

Model Audit Rule and USL&H Audit Requirement

Audit Committee Item 4

July 14, 2011

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Model Audit Rule

- Year ended December 31, 2010
 - Issued management's report of internal control over financial reporting for 2010 in May 2011
 - Standard report
 - Internal control over statutory financial reporting is effective
 - No unremediated material weaknesses
 - Filed management's report for 2010 with California Department of Insurance, together with 2010 audited financial statements in May 2011

- Year ended December 31, 2011
 - Held kick-off meeting with internal stakeholders
 - Plans in progress for updating internal control documentation and testing

US Longshore & Harbor Workers' Compensation

- All authorized insurers are required each calendar year to complete and file Form LS-513 which shows the number of cases and all compensation and medical payments made under the Longshore and Harbor Workers' Compensation Act
- All filings for years prior to 2010 required an audit by independent auditors
- No such audit is required beginning 2010