td>Donna Jean Shenesky</td>
<td>Senior Vice President, Compliance</td>
</tr>
<tr>
<td>John Stuart Huddleston</td>
<td>Senior Vice President, Information Technology</td>
</tr>
<tr>
<td>Theodore Carlton Roose</td>
<td>Vice President, Claims</td>
</tr>
<tr>
<td>Bryant Elmer Brown</td>
<td>Vice President, Marketing</td>
</tr>
<tr>
<td>Durbin Wayne Christner</td>
<td>Vice President, Underwriting</td>
</tr>
<tr>
<td>Jonathan Wayne Flower</td>
<td>Vice President, Claims</td>
</tr>
<tr>
<td>Rosemary Cannova Courington</td>
<td>Assistant Vice President and Controller</td>
</tr>
<tr>
<td>Michael Brian Carney</td>
<td>Assistant Vice President, Compliance</td>
</tr>
<tr>
<td>Stacy Leigh Sanders</td>
<td>Assistant Vice President, Statistics</td>
</tr>
<tr>
<td>Linda Bowen Tucker</td>
<td>Assistant Vice President, Human Resources</td>
</tr>
<tr>
<td>Kenneth Ray Hopkins</td>
<td>Assistant Secretary</td>
</tr>
<tr>
<td>Ann Jellison Watts</td>
<td>Vice President &amp; Secretary</td>
</tr>
</tbody>
</table>

Management and Service Agreements

The Company provided evidence to the examiners that all of the agreements with affiliates were submitted to the Department and the approvals were obtained for each agreement in which an approval was required.
Management and Administration Agreement with American Mining Insurance Group, LLC

The Company entered into a management and administration agreement with American Mining Insurance Group, LLC (AMIG) on January 1, 2009. According to the agreement, AMIG agrees to act as manager on the Company’s behalf and to do all things necessary to ensure the proper and efficient operations of the business of the Company. AMIG will provide staff in order for the Company to carry on its affairs and business. Staff members will remain employees of AMIG. AMIG will provide all accounting services and record all transactions in the Company’s books and records. AMIG will not collect premiums for the Company but is empowered as the underwriting manager under the terms of this agreement. AMIG will also process and pay claims on behalf of the Company.

Agency Contract Agreement with Mining Insurance Markets, Inc.

Mining Insurance Markets, Inc. (MIM), a wholly owned subsidiary of CGH, the Company’s parent company, had an agency contract with the Company that was executed on November 1, 2000.

The agreement defined the non-exclusive authority of the Agent (MIM) as follows:

- To issue binders and policies within Company’s lawful purview provided such authority shall be exercised only in accordance with the terms of this agreement and such conditions and limitations as are from time to time established by the Company. Agent shall promptly notify the Company of such issuance and shall within five (5) working days furnish it a written copy thereof.
- To do all things necessary and proper to carry out this agreement.

Loss Adjustment Service Agreement with American Mining Claims Service, Inc.

American Mining Claims Service, Inc. (AMCS), a wholly owned subsidiary of CGH, the Company’s parent company, had a loss adjustment service agreement with the Company. The agreement was entered into on June 1, 2007, and superseded all prior loss adjustment service agreements with AMCS.

The agreement stated that AMCS would perform loss adjustment services for workers’ compensation, claims. The contract was non-exclusive in nature and applied to those insurance claims specifically assigned to AMCS by the Company. Either party, upon written notice to the other, may cancel the agreement. For each claim opened by AMCS, the Company agreed to pay a fee based on a schedule included in the agreement.

Loss Adjustment Services Agreement with CGH Claims Service, Inc.

CGH Claims Service, Inc. (CGHCS), a wholly owned subsidiary of AMCS, had a loss adjustment services agreement with the Company. The agreement was entered into on June 1, 2007, and superseded the previous loss adjustment services agreement with CGHCS.
The agreement stated that CGHCS would perform loss adjustment services for workers’ compensation claims. The agreement was non-exclusive in nature and applied only to those insurance claims specifically assigned to CGHCS by the Company. Either party, upon written notice to the other, may cancel the agreement. For each claim opened by CGHCS, the Company agreed to pay a fee based on a schedule included in the agreement.

Management Agreement with Great Divide Insurance Company

The Company entered into a management agreement with Great Divide Insurance Company (GDIC) effective October 1, 2008. Under the terms of the agreement, GDIC appointed the Company as its legal representative for the purpose of producing, underwriting and servicing, on its behalf, GDIC’s business within the scope and limits stated in the agreement. The authority of the Company to act as manager on behalf of GDIC was subject to guidelines established by GDIC, which included, but was not limited to:

- The acceptance and declination of risks;
- The issuance, cancellation and amendment of contracts of insurance;
- The collection and payment of premiums and return premiums on such insurance contracts;
- The rejection, adjustment, compromise and payment of losses and any expenses incidental thereto;
- The recovery of losses and expenses from the Company and/or its reinsurers, if any;
- The payment of all taxes and fees imposed by any government or agency thereof applicable to the business other than premium taxes;
- The payment of all dues and all other expenses connected with the business;
- The determination of what constitutes a “risk,” an “insured,” a “claim,” and a “loss;”
- And, generally to do everything necessary and incidental to the performance of any service required of the manager under the agreement.

All of the operating expenses incurred by the Company, as manager, in connection with the business conducted pursuant to the agreement (exclusive of insurance expenses including, but not limited to, commission brokerage, premium taxes, license fees, legal, audit, loss and loss adjustment expenses), shall be borne by the Company as the manager. All insurance expenses including, but not limited to, commission, brokerage, premium taxes, license (including expenses of examination and other governmental expenses), legal, audit, loss and loss adjustment expense shall be borne by GDIC.

The agreement is cancellable by either party by giving the other party ninety days written notice.

Consolidated Federal Income Tax Agreement with W. R. Berkley Corporation

Prior to the acquisition of CGH Insurance Group (CGH) by Berkley Regional Insurance Corporation (BRIC), the Company had a consolidated federal income tax agreement with CGH. The agreement provided for the Company to file consolidated federal income tax returns with members of the CGH holding company.
On October 4, 2007, the Company entered into an agreement with W. R. Berkley Corporation. Under the terms of the agreement, W. R. Berkley may include the Company in its consolidated federal income tax return of W. R. Berkley Corporation and its subsidiaries. The Company’s liability or benefit is calculated by the liability or benefit as if the Company had filed a separate federal income tax return.

Administrative Services Agreement with Berkley Risk Administrators

Effective January 1, 2009, the Company entered into an Administrative Services Agreement with Berkley Risk Administrators Company, LLC (BRAC). The Company was selected to administer a portion of the worker’s compensation residual market in the state of West Virginia. The Agreement provides for the Company to utilize the personnel, resources and expertise of BRAC to perform the work under the Servicing Carrier Contract. In consideration of the services to be performed by BRAC, the Company shall pay to BRAC, all fees and compensation allowable to the Company under the Servicing Carrier Contract.

Administrative Services Agreement with American Mining Claims Service, Inc.

Effective January 1, 2009, the Company entered into an Administrative Services Agreement with American Mining Claims Service, Inc. (AMCS). The Company was selected to administer a portion of the worker’s compensation residual market in the state of West Virginia. The Agreement provides for the Company to utilize the personnel, resources and expertise of AMCS to perform the work under the Servicing Carrier Contract. In consideration of the services to be performed by AMCS, the Company shall pay to AMCS, all fees and compensation allowable to the Company under the Servicing Carrier Contract.

Conflict of Interest

The Company has adopted a policy that requires that any interests of its officers and directors that might conflict with any interests of the Company be disclosed. The Company requires its officers and directors to sign and file conflict of interest disclosure statements annually. Conflict of interest statements were signed and filed by all of the Company’s officers and directors for each year under examination. No conflicts were disclosed.

CORPORATE RECORDS

The Company’s Articles of Incorporation, By-Laws, and amendments thereto were inspected and found to provide for the operation of the Company in accordance with Alabama statutes and regulations and with accepted corporate practices.

Minutes of the meetings of the stockholder and board of directors meetings and actions taken by unanimous written consent, from December 31, 2008 to the completion of the examination were reviewed. The minutes and actions taken by unanimous written consent appeared to be complete and to adequately document the actions of the respective governing bodies.
HOLDING COMPANY AND AFFILIATE MATTERS

The Company was subject to the Alabama Insurance Holding Company Regulatory Act, as defined in ALA. CODE § 27-29-1 (1975). In connection therewith, the Company was registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System.

Appropriate filings required under the Holding Company Act were made from time to time by the Company as registrant. A review of the Company’s filings during the period under examination indicated that all required filings were made.

Dividends to Stockholders

During 2009, the Company paid dividends totaling $3,257,519 to its sole stockholder, CGH Insurance Group, Inc.

Organizational Chart

The following chart presents the identities and interrelationships among all affiliated persons within the Insurance Holding Company System at December 31, 2009.

W. R. Berkley Corporation

All American Agency Facilities, Inc.

Berkley Dean & Company, Inc.

Berkley Capital Advisors, LP (1)

Berkley Capital, LLC

Berkley Holdings Corporation Two

Berkley Holdings, LLC

Berkley Insurance Services, LLC

Berkley International, LLC (2)

Berkley International Holdings, LLC

Berkley International Latinoamerica S. A. (9)

Berkley International Aseguradora de Riesgos del Trabajo S. A. (3)

Berkley International do Brasil Seguros S. A. (8)

Berkley International Seguros, S. A. (99.6% Ownership)
Berkley International Seguros, S. A. (Uruguay)

Cotasy Corporation, S. A.

Independencia Compania de Seguros de Vida, S. A. (4)

BI China, Limited

Magaverse, Limited

Masterclass, Limited

Global Direct, LLC

Steamboat Advisory Services, Limited

Berkley Offshore Underwriting Managers UK, Limited

Berkley Life and Health Insurance Company

Berkley London Holdings, Inc. (5)

W. R. Berkley London Finance, Limited

W. R. Berkley London Holdings, Limited

W. R. Berkley Insurance (Europe), Limited

W. R. Berkley London Staff, Limited

Greenwich Knight Insurance Company

Greenwich AeroGroup, Inc.

Atlantic Aero Holdings, Inc.

Atlantic Aero Inc.

Alamo Aerospace, LP (10)

Mid-Atlantic Freight, Inc.

MartinAire Aviation LLC (11)

Mid-Atlantic Freight GenPar, LLC

Banner Aerospace, Inc.

GCCUS, Inc.

DAC International, Inc.
Matrix Aviation, Inc.

NASAM Incorporated (formerly known as Banner Acquisition Corp. II)

Professional Aircraft Accessories, Inc.

Professional Aviation Associates, Inc.

Summit Aviation, Inc.

Western Acquisition Corporation

Western Aircraft, Inc.

J/I Holding Corporation

Admiral Insurance Company (7)

Admiral Indemnity Company

Admiral Risk Insurance Services, Inc.

Armada Insurance Services, Inc.

Carolina Casualty Insurance Company

Berkley Specialty Insurance Services, LLC

Admiral Insurance Group, LLC

Berkley Professional Liability, LLC

Berkley Select, LLC (formerly known as Select Specialty Managers, LLC)

Berkley Specialty Underwriting Managers, LLC

Carolina Casualty Insurance Group LLC

Clermont Specialty Mangers, Ltd.

Monitor Liability Mangers, LLC (formerly known as Monitor Liability Managers, Inc.)

Nautilus Insurance Group, LLC

Southwest International Underwriting Mangers, Inc.

Vela Insurance Services, LLC (formerly known as Vela Insurance Services, Inc.)

Clermont Insurance Company
Jersey International Brokerage Corporation

Nautilus Insurance Company (7)

Great Divide Insurance Company

Commodore Re Management Corporation

East Isles Reinsurance, Ltd.

Northwest International Underwriting Manager, Inc.

MADA Reciprocal Services, Inc.

Peyton Street Independent Financial Services Corporation (6)

Insurbanc

Queen's Island Insurance Company, Ltd.

Signet Star Holdings, Inc.

Berkley Insurance Company (7)

Berkley Canada, Inc. (formerly known as Berkley Underwriting Managers Canada, Ltd.)

Berkley Regional Insurance Company (7)

Acadia Insurance Company

Maine Compensation Services, Inc.

Berkley Regional Insurance Services, LLC

Acadia Insurance Group, LLC

American Mining Insurance Group, LLC

Berkley Mid-Atlantic Group, LLC

Berkey North Pacific Group, LLC

Berkley Regional Specialty, LLC

Berkley Surety Group, LLC (formerly known as Berkley Surety Group, Inc.)

Continental Western Group, LLC

Regional Excess Underwriters, LLC
Union Standard Insurance Group, LLC
Berkley Regional Specialty Insurance Company
CGH Insurance Group, Inc.
American Mining Claims Service, Inc.
CGH Claims Service, Inc.
American Mining Insurance Company, Inc.
Deck Software, Inc.
Mining Insurance Markets, Inc.
Continental Western Insurance Company
Firemen's Insurance Company of Washington, D.C.
Tri-State Insurance Company of Minnesota
Union Insurance Company
Union Standard Insurance Company
Union Standard Management Company, Inc.
Gemini Insurance Company
Key Risk Insurance Company
Midwest Employers Casualty Company
Berkley Alternative Markets Insurance Services, LLC
Berkley Medical Excess Underwriters, LLC
Berkley Administrators of Connecticut, Inc.
Berkley Risk Administrators Company, LLC
All Claims of Nevada, Inc.
Berkley Risk Services of Vermont, Inc.
Garnet Captive Services, LLC
Independent Plan Administrators, LLC
Rasmussen Agency, Inc.
Key Care, LLC

Key Risk Management Services, LLC (formerly known as Key Risk Management Services, Inc.)

Key Risk Underwriting Managers, LLC (formerly known as Key Risk Underwriting Managers, Inc.)

Midwest Employers Casualty Group, LLC

Midwest Employers Services, LLC

Preferred Employers Group, LLC

Select Marketing Insurance Services, LLC

Riverport Insurance Services, LLC (12)

Preferred Employers Insurance Company

Riverport Insurance Company

Reinserco, Inc.

Merrill Management Corporation

StarNet Insurance Company

Berkley Accident and Health, LLC

Berkley Asset Protection Underwriters, LLC

Berkley Aviation, LLC

Berkley Facultative Reinsurance Services, LLC

Berkley Life Sciences, LLC

Berkley Net Underwriters, LLC

Berkley Offshore Underwriting Managers, LLC

Berkley Oil & Gas Specialty Services, LLC

Berkley Risk Solutions, LLC (formerly known as Berkley Risk Solutions, Inc.)

Berkley Technology Services, LLC

Berkley Underwriting Partners, LLC

B F Re Underwriters, LLC
Facultative ReSources, Inc.
FinSecure, LLC
Lenpex, LLC
Signet Star Re, LLC
Watch Hill Fac Management, LLC
Surety-Pro Services, Inc.

WR Berkley Syndicate Holdings, Ltd (formerly known as WRBC (SH), Limited)

WRBC Corporate Member, Ltd

WR Berkley Syndicate, Ltd. (formerly known as WRBC (ST), Limited)

Steamboat Asset Management, LLC

WRBC Transportation, Inc.

Interlaken Capital Aviation Holdings, Inc.

Interlaken Capital Aviation Services, Inc.

W. R. Berkley Capital Trust

W. R. Berkley Capital Trust II

W. R. Berkley Capital Trust III

MANAGEMENT CONTRACT AND/OR LENDING RELATIONSHIP (NON-OWNED)

MADA Insurance Exchange

Union Standard Lloyds

States Self-Insurers Trust

States Self-Insurers Risk Retention Group

W. R. Berkley Syndicate 1967

1) Berkley Capital Investors, L.P. partners are as follows: General Partner – Berkley Capital, LLC (0.1%); Limited Partners – Admiral Insurance Company (33.3%), Berkley Insurance Company (33.3%), Berkley Regional Insurance Company (33.3%).
2) The following are the ownership percentages of Berkley International, LLC: W. R. Berkley Corporation – 2%; Admiral Insurance Company – 35%, Berkley Insurance Company – 35%, Berkley Regional Insurance Company – 14%, Nautilus Insurance Company – 14%.


4) The following W. R. Berkley subsidiaries own Independencia Compañía de Seguros de Vida, S. A.: Berkley International Aseguradora de Riesgos del Trabajo, S. A. – 49.2%; Berkley International Latinoamerica, S. A. – 50.8%.


6) Peyton Street Independent Financial Services Corporation is 63.9% owned by Berkley Insurance Company and 19.7% owned by W. R. Berkley Corporation.

7) The following W. R. Berkley subsidiaries own a total interest in Capital Trust, Inc. of 17.4%: Admiral Insurance Company, Berkley Insurance Company, Berkley Regional Insurance Company and Nautilus Insurance Company.

8) The following W. R. Berkley subsidiaries own Berkley International do Brasil Seguros, S. A.: Berkley International Argentina, S. A. – 99.6%; Berkley International, LLC – 0.4%.


10) The following companies own Alamo Aerospace, LP: Atlantic Aero, Inc. – 69%; Mid-Atlantic Freight GenPar, LLC – 1%.

11) The following companies own MartinAire Aviation, LLC: Mid-Atlantic Freight, Inc. – 18.5%; Mid-Atlantic Freight GenPar, LLC – 0.19%.

12) Riverport Insurance Services, LLC was formerly known as Riverport Underwriting Managers, LLC

**Dividends to Policyholders**

There were no dividends to policyholders during 2009.

**FIDELITY BONDS AND OTHER INSURANCE**

As of December 31, 2009, the Company was a named insured under a financial institution bond issued by the Chubb Group of Insurance Companies. The single loss limit of the bond exceeded the NAIC suggested minimum requirements for fidelity coverage. The bond provided the following coverages:

- Fidelity
- Forgery or Alteration
• Securities
• Trading Loss

The fidelity coverage insured the Company against any loss through any dishonest or fraudulent act committed by an employee acting alone or in collusion with others. The dishonest or fraudulent acts must be committed by the employee with the manifest intent to cause the insured to sustain such loss and to obtain financial benefit in the normal course of employment.

In addition to the aforesaid coverages, the Company maintained the following coverages against hazards to which it may be exposed:

• Computer Crime Policy
• Workers Compensation and Employers Liability Insurance Policy
• Employee Benefit Programs Liability Coverage
• Commercial Property Coverage
• Employee Practices Liability Policy
• Equipment Breakdown Coverage
• Commercial General Liability
• Commercial Auto Liability
• Commercial Umbrella Liability

The types of coverages and the maximum limits indicated for each occurrence appear to have been sufficient to cover the Company from the liabilities arising from employees’ injuries and other hazards to which it might be exposed.

EMPLOYEE AND AGENT WELFARE

The Company does not have any employees. The Company was operated by employees of American Mining Insurance Group, LLC (AMIG). The employees of AMIG performed the management and duties of the Company for its operations. The Company does not provide any employee benefits or post-employment benefits to the personnel that operate the Company. Any benefits provided to the personnel were provided by AMIG. Any of the indirect costs of employee benefits that were allocated to the Company were paid as the expenses were incurred by way of expense reimbursement payments to AMIG in accordance with the management agreement.

The Company utilized Mining Insurance Markets, Inc. (MIM) to market its insurance policies under the terms of a marketing agreement. Further discussion of the agreement is included in this report under the caption “Management and Service Agreements.” The independent agents were not employees of the Company and, therefore, not provided any employee benefits or post-employment benefits of the Company.
STATUTORY DEPOSITS

At December 31, 2009, as required or permitted by law, the Company maintained deposits with the respective statutory authorities as follows.

<table>
<thead>
<tr>
<th>State</th>
<th>Book/Adjusted Carrying Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>$2,264,593</td>
<td>$2,308,125</td>
</tr>
<tr>
<td>Arizona</td>
<td>402,373</td>
<td>413,491</td>
</tr>
<tr>
<td>Idaho</td>
<td>278,168</td>
<td>284,163</td>
</tr>
<tr>
<td>Montana</td>
<td>26,324</td>
<td>26,694</td>
</tr>
<tr>
<td>Nevada</td>
<td>300,000</td>
<td>313,055</td>
</tr>
<tr>
<td>New Mexico</td>
<td>308,514</td>
<td>315,163</td>
</tr>
<tr>
<td>Oregon</td>
<td>108,653</td>
<td>110,570</td>
</tr>
<tr>
<td>Virginia</td>
<td>250,032</td>
<td>250,363</td>
</tr>
<tr>
<td>Great Divide Insurance Company</td>
<td>1,087,263</td>
<td>1,103,620</td>
</tr>
<tr>
<td>U. S. Department of Labor</td>
<td>409,960</td>
<td>411,185</td>
</tr>
</tbody>
</table>

FINANCIAL CONDITION/GROWTH OF COMPANY

The following information presents significant items that reflect the growth of the Company for the years indicated.

<table>
<thead>
<tr>
<th></th>
<th>2008*</th>
<th>2009*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admitted Assets</td>
<td>$35,533,807</td>
<td>$35,085,587</td>
</tr>
<tr>
<td>Liabilities</td>
<td>5,390,304</td>
<td>4,795,851</td>
</tr>
<tr>
<td>Gross Written Premium</td>
<td>32,602,556</td>
<td>33,035,358</td>
</tr>
<tr>
<td>Net Losses Incurred</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net Loss Adjustment Expenses Incurred</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Common Capital Stock</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Preferred Capital Stock</td>
<td>1,150,000</td>
<td>1,150,000</td>
</tr>
<tr>
<td>Gross Paid in and Contributed Surplus</td>
<td>17,729,992</td>
<td>17,729,992</td>
</tr>
<tr>
<td>Unassigned Funds</td>
<td>10,663,511</td>
<td>10,809,744</td>
</tr>
</tbody>
</table>
*Per Examination

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company is a specialty carrier concentrating in insurance coverages for mining and mining related products. During 2009, approximately 94% of all direct written premiums were derived from workers' compensation business. All business, except NCCI Assigned Risk business, was solicited through a general agent, Mining Insurance Markets, Inc. (MIM), an affiliated entity, in accordance with the terms of the agency agreement that the Company had with MIM. The insurance products were distributed through a network of independent agents.
Territory

As of December 31, 2009, the Company was licensed to transact business in the following states:

- Alabama
- Arizona
- Arkansas
- Colorado
- Idaho
- Illinois
- Indiana
- Kansas
- Kentucky
- Louisiana
- Maryland
- Mississippi
- Missouri
- Montana
- Nevada
- New Mexico
- Oklahoma
- Oregon
- Pennsylvania
- Tennessee
- Utah
- Virginia
- West Virginia

The examiners reviewed the Company’s certificates of authority for the states that it was licensed at the examination date. The certificates of authority were all determined to be valid. The Company operated on a non-admitted basis as a surplus lines carrier in the state of Ohio.

Policy Forms and Underwriting

Policy Forms

The following lines of business were written by the Company during the examination period: workers’ compensation, general liability, commercial auto, pollution and catastrophe excess and liability (umbrella).

The policy forms and endorsements were filed as required in the State of Alabama. The examiners reviewed copies of the forms that were filed and performed reviews of Alabama business to determine whether the Company was using the forms that were properly filed and approved by the Alabama Department of Insurance. It was determined that the forms and endorsements that were reviewed were approved by the Alabama Department of Insurance.
Underwriting Practices
The Company's underwriting guidelines identified certain unacceptable risks in the Company's Underwriting Manual. All new business must be submitted with a completed signed application with the most recent five year loss history.

The Company has a staff of loss control specialists that visit insureds and prospective applicants for insurance to determine whether proper safety standards are being practiced. All existing policies are reviewed eighty days prior to the policy renewal. Loss runs are prepared before the files are reviewed at the monthly underwriting meeting. On workers' compensation business, an updated employee census is required each year. Subject to the receipt of complete underwriting information, renewal quotes are given to the agent thirty days prior to the policy expiration. An updated application is requested every year at renewal.

Rates and Statistical Reporting

The Company is a member of the National Council on Compensation Insurance (NCCI). In all states, except Pennsylvania, the NCCI forms, rules, and loss cost rates are utilized. Loss cost multiplier filings made by the Company are approved by the applicable states. Workers' compensation statistics in all states except Pennsylvania are reported to the NCCI.

In the State of Pennsylvania, the Company is a member of two rating bureaus, the Pennsylvania Compensation Rating Bureau (PCRB), and Coal Mine Compensation Rating Bureau of Pennsylvania (CMCRB). The Company utilizes the forms, rules, and loss cost rates of the aforementioned bureaus. Loss cost multiplier filings made by the Company are approved by the State of Pennsylvania. Pennsylvania workers' compensation statistics are reported to the applicable bureaus.

The Company is a member of the Insurance Services Office (ISO) rating and statistical organization. For general liability, commercial auto liability, pollution liability and umbrella coverages, ISO forms, rules and loss cost rates are utilized. Loss cost multiplier filings made by the Company are approved by the applicable states. Statistics for all lines of business except inland marine are reported to ISO. The Company ceased writing inland marine business in 2008.

Advertising and Marketing

The Company does not have a formal marketing program. The Company maintained a website to promote its business. The Company sponsored some Alabama Independent Insurance Agents' events to promote the Company and maintains a booth at numerous mining trade shows across the country. The Company distributed some brochures promoting the Company to agents and others during the examination period.
Claims Review

The examiners reviewed the claim payment practices and procedures in use during the period covered by the examination. A sample of open and closed claims files were reviewed to verify the Company’s adherence to the claim payment practices and with policy provisions. The examination of the claim files indicated that the Company had complied with the Company’s practices and procedures for recording and investigating reported claims. The time study revealed that claims settlements were made promptly upon receipt of proper evidence of loss.

Policyholder Complaints

The examiners reviewed the Company’s procedures for recording complaints and its complaint register. The Company did not have any complaints during 2009.

Compliance with Producer Licensing Requirements

The Company had 44 licensed and appointed producers in Alabama during the examination period. One producer was terminated during the same period. The examiner reviewed all of the Alabama producers’ files for complete documentation of their licenses, appointments and proper notification of termination as required by ALA. CODE § 27-7-30.1 (a) (1975). All of the files had proper documentation pertaining to licensing, appointment and termination.

Privacy Standards

The Company wrote commercial and workers’ compensation business; therefore, the Company was not required to comply with ALA. ADMIN. CODE 482-1-122 (2002), which states, “...This regulation does not apply to information about companies or about individuals who obtain or seek to obtain products or services for business, commercial or agricultural purposes, nor does it apply to workers’ compensation claims, workers compensation insurance, workers compensation programs, or employee welfare benefits plans as defined in 29 U.S.C. §1002(1)...”

REINSURANCE

Reinsurance Ceded

Affiliated

Multiple Line Quota Share Reinsurance Contract with Berkley Regional Insurance Company

The Company entered into a quota share agreement with Berkley Regional Insurance Company (BRIC) effective January 1, 2008. This agreement was amended on July 1, 2010. Under this agreement, BRIC agrees to accept 100% quota share reinsurance of the Company’s gross liability under policies, contracts and binders of insurance or reinsurance issued before or after the effective date. The contract applies to losses occurring on or after the effective date and to reported losses and incurred but not reported losses as of the effective date. This contract remains in effect until terminated by either party by giving twelve months notice by certified mail.
Unaffiliated

*Quota Share and Excess of Loss Reinsurance of Commercial Umbrella Business with General Reinsurance Corporation*

The quota share and excess of loss reinsurance treaty was effective November 1, 2002 and entered into between the Company and General Reinsurance Corporation, Stamford, Connecticut, a Delaware Corporation. Under the terms of the treaty, the Company retained the first 10% of the first $1,000,000 of premium and losses and the reinsurer was responsible for the remainder, including policies with limits up to $5,000,000 on policies classified as Commercial Umbrella. The agreement also provides facultative support for individual accounts the Company would like to submit with a limit not to exceed $5,000,000 over the treaty coverage of $5,000,000.

*Workers' Compensation Excess of Loss Reinsurance Agreement with Munich Reinsurance America, Inc.*

This agreement is between the Company, Berkley Regional Insurance Company (BRIC) (but only as respects business underwritten by the Company) and Munich Reinsurance America, Inc. (MRA). This agreement reinsures, on an excess of loss basis, the ultimate net loss paid by the Company as a result of losses occurring under the Company’s workers’ compensation policies. The first layer of coverage under this agreement covers 100% of the ultimate net loss for each loss in excess of the Company’s retention of $2,000,000, up to $3,000,000. For the second layer of coverage, MRA is responsible for 100% of the ultimate net loss in excess of the Company’s net and treaty retention of $5,000,000 ultimate net loss for each occurrence. This treaty was effective from July 1, 2009 through July 1, 2010.

*Catastrophe Workers' Compensation Excess of Loss Reinsurance Contract*

This Contract was effective July 1, 2009 and was brokered through Benfield, Inc. The contract reinsured the Company from catastrophic losses on policies classified as Workers' Compensation and Employers' Liability business. The reinsurer’s liability is $30,000,000 as respects any one occurrence in excess of the Company’s retention of $10,000,000. The participating reinsurers are listed below:

<table>
<thead>
<tr>
<th>Reinsurers</th>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspen Insurance</td>
<td>9.524%</td>
</tr>
<tr>
<td>Arch Re UK</td>
<td>20.000%</td>
</tr>
<tr>
<td>Lloyds Syndicate #435</td>
<td>19.048%</td>
</tr>
<tr>
<td>Lloyds Syndicate #780</td>
<td>3.810%</td>
</tr>
<tr>
<td>Lloyds Syndicate #1084</td>
<td>19.048%</td>
</tr>
<tr>
<td>Lloyds Syndicate #2001</td>
<td>9.524%</td>
</tr>
<tr>
<td>Brit Insurance Syndicate #2987</td>
<td>14.286%</td>
</tr>
<tr>
<td>Lloyds Syndicate #3820</td>
<td>4.760%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Reinsurance Assumed

Affiliated

Assumed Reinsurance Agreement with Great Divide Insurance Company

As of December 31, 2009, the Company had an assumed reinsurance agreement with an affiliate, Great Divide Insurance Company (GDIC). Under this agreement, the Company agreed to assume 100% of the binders, policies and contracts of property and casualty insurance products relative to the mining operations written in the state of Illinois. The agreement was amended October 1, 2008 to include business written in all states in which the Company was not licensed. The Company allows a ceding commission to GDIC based on direct written premiums which are equal to the sum of the commissions paid by GDIC, state premium taxes, and all operating expenses incurred and allocable as relates to the business written. The balance for this agreement is to be settled within 45 days of the close of each month. The agreement was effective as of April 1, 2008, and is effective until cancelled by either party by giving at least ninety days notice in writing. Under this agreement, the Company reported assumed premiums of $624,000 at year-end 2009 and known case loss and LAE reserves of $183,000 and $27,000, respectively.

Unaffiliated

The Company participated in the mandatory NCCI Assigned Risk Workers’ Compensation Pools, in the states of Alabama, Arizona, Indiana, Tennessee, Nevada, New Mexico, Virginia, and West Virginia. At December 31, 2009, the Company reflected $412,000 in assumed premium and $800,000 in known case loss and LAE reserves on Schedule F - Part 1 of its Annual Statement from the NCCI mandatory pools.

ACCOUNTS AND RECORDS

During an examination of the Company’s Information Systems, the controls governing information security were reviewed. It was noted personnel were required to maintain all confidential information on removable electronic media and store it in a secure location. Meetings with senior management confirmed this control had not been implemented and was not designed appropriately. Therefore, it was determined the Company was not in compliance with Alabama Department of Insurance Administrative Code 482-1-126-.04 (2003), which states, “Each licensee shall implement a comprehensive written information security program that includes administrative, technical and physical safeguards for the protection of customer information. The administrative, technical and physical safeguards included in the information security program shall be appropriate to the size and complexity of the licensee and the nature and scope of its activities.”
FINANCIAL STATEMENTS

The financial statements included in this report were reported on the basis of the Company’s records, and the valuations and determinations made during the examination for the year 2009. Amounts shown for 2008 were compiled from the Company’s copies of the filed Annual Statement. The statements were presented in the following order.

Statement of Assets, Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account

Page 25
Page 26
Page 26
American Mining Insurance Company  
Statement of Assets, Liabilities, Surplus and Other Funds  
for the Year Ended December 31, 2009

### Assets

<table>
<thead>
<tr>
<th>Assets</th>
<th>Assets</th>
<th>Non-admitted Assets</th>
<th>Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$26,281,100</td>
<td>$0</td>
<td>$26,281,100</td>
</tr>
<tr>
<td>Real Estate: Properties occupied by the company</td>
<td>1,686,405</td>
<td>0</td>
<td>1,686,405</td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>3,060,324</td>
<td>0</td>
<td>3,060,324</td>
</tr>
<tr>
<td>Receivable for securities</td>
<td>4,343</td>
<td>0</td>
<td>4,343</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>292,498</td>
<td>0</td>
<td>292,498</td>
</tr>
<tr>
<td>Premiums and considerations: Uncollected premiums and agents’ balances in the course of collection</td>
<td>704,536</td>
<td>253,094</td>
<td>451,442</td>
</tr>
<tr>
<td>Premiums and considerations: Deferred premiums, agents’ balances and installments booked but deferred and not yet due</td>
<td>2,548,297</td>
<td>21,452</td>
<td>2,526,845</td>
</tr>
<tr>
<td>Current federal and foreign income tax recoverable and interest thereon</td>
<td>92,557</td>
<td>0</td>
<td>92,557</td>
</tr>
<tr>
<td>Net deferred tax asset</td>
<td>1,964,149</td>
<td>1,359,256</td>
<td>604,893</td>
</tr>
<tr>
<td>Electronic data processing equipment and software</td>
<td>128,128</td>
<td>42,948</td>
<td>85,180</td>
</tr>
<tr>
<td>Furniture and equipment, including health care delivery assets</td>
<td>53,000</td>
<td>53,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$36,815,337</strong></td>
<td><strong>$1,729,750</strong></td>
<td><strong>$35,085,587</strong></td>
</tr>
</tbody>
</table>

### Liabilities, Surplus and Other Funds

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissions payable, contingent commissions and other similar charges</td>
<td>$20,979</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>$200,326</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes, licenses and fees</td>
<td>1,474,857</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ceded reinsurance premiums payable</td>
<td>(2,595,523)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts withheld or retained by company for account of others</td>
<td>168,613</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable to parent, subsidiaries and affiliates</td>
<td>1,872,161</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate write-ins for liabilities: Collateral deposits</td>
<td>3,654,438</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$4,795,851</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|                  |              |                    |                 |
| Common capital stock                                       | $600,000     |                    |                 |
| Preferred capital stock                                    | 1,150,000    |                    |                 |
| Gross paid in and contributed surplus                      | 17,729,992   |                    |                 |
| Unassigned funds (surplus) Note 1                          | 10,809,744   |                    |                 |
| Surplus as regards policyholders                           | $30,289,736  |                    |                 |
| **Totals**                                                 | **$35,085,587** | **$35,085,587** |                 |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.
## American Mining Insurance Company
### Summary of Operations and Capital and Surplus
for the Years Ended December 31, 2008 and 2009

#### Underwriting Income

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums earned</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Deductions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loss adjustment expenses incurred</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other underwriting expenses incurred</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total underwriting deductions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net underwriting gain or (loss)</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### Investment income

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment income earned</td>
<td>$981,421</td>
<td>$1,808,641</td>
</tr>
<tr>
<td>Net realized capital gains or (losses) less capital gains tax</td>
<td>49,241</td>
<td>(147,517)</td>
</tr>
<tr>
<td>Net investment gain (loss)</td>
<td>$1,030,662</td>
<td>$1,661,123</td>
</tr>
<tr>
<td>Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes</td>
<td>$1,030,662</td>
<td>$1,661,123</td>
</tr>
<tr>
<td>Dividends to policyholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes</td>
<td>$1,030,662</td>
<td>$1,661,123</td>
</tr>
<tr>
<td>Federal and foreign income taxes incurred</td>
<td>22,443</td>
<td>(1,342,351)</td>
</tr>
<tr>
<td>Net income</td>
<td>$1,008,219</td>
<td>$3,003,474</td>
</tr>
</tbody>
</table>

#### Surplus as regards policyholders, December 31 prior year

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus as regards policyholders, December 31 prior year</td>
<td>$32,575,187</td>
<td>$30,399,503</td>
</tr>
<tr>
<td>Net income</td>
<td>1,008,219</td>
<td>3,003,474</td>
</tr>
<tr>
<td>Change in net unrealized capital gains or (losses)</td>
<td>9,767</td>
<td>(9,095)</td>
</tr>
<tr>
<td>Change in net deferred income tax</td>
<td>(288,312)</td>
<td>(1,665,641)</td>
</tr>
<tr>
<td>Change in nonadmitted assets</td>
<td>242,392</td>
<td>846,947</td>
</tr>
<tr>
<td>Dividends to stockholders</td>
<td>(3,257,519)</td>
<td>0</td>
</tr>
<tr>
<td>Change in surplus as regards policyholders</td>
<td>($2,285,453)</td>
<td>$2,175,685</td>
</tr>
<tr>
<td>Surplus as regards policyholders, December 31 current year</td>
<td>$30,289,735</td>
<td>$32,575,187</td>
</tr>
</tbody>
</table>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.
NOTES TO FINANCIAL STATEMENTS

Note 1 – Unassigned funds (surplus) $10,809,744

The above captioned amount is the same as reported by the Company in its 2009 Annual Statement.

The following schedule presents a reconciliation of the unassigned funds per the Company’s filed statement to this examination’s findings:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unassigned funds (surplus) per Company</td>
<td>$10,809,744</td>
</tr>
<tr>
<td>Examination increase/(decrease) to assets</td>
<td>0</td>
</tr>
<tr>
<td>Total increase/(decrease) to assets</td>
<td>0</td>
</tr>
<tr>
<td>Examination (increase)/decrease to liabilities</td>
<td>0</td>
</tr>
<tr>
<td>Total (increase)/decrease to liabilities</td>
<td>0</td>
</tr>
<tr>
<td>Unassigned funds (surplus) per Examination</td>
<td>$10,809,744</td>
</tr>
</tbody>
</table>

COMMENTS AND RECOMMENDATIONS

Accounts and Records

It is recommended the Company comply with Ala. Admin. Code 482-1-126-.04, which states, “Each licensee shall implement a comprehensive written information security program that includes administrative, technical and physical safeguards for the protection of customer information. The administrative, technical and physical safeguards included in the information security program shall be appropriate to the size and complexity of the licensee and the nature and scope of its activities.”

Compliance with Previous Recommendations

It is recommended the Company continue actions to comply with the recommendations from the 2008 IT review. See related note on page 27 for progress and expected completion date for each recommendation.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of the contingent liabilities and pending litigation included an inspection of representation made by the Company’s managers and a review of the Company’s records and files for the period under examination as well as the review of the records subsequent to the examination date. The reviews performed did not identify any items that would have a material effect on the Company’s financial condition in the event of an adverse outcome.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted to determine if the Company complied with the recommendations made in the preceding Report of Examination. This review determined that the Company had complied, with the exception of the items noted below.
Accounts and Records

There were a number of IT findings that were identified in the ALDOI 2008 examination. Listed below are the findings, recommendations and status from the 2008 exam which have not been complied with as of February 22, 2011.

Finding:

During an examination of the Company Information Systems, the controls governing information security were reviewed. It was determined the Company did not have a written information security policy and was not periodically conducting security awareness training. The lack of a policy is not in compliance with ALA Admin Code 482-1-126-.04 (2003), which states, “Each licensee shall implement a comprehensive written information security program that includes administrative, technical and physical safeguards for the protection of customer information. The administrative, technical and physical safeguards included in the information security program shall be appropriate to the size and complexity of the licensee and the nature and scope of its activities.”

It is recommended the Company document and implement an information security program as required by ALA Admin Code 482-1-126-.04 (2003), which states, “Each licensee shall implement a comprehensive written information security program that includes administrative, technical and physical safeguards for the protection of customer information. The administrative, technical and physical safeguards included in the information security program shall be appropriate to the size and complexity of the licensee and the nature and scope of its activities.”

1) Current plan of action to address the exception
   The Company plans to document and implement an information security program as required.

2) Current status as of today
   To be started the second quarter of 2011. This is part of the IT 2011 Goals and Objectives document.

3) Projected completion date
   December 2011

Finding:

During an examination of the Company’s Information Systems, the controls governing business continuity were reviewed. It was determined the Company did not have a formal plan to restore critical IT functions needed to support business requirements. The lack of a continuity plan significantly increases the risk the Company will not be able to recover from localized disasters or widespread disruptions.

It is recommended the Company implement a business continuity plan that is based on a business impact analysis.

1) Current plan of action to address the exception
AMIC has been working on a business continuity plan. IT’s portion of the document is referred to as the Disaster Recovery (DR) plan. This plan has been started and the Company began purchasing software and hardware to implement the plan. The Company’s Lexington office will be the DR site and the Company is already replicating nightly backups via the Avamar system that was purchased last year. The remaining hardware (SANs, servers, and terminals) will be purchased during the first quarter of 2011 and the Company expects a full test by the end of the year.

2) Current status as of today
Backup/replication hardware/software was purchased in 2010. The remaining hardware/software will be purchased in 2011. This is part of the IT 2011 Goals and Objectives document.

3) Projected completion date
Full test of Business continuity by December 2011. IT related test by September 2011.

Finding:

During an examination of the Company’s Information Systems, the controls governing computer and data security were reviewed. It was determined the Company had not provided guidance for reporting security violations. Without a reporting mechanism, incidents of security violations may not be identified or escalated appropriately. The lack of a reporting mechanism significantly increases the risk of unauthorized access to computers and data.

It is recommended the Company provide guidance to personnel on reporting security violations.

1) Current plan of action to address the exception
   The Company is asking other WRB companies for security violation plans and guidance.

2) Current status as of today
   Not started. If there is no help available from sister companies, the Company will write a plan and training materials.

3) Projected completion date
   December 2011

Finding:

During an examination of the Company’s Information Systems, the controls governing program changes were reviewed. It was determined evidence of program testing was not maintained. Without evidence of testing, it is impossible for management to ensure program changes meet user requirements and have been evaluated for unanticipated errors. Since management cannot ensure program changes are properly tested, the Company is at an increased risk automated systems will not provide accurate processing or output.

It is recommended Company management implement controls to ensure only properly tested and approved program changes enter production.

1) Current plan of action to address the exception
   In 2009, the Company began using a defect tracking system, RMA Tracker, to track the progress of defects and enhancements to the custom software, ICAMS. Part of the
workflow is programmer testing and user testing. In 2010, AMIC made a strategic decision to phase out ICAMS in favor of a new custom web application built on Microsoft Team Foundation Server and Microsoft .NET and will utilize unit testing. ICAMS changes will remain in RMA while the new application will utilize unit testing practices as well as documented user testing. All of the testing will be signed off by the user who requested the feature within the TFS.

2) Current status as of today
ICAMS changes are being tracked in RMA. In 2011, ICAMS change tracking will be moved to TFS.

3) Projected completion date
2011

Finding:

During an examination of the Company’s Information Systems, the controls governing change management were reviewed. It was determined Company personnel were using IT help desk tickets to support business functions. These changes included changes to policy premium amounts, policy numbers, checks, etc. Best business practices incorporate preventive and detective separation of duty controls which limit IT functions to infrastructure support. Business and IT duties should be segregated to the maximum extent possible to avoid collusion. Without proper separation of duty controls, the Company is at a significantly increased risk of fraud and theft.

It is recommended the Company implement separation of duty controls.

1) Current plan of action to address the exception
In 2010, AMIC made a strategic decision to phase out its custom application, ICAMS, in favor of a new custom web application. Those change controls and segregation of duties are a high priority in the new application. In the mean time, the Company is tracking changes in the help desk system.

2) Current status as of today
Change controls are being incorporated into the new application.

3) Projected completion date
Starting 2011/ending 2013

Finding:

During an examination of the Company’s Information Systems, the controls governing change management were reviewed. It was determined a complete audit trail for changes to the Company’s ICAMS system was not maintained. Considering the Company relies on an internally developed production system, the lack of change documentation significantly increases the risk of system failure.

It is recommended the Company maintain a complete audit trail of changes made to its ICAMS system.

1) Current plan of action to address the exception
In 2010, the Company began logging all changes to ICAMS in the RMA defect management system. This tracks all change requests, testing, and releases (by build number). The Company can create a report that shows code changes by date and by build number. In 2011, the Company is beginning to use Microsoft Team Foundation Server to track code changes, builds and testing.

2) Current status as of today
Changing from RMA to Microsoft Team Foundation Server
3) Projected completion date
April 2011

Finding:

During an examination of the Company’s Information Systems, the controls governing networks were reviewed. It was determined the Company did not document the network architecture or the process used to make changes to its network. Without a documented process, there is an increased risk that unauthorized changes could be made to its network.

It is recommended the Company document the network architecture and changes to it.

1) Current plan of action to address the exception
In the summer of 2010, an outside vendor, Inline, documented the Company’s network with focus on the servers. The Company plans to document the process used to make changes on its local networks in 2011. The BTS network documentation is outside of the Company’s control.

2) Current status as of today
Started in 2010
3) Projected completion date
December 2011

SUBSEQUENT EVENTS

The Company increased the amount of its common capital stock to $3,600,000 from $600,000. The Company accomplished the increase by increasing the value of its common capital stock from $10 per share to $60 per share with a corresponding decrease of $3,000,000 to its gross paid in and contributed surplus. The Articles of Incorporation were amended to reflect the increase in par value of the common capital stock. The change to the capital structure was approved by the Alabama Department of Insurance January 5, 2010.

On January 26, 2010, the Company declared an extraordinary dividend of $7,217,000 to its shareholder, intending to pay the dividend March 15, 2010. The Alabama Department of Insurance approved the payment of the extraordinary dividend in an approval letter dated February 2, 2010. The dividend was paid to the shareholder on March 15, 2010.

The Company entered into a number of new agreements subsequent to December 31, 2009. On January 1, 2010, the Company entered into claims services agreements with Berkley Risk Administrators Company and with American Mining Claims Services, Inc. for the affiliates to provide services performing some of the Company’s duties as a service carrier for state assigned risk programs. On July 1, 2010, the Company revised its Quota Share agreement with BRIC. The
revised contract states that the Reinsurer agrees to accept 100% of the Company's gross liability. "Gross Liability" is defined as the Company's gross liability before cessions, if any to other reinsurers.

On December 31, 2010, the Company's immediate parent, CGH Insurance Group, Inc. was converted from an Alabama corporation to an Alabama limited liability company and changed its name to CGH Insurance Group, LLC. Immediately thereafter, CGH transferred its 100% ownership of the common stock in the Company to Berkley Regional Insurance Company (BRIC), so that BRIC is now the direct owner of the Company. W. R. Berkley Corporation remains the ultimate controlling person of the Company.
CONCLUSION

Acknowledgement is hereby made of the courtesy and cooperation extended by all persons representing American Mining Insurance Company during the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities set forth in this report.

In addition to the undersigned, Charles Turner, Examiner; and David J. Macesic, ACAS, MAAA, INS Consultants, Inc., Consulting Actuary; all representing the Alabama Department of Insurance, participated in the examination of American Mining Insurance Company.

Respectfully submitted,

[Signature]

Lori Brock, CFE
Examiner-in-charge
Alabama Department of Insurance
Southeastern Zone, NAIC