STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

PARATRANSIT INSURANCE COMPANY,

A MUTUAL RISK RETENTION GROUP

(NAIC # 44130)

MEMPHIS, TENNESSEE

AS OF

DECEMBER 31, 2012

EXHIBIT

"A"

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Memphis, Tennessee
December 3, 2013

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce & Insurance
Davy Crockett Tower, 12th floor
500 James Robertson Parkway
Nashville, Tennessee 37243-0565

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-1-408, regulations and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope individual financial examination and market conduct review as of December 31, 2012, has been made of the condition and affairs and of:

PARATRANSIT INSURANCE COMPANY,
A MUTUAL RISK RETENTION GROUP
NAIC # 44130
1715 Aaron Brenner Drive, Suite 512
Memphis, Tennessee 38120

hereinafter generally referred to as the "Company", and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI) and commenced on July 15, 2013, and was conducted by duly authorized representatives of the TDCI under the association plan of the NAIC.

SCOPE OF EXAMINATION

The last examination of the Company was completed as of December 31, 2007. This examination report covers the period from January 1, 2008, through December 31, 2012, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* and practices and procedures of the TDCI. The examination was planned to evaluate the financial condition of and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when consistent with Tennessee statutes and regulations.

Our examination included a review of the Company's business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by the independent public accounting firm of Faulkner Mackie & Cochran, P.C. The firm expressed unqualified opinions on the Company's financial statements for calendar years 2008 to 2012. We reviewed the work papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2012, and directed our efforts to the extent practical to those areas not covered by the firm's audit. Substantial reliance was placed on the work performed by the independent auditors for the period under examination and, consequently, we performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2012.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

Our examination included a review to determine the current status of the comments and recommendations in our previous Report on Examination dated June 5, 2009, which covered the period from January 1, 2003, through December 31, 2007.

- The Company included anticipated premium audit adjustment payments received from insured Members as advance premiums. This is a misclassification as advance premium is for processed policies with premiums paid prior to the effective date according SSAP 53, paragraph 13. Future receipt of these types of funds will be more appropriately classified as remittances and items not allocated. The difference was immaterial resulting in no financial adjustments.

We determined that the Company had satisfactorily addressed this item.

COMPANY HISTORY

The Company was incorporated on June 3, 1987, as a mutual property and casualty insurer under Article 48A, Subtitle 46, Annotated Code of Maryland, with the name of Paratransit Risk Retention Group of Maryland, Inc. Business commenced on March 1, 1988. The business purpose was to provide vehicle liability insurance to its Member public transportation fleet companies.

On March 4, 1988, the Company assumed the net assets of Paratransit Insurance Company, Ltd. (PIC Ltd.); PIC Ltd. was incorporated on March 1, 1986, under the laws of the Cayman Islands, British West Indies. The Members of PIC, Ltd. became Members of the Company with the subscribers' capital account being transferred to the Company. PIC, Ltd. ceased to have separate existence after the transfer.

In conjunction with the transfer of business from PIC, Ltd., the Company assumed the runoff of unpaid losses on all business written by PIC, Ltd. prior to March 1, 1988.

On January 4, 1993, the Company formed a wholly-owned subsidiary, Public Auto Claims Services, Inc., to provide claims administration services. The subsidiary remained substantially dormant from its inception. In 1996, the subsidiary was liquidated and its assets in the amount of ten thousand eight hundred sixty-six dollars ($10,866) were transferred to the Company. The subsidiary was formally dissolved during 1997.

In January of 1995, the Company contributed seven hundred fifty thousand dollars ($750,000) as initial capital to fund a wholly-owned subsidiary, Paratransit Risk Retention Group Insurance Company, organized as a property and casualty insurance company domiciled in Kansas. The Kansas subsidiary had been chartered for the purpose of re-domesticating the Company from Maryland to Kansas. The Company did not pursue the re-domestication plan and the Kansas subsidiary surrendered its corporate charter during 1996. No insurance policies were issued by the Kansas subsidiary and its assets were transferred to the Company in the amount of eight hundred thirteen thousand five hundred sixteen dollars ($813,516.)

The Company applied for re-domestication from Maryland to Tennessee during 1996. On December 30, 1997, the Company was chartered in Tennessee as Paratransit Risk Retention Group Insurance Company. A Certificate of Authority was issued by the TDCI dated April 20, 1998, granting the Company authority to transact the business of casualty insurance (commercial auto liability only). The Company's principal place of business was established at 1000 Ridgeway Loop Road, Memphis, Tennessee at the offices of Marsh USA, Inc.

Pursuant to Tenn. Code Ann. § 48-17-104, the Company's Members consented on September 10, 1999, to change the name of the Company to Paratransit Insurance Company, A Mutual Risk Retention Group. A new Certificate of Authority was issued by the TDCI on February 2, 2000, reflecting the name change.

On December 1, 2012, the Company's principal place of business and location of the Company's books and records was established at 1715 Aaron Brenner Drive, Suite 512, Memphis, Tennessee at the offices of Lockton Companies, LLC. The Company and Lockton Companies, LLC entered into a Services Agreement effective the same date, replacing the former service provider, Marsh USA, Inc. A further description of the arrangement is included under the caption, "Service Agreements" in this report.

At December 31, 2012, the Company was licensed in the State of Tennessee. It is registered as a "Risk Retention Group" in a total of 32 states, as allowed pursuant to the "Liability Risk Retention Act of 1986."

Dividends

The Board of Directors has the ability to make distributions to Members by dividends from the surplus. Dividends approved by the Board of Directors and paid during the period under review were as follows:

2012	$1,750,000
2011	$1,250,000
2010	$1,000,000
2009	$600,000
2008	$600,000

MANAGEMENT AND CONTROL

MANAGEMENT

Management of the Company is vested in a Board of Directors elected annually. In accordance with the bylaws, the Board shall consist of not less than seven (7) nor more than twelve (12) Members. The following persons were duly elected and serving as Members of the Company's Board of Directors at December 31, 2012:

Name	Business Address
Steven Joseph Abraham	500 Kinley Avenue, North East Albuquerque, New Mexico 87102
Richard George Corey	1410 Lewis Street Charleston, West Virginia 25301
Ellis Houston	5804 Operto Madrid Boulevard Birmingham, Alabama 35242
Craig L. Mackin	445 East Market Street, Suite 310 Louisville, Kentucky 40202
Basil L. Rudawsky	9930 Meeks Boulevard St. Louis, Missouri 63132
Randy Sackett	1710 Guthrie , Suite V Des Moines, Iowa 50316
William Hamilton Smythe, III	581 South Second Street Memphis, Tennessee 38126
William Hamilton Smythe, IV	581 South Second Street Memphis, Tennessee 38126
Judith O. Swystun	6304 Sewells Point Road Norfolk, Virginia 23513

Annual meetings of the Members of the Company are held each year at a location determined by the Board of Directors. The time and date of the meetings shall be no later than May 31st of each year. Special meetings of the Members may be called by the Secretary upon written request of the President, any two (2) directors or twenty percent (20%) of its Members.

The bylaws of the Company instruct the Board of Directors to elect annually a president, one or more vice presidents, a secretary, and a treasurer.

The following persons were serving as the Company's officers as of December 31, 2012:

William Hamilton Smythe III	President
Richard George Corey	Vice President
Judith O. Swystun	Secretary
Steven Joseph Abraham	Treasurer
Andrew Sargeant	Assistant Treasurer

The Board of Director installed committees to provide oversight for the affairs of the Company. The Board of Directors appointed the following Committees:

Audit Committee

William Hamilton Smythe, III	Director, President
Richard George Corey	Director, Vice President
Judith O. Swystun	Director, Secretary
Steven Joseph Abraham	Director, Treasurer

Executive Committee

William Hamilton Smythe, III	Director, President
Richard George Corey	Director, Vice President
William Hamilton Smythe, IV	Director
Judith O. Swystun	Director, Secretary
Steven Joseph Abraham	Director, Treasurer

Investment/Finance Committee

William Hamilton Smythe, III	Director, President
Richard George Corey	Director, Vice President
William Hamilton Smythe, IV	Director
Judith O. Swystun	Director, Secretary
Steven Joseph Abraham	Director, Treasurer
Ellis Houston	Director
Craig L. Mackin	Director

Underwriting Committee

William Hamilton Smythe, III	Director, President
Richard George Corey	Director, Vice President

Claims Committee

Steven Joseph Abraham	Director, Treasurer
Randy Sackett	Director

CONFLICTS OF INTEREST AND PECUNIARY INTEREST

The Company has a Conflict of Interest Policy which is intended to govern the actions of all directors and senior management. These persons file annual conflict of interest questionnaires. No conflicts were noted in the review of the signed questionnaires.

A review of the Company's compliance with Tenn. Code Ann. § 56-3-103 found no director or officer of the Company had pecuniary interest in the investment or disposition of Company funds.

CONTROL

Primary control of the Company is vested in its Members. All Members shall be owners and operators of taxicabs and/or other transportation vehicles for hire. Membership requires insurance coverage and an annual Membership fee. Fees are determined by the Board of Directors and are credited to the Subscriber's Capital Accounts.

CORPORATE GOVERNANCE

Corporate Governance is the system by which business corporations are directed and controlled. During our examination, we reviewed the Company's corporate governance function, including the Company's risk management processes.

The Company has no employees. Therefore, risks are identified by the Board of Director Members, Company officers, and the servicing companies. The Company's risk management process contains open communication between Members, officers and servicing companies. Timely reporting was observed. These procedures allow management to make informed business decisions. Results from the process produce reporting and monitoring of the identified risks, as well as developing mitigation plans, when necessary. Overall, the corporate governance directs and oversees management activities with business savvy, objectivity and integrity.

CORPORATE RECORDS

Charter

The Charter recites general and specific powers of the Company in detail. The Charter, as currently stated, was inspected and found to have been duly issued and properly recorded. During the period of examination, the Charter was not amended.

Bylaws

The bylaws were reviewed and found to contain key provisions noted within insurance companies. The bylaws may be amended or repealed, or new bylaws may be made and adopted by a majority of the Board of Directors at a regular or special meeting of the Board. The bylaws of the Company in effect at December 31, 2012, were amended during 2008, 2010, and 2011. Amendments involved Member classification, distributions to Members and the annual meeting date.

Corporate Minutes

The minutes of the meetings of the Board of Directors, the committees of the Board of Directors, and various documentation were reviewed for the period under examination. The minutes of meetings of the Board of Directors' committees for the current examination period appear to properly document and support significant transactions and events of the Company.

SERVICE AGREEMENTS

The Company uses servicing agencies to perform the functional duties of an insurance company.

ADMINISTRATIVE AND MANAGEMENT SERVICES

Lockton Companies, LLC provides administrative and management services including, but not limited to, policy issuance, billing, rating and underwriting, claims support, marketing, and other services as provided in the agreement. This agreement replaces the previous arrangement with Marsh USA, Inc. and is effective as of December 1, 2012.

ACTUARIAL SERVICES

Select Actuarial Services provides rate level adequacy reviews, annual reserve review and opinion, and consultation throughout the year on reserve and rate level issues as needed. This contract renews annually.

ACCOUNTING SERVICES

USA Risk Group provides accounting, financial, regulatory duties including maintaining financial records and books, preparation of statutory annual statement and NAIC filings, and payment of premium taxes. The contract was originally effective April 1, 1999, and has been extended through December 31, 2014.

INVESTMENT MANAGEMENT SERVICES

Congress Asset Management provides investment management and counseling. This agreement is perpetual until cancelled by one of the parties with a 30 day notice period.

FIDELITY BOND AND OTHER INSURANCE

The Company has a Management Liability Insurance Policy which includes Directors coverage. The Company's fidelity insurance coverage is adequate to meet the minimum requirements suggested by the NAIC, which is in the range of $175,000 to $200,000 for a company of this size.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2012, and as of the date of this examination report, the Company was licensed to transact business in the State of Tennessee. The Certificate of Authority for that jurisdiction was reviewed. The Company is authorized to conduct business in other states pursuant to the federal "Liability Risk Retention Act of 1986." The Company was registered in a total of thirty-two (32) states.

During 2012, the Company wrote direct written premium in eighteen (18) states as follows:

Alabama	$254,731	5.5%
Arkansas	160,406	3.4%
Connecticut	137,494	2.9%
Iowa	196,842	4.2%
Kentucky	453,271	9.7%
Mississippi	78,483	1.7%
Missouri	382,995	8.2%
Nebraska	345,787	7.4%
Nevada	227,520	4.9%
New Mexico	262,759	5.6%
Ohio	340,915	7.3%
Oklahoma	123,875	2.7%
Oregon	196,318	4.2%
South Carolina	69,804	1.5%
Tennessee	158,654	3.4%
Utah	526,837	11.3%
Virginia	657,369	14.1%
West Virginia	90,578	1.9%
Total	$4,664,638	100.0%

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company writes commercial automobile coverage for transportation fleets of fifteen (15) units or more. The fleets are primarily made up of taxicabs but may also include limousines, buses and Care-A-Vans. All policies are issued on a twelve (12) month non-assessable basis to Members. As part of the underwriting process, the Company and the subscribing Member mutually agree on the portion of each loss to be retained by the Member. This self-insured retention (SIR) may range from a minimum of ten thousand dollars ($10,000) to two hundred thousand dollars ($200,000). During 2012, the smallest SIR on an in force policy was twenty-five thousand dollars ($25,000).
In addition to the premium charged, the Company assesses a Membership capital contribution fee to each insured. This Membership fee was assessed at a rate of forty dollars ($40) per vehicle in 2012. Premiums and Membership fees are payable in four (4) equal installments.

Policy preparation is performed by Lockton Companies, LLC, under recitals of a services agreement with the Company and is subject to the underwriting rules adopted by the Company and promulgated in accordance with approved rates. Prospects are discussed with the Underwriting Committee prior to quoting a premium, and on-site visits are made to the prospective Member's place of business whenever possible.

The largest net amount insured by the Company during 2012 was two hundred fifty thousand dollars ($250,000) less the Member's SIR plus a 5% share of any loss between two hundred fifty thousand dollars ($250,000) and one million dollars ($1,000,000). The layer of seven hundred fifty thousand dollars ($750,000) excess of two hundred fifty thousand dollars ($250,000) is reinsured on a sharing basis with 5% retained by the Company and 95% ceded to the reinsurer, Swiss Reinsurance America Corporation.

In some states, the Department of Motor Vehicles requires that the Company provide a "First Dollar Endorsement" to guarantee the insured's payment of any SIR. The Company collects the SIR from the insured; however, the insured is usually required to post collateral to cover the SIR. The collateral is in the form of a letter of credit or a certificate of deposit.

The adjustment of claims is handled by the individual insured Member. Under provisions of each Member's policy, "the Named Insured warrants they have either a full-time Claims Department or have contracted with a reputable claims handling firm for the handling of claims." "The Named Insured further warrants that they have a working relationship with a reputable attorney for handling the defense of all claims." The Named Insured must additionally maintain a daily log of all claims occurring within the retained limit, including a description of each claim. Reports are submitted to the Company quarterly. "Settlement in excess of the retained limit may not be made without the written approval of the Company pursuant to language in the Named Insured's policy."

GROWTH OF COMPANY

The following comparative data reflected the growth of the Company for the period under review ($000's omitted):

Year	Direct Premiums Written	Net Admitted Assets	Liabilities	Retained Earnings	Policyholder Surplus
2012	$4,664	$23,273	$12,693	$6,972	$10,580
2011	4,570	23,250	14,080	4,129	9,170
2010	4,161	22,091	13,539	2,275	8,551
2009	4,303	21,243	13,240	833	8,003
2008	4,196	19,484	13,009	727	6,474

LOSS EXPERIENCE

The following comparative data reflected the loss experience of the Company for the period under review ($000's omitted):

	Premiums Earned	Losses Incurred	LAE Incurred	Net Loss Ratio
2012	$2,933	($667)	$158	-17.40%
2011	2,923	510	135	22.10%
2010	2,747	1,161	100	45.90%
2009	2,655	1,105	203	49.30%
2008	2,794	883	247	40.50%

The decline in the net loss ratio for 2012 was as a result of a reduction in the reserves based upon the Company's actuarial review.

REINSURANCE

The Company's reinsurance agreements were reviewed and comply with Tenn. Code Ann. § 56-2-207. Such agreements contain contract termination provisions as well as insolvency, arbitration and errors and omission clauses as recommended by NAIC ceded reinsurance contract review. The reinsurer is authorized and licensed in Tennessee as a foreign property and casualty insurer. The following reinsurance agreements were in effect as of December 31, 2012:

Type:	First Excess of Loss (treaty basis)
Reinsurer:	Swiss Reinsurance America Corporation
Term:	July 1, 2010 through July 1, 2014
Premium:	Premium adjustment will determine actual reinsurance premium due. Rate shall apply to gross written policy premium according to Limit + Self Insured Retention with a deposit premium of $1,220,000 payable in four quarterly payments of $305,000.
Commission:	N/A
Coverage:	Amount by which the Company's ultimate net loss exceeds the Company's retention of $250,000 each occurrence never to exceed $712,000 (i.e. 95% of $750,000) as respects any one occurrence.
Intermediary:	N/A

Type:	Second Excess of Loss (treaty basis)
Reinsuer:	Swiss Reinsurance America Corporation
Term:	July 1, 2010 through July 1, 2014
Premium:	Net rate is 1.568% with a deposit premium $64,000 payable in four quarterly payments of $16,000 each. Deposit premiums shall be at the agreed rates based on earned premiums.
Commission:	N/A
Coverage:	Amount by which the Company's ultimate net loss exceeds the Company's retention of $1,000,000 never to exceed $1,000,000 with respect to any one loss occurrence.
Intermediary:	N/A

ACCOUNTS AND RECORDS

The Company's general accounting records consisted of an automated general ledger and various subsidiary ledgers (e.g., cash receipts, cash disbursements). Our review did not disclose any significant deficiencies in these records.

Accounting records conformed to generally accepted insurance accounting practices and reflected the Company's operations during the period under examination and the status of the Company at the date of examination.

The Company was audited annually by Faulkner Mackie & Cochran, P.C., Nashville, Tennessee. No violations were noted with respects to Tenn. Comp. R. & Reg., 0780-1-65-.07(3).

The Company's Risk-Based Capital Report was reviewed and found to be in compliance with Tenn. Code Ann. § 56-46-101, et seq.

STATUTORY DEPOSITS

In compliance with Tenn. Code Ann. § 56-2-104, the Company maintained the following deposits with the TDCI as of December 31, 2012:

Description	Par Value	Statement Value	Market Value
U.S. Treasury Note – 912828RC6 2.125% Due 8-15-2021	$100,000	$100,820	$105,125
Total special deposits held for the benefit of all policyholders of the Company	$100,000	$100,820	$105,125

COMMITMENTS AND CONTINGENCIES

No financially material commitments and contingencies were reported by the Company or its auditors besides matters arising out of the normal course of business.

MARKET CONDUCT ACTIVITIES

A market conduct review was made of the Company as of December 31, 2012, in conjunction with this examination. The following items were addressed:

Policy Forms and Filings

A sample of Company policy rate and form filings was reviewed and found to be in compliance with Tenn. Code Ann. § 56-5-306, which requires a filing to be made with the Commissioner not later than fifteen (15) days after the effective date for all rates, supplementary rate information, policy forms and endorsements. The policy rates and forms in the sample were traced without exception to active insurance policies examined during the underwriting portion of the examination. The Company's filings with the TDCI were consistent in form and well documented.

Underwriting and Rating

The Company uses casualty rates developed by a combination of Company experience and industry data. A sample of policies written were compared to the application file and underwriting standards.

The Company maintains a written underwriting manual containing underwriting procedures and a rating guide. A physical inspection of the Member account is completed by a Director, an approved Member of Paratransit or a representative of the Lockton Companies, LLC.

In the examination of the Company's underwriting procedures and policy administration, policy files were reviewed and found to be in accordance with statutory requirements of Tenn. Code Ann. § 56-8-104 and established Company guidance. No instances of unfair methods of competition or unfair or deceptive acts were found.

Advertising

The advertising items including print and internet materials issued by the Company were examined in accordance with Tenn. Code Ann. § 56-8-104(1) (Unfair methods of competition and unfair or deceptive acts or practices defined - False Information and Advertising). In the examination of the above materials, no incidents of misrepresentation or false advertising were found. The Company was also found to have strong controls in place for the production and use of all advertising materials with only company approved materials authorized for use.

Information relative to the Company is exhibited on their webpage address as follows:

http://www.paratransitinsurance.com

Policyholder Complaints

The Company had no policyholder complaints filed with the Company for the period under examination.

There were 3 complaints on file with the TDCI and exhibited by the NAIC Database with no complaints filed since 2010. These complaints concerned the amount of the settlement offers to the claimant and the rejection of a Membership application which did not meet company standards.

No unusual findings were discovered.

Claims Review

A review of open and closed claims was made. The review indicates that claims are being handled properly, timely and in accordance with policy provisions. A sample of paid claim files reviewed indicated claims were being paid upon receipt of proper evidence of the Company's liability.

Privacy of Non-Public Personal Information

The Company's Members (policyholders) are commercial businesses. Tenn. Comp. R. & Regs. R. 0780-01-72, "Privacy of Consumer Information Regulations" includes in the definition of "Scope" the following:

"These rules do not apply to information about companies or about individuals who obtain products or service for business, commercial or agricultural purposes."

Lockton Companies, LLC is not a third party administrator for claims. They act as claim advocates for the Company. The Members settle their own claims with the assistance of attorneys. The Lockton administrative and management services agreement does contain a confidentially clause.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities and statement of revenue and expenses at December 31, 2012, together with a reconciliation of reserves and unassigned funds for the period under review, as established by this examination:

ASSETS

	Assets	Nonadmitted assets	Net assets
Bonds	$14,938,013	$ 0	$14,938,013
Common stocks	4,522,922	0	4,522,922
Cash and short-term investments	1,542,968	0	1,542,968
Subtotals, cash and invested assets	21,003,903	0	21,003,903
Investment income due and accrued	176,061	0	176,061
Premiums and considerations:			0
Uncollected premiums and agents' balances in the course of collection	229,179	$229,179	0
Deferred premiums; agents' balances and installments booked but deferred and not yet due (including $0 earned but unbilled premiums) (premiums and considerations)	1,699,446	0	1,699,446
Amounts recoverable from reinsurers (reinsurance)	237,500	0	237,500
Current federal and foreign income tax recoverable and interest thereon	97,666	0	97,666
Net deferred tax asset	59,354	0	59,354
Aggregate write-ins for other than invested assets:			
Prepaid D&O and Management Fees	26,211	26,211	0
Section 847 Special Tax Deposit	170,320	170,320	0
Totals	$23,699,640	$425,710	$23,273,930

LIABILITIES, CAPITAL AND SURPLUS

Losses	$7,986,775
Loss adjustment expenses	113,225
Commissions payable; contingent commissions and other similar charges	16,276
Other expenses (excluding taxes; licenses and fees)	160,650
Taxes; licenses and fees (excluding federal and foreign income taxes)	50,098
Unearned premiums (after deducting unearned premiums for ceded reinsurance of $994,951 and including warranty reserves of $0 and accrued accident and health experience rating refunds including $0 for medical loss ratio rebate per the Public Health Service Act)	1,576,306
Policyholders (dividends declared and unpaid)	1,750,000
Ceded reinsurance premiums payable (net of ceding commissions)	456,083
Amounts withheld or retained by company for account of others	584,353
Total liabilities	12,693,766
Aggregate write-ins for other than special surplus funds	
Subscribers' Capital Accounts	3,704,121
Gross paid in and contributed surplus	650,289
Unassigned funds (surplus)	6,225,754
Surplus as regards policyholders	10,580,164
Totals	$23,273,930

STATEMENT OF INCOME

Underwriting Income	
Premiums earned	$2,932,772
Deductions	
Losses incurred	(667,075)
Loss adjustment expenses incurred	157,740
Other underwriting expenses incurred	876,895
Total underwriting deductions	367,560
Net underwriting gain (loss)	2,565,212
Investment Income	
Net investment income earned	567,961
Net realized capital gains (losses) less capital gains tax of $29,953	202,107
Net investment gain (loss)	770,068
Other Income	
Net gain (loss) from agents' or premium balances charged off	(2,912)
Total other income	(2,912)
Net income before dividends to policyholders	3,332,368
Dividends to policyholders	1,750,000
Net income; before all other federal and foreign income taxes	1,582,368
Federal and foreign income taxes incurred	489,487
Net income (loss)	$1,092,881

RECONCILIATION OF CAPITAL AND SURPLUS

	2012	2011	2010	2009	2008
Surplus as regards policyholders, December 31 prior year	$9,170,240	$8,551,945	$8,003,338	$6,474,205	$7,292,148
Net income	1,092,881	604,304	442,410	233,085	127,624
Change in net unrealized capital gains or (losses)	150,968	(32,181)	145,084	455,115	(607,789)
Change in net deferred income tax	(103,400)	62,636	(43,071)	(11,735)	(186,224)
Change in nonadmitted assets	110,990	(162,142)	2,708	268,221	(200,264)
Surplus adjustments paid in	158,485	145,678	141,950	174,737	48,710
Prior period audit and tax adjustments			(140,474)	409,710	
Change in surplus as regards policyholders for the year	1,409,924	618,295	548,607	1,529,133	(817,943)
Surplus as regards policyholders, December 31 current year	$10,580,164	$9,170,240	$8,551,945	$8,003,338	$6,474,205

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

During the period covered by this examination, there were no changes in the financial statement.

SUBSEQUENT EVENTS

The Company obtained a non-revolving loan through SunTrust Bank in the amount of $1,250,000 on January 11, 2013. The loan was due March 5, 2013. The purpose was to supplement the operating account as there were several large claim payments to be made in January 2013. The loan was paid back in full on March 4, 2013.

COMMENTS AND RECOMMENDATIONS

None.

CONCLUSION

The customary insurance examination practices and procedures, as promulgated by the National Association of Insurance Commissioners, have been utilized in connection with the verification and valuation of assets and the determination of liabilities in the financial statements of this report.

In such manner, it was determined that, as of December 31, 2012, the Company had net admitted assets of $23,273,930 and liabilities, exclusive of capital and surplus, of $12,693,766. Thus, there existed for the additional protection of the Members, the amount of $10,580,164 in the form of subscribers' capital accounts and unassigned funds.

In addition to the undersigned, Keith M. Patterson, Insurance Examiner from the State of Tennessee Department of Commerce and Insurance, Jerry Elhers, CFE, CPA, CISA, AES and Lee Hoeppner with Noble Consulting Services, Inc. participated in the work of this examination.

Respectfully submitted,

Brian H Sewell, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Paratransit Insurance Company, A Mutual Risk Retention Group, dated December 3, 2013, and made as of December 31, 2012, on behalf of the TDCI. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Brian H Sewell

Brian H. Sewell, CFE
Examiner-in-Charge
State of Tennessee
Southeastern Zone, NAIC

State Tennessee

County Davidson

Subscribed to and sworn before me

this 16th day of June, 2014

Notary Helen W. Dorsey

My Commission Expires: 11/06/2017

HELEN W DORSEY
STATE
OF
TENNESSEE
NOTARY
PUBLIC
DAVIDSON COUNTY

PARATRANSIT INSURANCE COMPANY
A MUTUAL RISK RETENTION GROUP

June 23, 2014

E. Joy Little
Director of Financial Examinations
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

RE: Paratransit Insurance Company, a Mutual Risk Retention Group – Report of Examination

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Paratransit Insurance Company, a Mutual Risk Retention Group. By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

W. Joseph Lammel, CPCU
Sr. Executive Underwriter

Managed By:
Lockton Companies
1715 Aaron Brenner Drive, Suite 512
Memphis, Tennessee 38120
Ph: (901) 757-6900 Fax: (901) 757-6600

EXHIBIT
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