

**REPORT ON EXAMINATION**  
**OF**  
**ACCREDITED SURETY AND CASUALTY**  
**COMPANY, INC.**  
**ORLANDO, FLORIDA**

**AS OF**  
**DECEMBER 31, 2010**

**BY THE**  
**OFFICE OF INSURANCE REGULATION**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL</b> .....	<b>-</b>
<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	<b>2</b>
CURRENT EXAM FINDINGS .....	2
PRIOR EXAM FINDINGS .....	2
<b>HISTORY</b> .....	<b>2</b>
GENERAL .....	2
DIVIDENDS TO STOCKHOLDERS .....	3
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	3
SURPLUS DEBENTURES .....	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS, AND PURCHASE OR SALES THROUGH REINSURANCE .....	4
<b>CORPORATE RECORDS</b> .....	<b>4</b>
CONFLICT OF INTEREST .....	4
<b>MANAGEMENT AND CONTROL</b> .....	<b>4</b>
MANAGEMENT .....	4
AFFILIATED COMPANIES .....	6
ORGANIZATIONAL CHART .....	7
TAX ALLOCATION AGREEMENT .....	8
COST ALLOCATION AGREEMENT.....	8
MANAGEMENT AGREEMENT.....	8
MANAGING GENERAL AGENT AGREEMENT .....	8
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	<b>10</b>
<b>PENSION, STOCK OWNERSHIP AND INSURANCE PLANS</b> .....	<b>10</b>
<b>TERRITORY AND PLAN OF OPERATIONS</b> .....	<b>10</b>
TREATMENT OF POLICYHOLDERS.....	10
<b>COMPANY GROWTH</b> .....	<b>11</b>
PROFITABILITY OF COMPANY .....	11
<b>LOSS EXPERIENCE</b> .....	<b>12</b>
<b>REINSURANCE</b> .....	<b>12</b>
ASSUMED .....	12
CEDED .....	12
<b>ACCOUNTS AND RECORDS</b> .....	<b>13</b>
CUSTODIAL AGREEMENT .....	14
INDEPENDENT AUDITOR AGREEMENT .....	14
<b>INFORMATION TECHNOLOGY REPORT</b> .....	<b>14</b>

<b>STATUTORY DEPOSITS</b> .....	<b>15</b>
<b>FINANCIAL STATEMENTS PER EXAMINATION</b> .....	<b>16</b>
ASSETS .....	17
LIABILITIES, SURPLUS AND OTHER FUNDS .....	18
STATEMENT OF INCOME .....	19
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS .....	20
<b>COMMENTS ON FINANCIAL STATEMENTS</b> .....	<b>21</b>
LIABILITIES.....	21
CAPITAL AND SURPLUS .....	21
<b>CONCLUSION</b> .....	<b>22</b>

Tallahassee, Florida

September 14, 2011

Kevin M. McCarty  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Sharon P. Clark  
Secretary, Southeastern Zone, NAIC  
Commissioner  
Kentucky Department of Insurance  
215 West Main Street  
Frankfort, Kentucky 40601

Joseph Torti III  
Chairman, NAIC Financial Condition  
(E) Committee  
Superintendent  
State of Rhode Island  
Department of Business Regulation  
Division of Insurance  
1511 Pontiac Avenue, Building 69-2  
Cranston, Rhode Island 02920

Dear Sirs and Madam:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2010, of the financial condition and corporate affairs of:

**ACCREDITED SURETY AND CASUALTY COMPANY, INC.  
4798 NEW BROAD STREET, SUITE 200  
ORLANDO, FLORIDA 32814**

Hereinafter referred to as, the "Company". Such report of examination is herewith respectfully submitted.

## **SCOPE OF EXAMINATION**

This examination covered the period of January 1, 2006, through December 31, 2010. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2005. This examination commenced with planning at the Office on June 20, 2011, to June 23, 2011. The fieldwork commenced on July 11, 2011, and concluded as of September 14, 2011.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition 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. An examination also includes 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 when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Exam Findings**

There were no material findings or exceptions noted during the examination as of December 31, 2010.

### **Prior Exam Findings**

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2005.

## **HISTORY**

### **General**

The Company was incorporated in Florida on July 6, 1971, and commenced business on September 1, 1971, as Accredited Surety and Casualty Company, Inc.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2010:

Fidelity  
Surety

Bail Bonds  
Other Liability

The Articles of Incorporation and the Bylaws were amended during the period covered by this examination to change the registered office of the Company to its current address which is 4798 New Broad Street, Suite 200, Orlando, FL 32814. The Company Bylaws were amended to reflect the same change.

### **Dividends to Stockholders**

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2010, 2009, 2008, 2007 and 2006 in the amounts of \$1,250,000, \$900,000, \$3,000,000, \$242,000 and \$500,000, respectively.

### **Capital Stock and Capital Contributions**

As of December 31, 2010, the Company's capitalization was as follows:

Number of authorized common capital shares	200,000
Number of shares issued and outstanding	153,000
Total common capital stock	\$3,060,000
Par value per share	\$20.00

Ultimate control of the Company was maintained by Deborah Snow Jallad and Sharon Snow Jallad who each controlled 50% of the voting shares of its parent, Accredited Holding Company (AHC), who owned 100% of the stock issued by the Company.

### **Surplus Debentures**

The Company did not have any surplus debentures during the period of examination.

## **Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance**

The Company had no acquisitions, mergers, disposals, and purchase or sales through reinsurance during the period of this examination.

## **CORPORATE RECORDS**

The recorded minutes of the shareholder, Board of Directors (Board), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings, approval of Company transactions and events, including the authorization of investments as required by Section 625.304, Florida Statutes.

## **Conflict of Interest**

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

## **MANAGEMENT AND CONTROL**

### **Management**

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2010, were:

## Directors

<b>Name and Location</b>	<b>Principal Occupation</b>
Deborah S. Jallad Winter Park, Florida	President, Accredited Surety and Casualty Company, Inc.
Sharon S. Jallad Winter Park, Florida	Secretary, Accredited Surety and Casualty Company, Inc.
Marney N. Emel Winter Springs, Florida	CFO, Accredited Surety and Casualty Company, Inc.
Forest I. Hughes New Smyrna Beach, Florida	Insurance Consultant
Denis M. Kubit Gibsonia, Pennsylvania	Insurance Consultant
Fredric Marro Cherry Hill, New Jersey	Attorney
Russel G. Newman Pearl, Mississippi	Director, VP, Accredited Surety and Casualty Company, Inc.

The Board in accordance with the Company's bylaws appointed the following senior officers:

## Senior Officers

<b>Name</b>	<b>Title</b>
Deborah Snow Jallad	President
Sharon Snow Jallad	Secretary
Marney Emel	Director and CFO

The Company's Board appointed several internal committees. Following were the principal internal board committees and their members as of December 31, 2010:

**Executive Committee**

Frederic Marro<sup>1</sup>  
Deborah Jallad  
F.I. Hughes  
Sharon Jallad

<sup>1</sup> Chairman

**Audit Committee**

Dennis Kubit <sup>1</sup>  
Deborah Jallad  
F.I. Hughes  
Frederic Marro

Marney Emel

**Investment Committee**

Dennis Kubit <sup>1</sup>  
Deborah Jallad  
Sharon Jallad

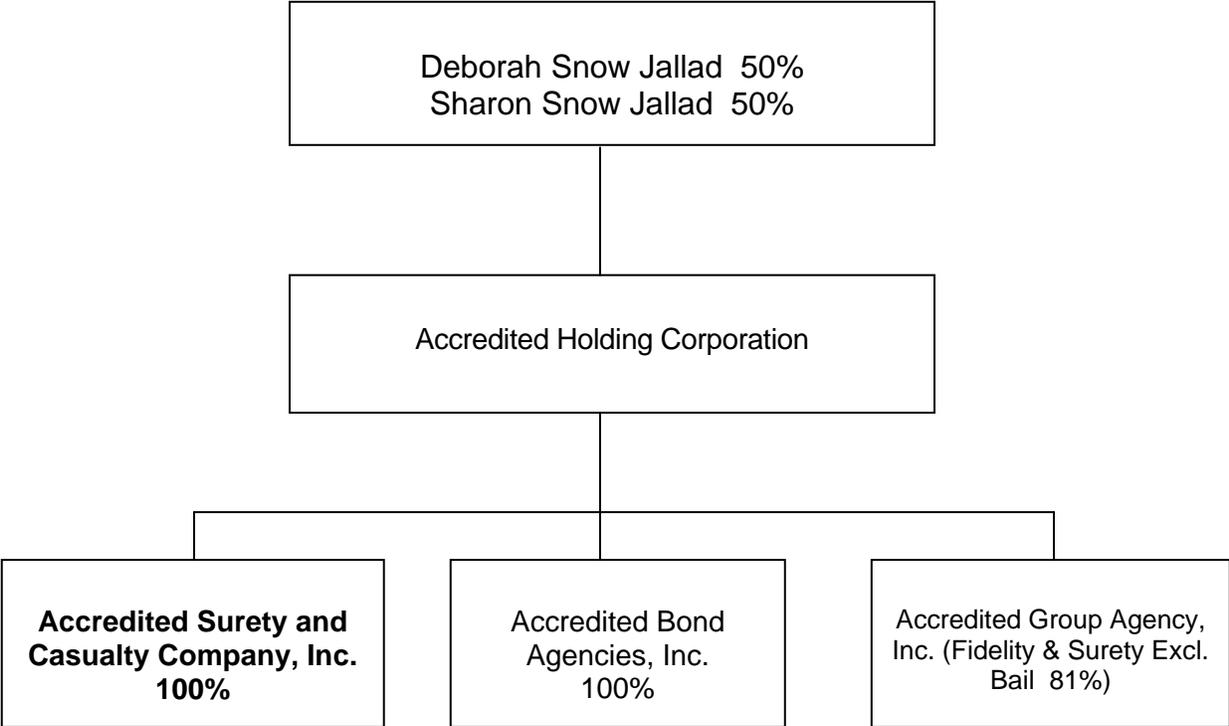
**Affiliated Companies**

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on February 28, 2011, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code. The Company filed an updated holding company registration statement to report subsequent changes in affiliates, as required by Rule 69O-143.046 (4), Florida Administrative Code.

An organizational chart as of December 31, 2010, reflecting the holding company system, is shown below. Schedule Y of the Company's 2010 annual statement provided a list of all related companies of the holding company group.

**ACCREDITED SURETY AND CASUALTY COMPANY, INC.  
ORGANIZATIONAL CHART**

**DECEMBER 31, 2010**



The following agreements were in effect between the Company and its affiliates:

### **Tax Allocation Agreement**

The Company, along with its parent, AHC, and their affiliates, Accredited Bond Agencies, Inc. (ABA) and Accredited Group Agency, Inc. (AGA) filed a consolidated federal income tax return. On December 31, 2010, the method of allocation between the Company and its parent was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable with the parent.

### **Cost Allocation Agreement**

The Company entered into an agreement with their parent and their affiliates which commenced on January 1, 2010. Shared expenses were allocated between the subsidiaries on a fair and equitable basis. Expenses billed are offset between the entities and remitted on a monthly basis.

### **Management Agreement**

The Company entered into an agreement with their affiliate ABA which commenced on January 1, 2010. This agreement required the Company to perform certain administrative services, including administration and record keeping of the corporation and the entire group, on behalf of ABA or the entire group jointly or severally. The monthly management fee received by the Company was \$55,000 per month or \$660,000 annually.

### **Managing General Agent Agreement**

The Company entered into an agreement with ABA, the purpose being to appoint a Managing General Agent (MGA) as their sole agent to take charge of the Company's bail bond business in all states where the Company was currently licensed to do business. The MGA had the right to open

agencies and to appoint and license general agents and sub-agents in the name of the Company. The MGA paid the Company the sum of \$6.50 per \$1,000.00 of the liability written by all its agents and assumed by the Company. Amounts were paid into the Company's general account on the first Friday following the month in which remittance was received by the MGA. The MGA agreed to prepare a complete statement of account of business transacted during the prior month by all agents appointed under its control. The MGA held premiums collected on policies for the Company in a fiduciary capacity. The MGA agreed to pay all losses and loss adjustment expenses and hereby indemnified and held the Company harmless from and against any loss and loss expense on all bonds and undertakings written or issued by any general agents or sub-agents. The MGA advised the Company of all such payments for losses and LAE. In the event that any loss or claim was suffered by the Company on any bond or undertaking that remained unpaid, unsatisfied or un-discharged for 30 days, the Company had the right to terminate the agreement. The MGA's bail bond authority was \$50,000 with amounts available over that amount required signatures of two officers of the Company.

### **Program Manager Agreement**

The Company entered into an agreement with AGA on September 1, 2001, the purpose being to appoint a program manager to manage the insurance products of the Company. Duties were to receive and accept proposals for Surety and Fidelity bonds and insurance excluding bail bonds, to countersign surety bonds new or renewal to which the agreement applied, and to collect, receive and receipt for premiums to be paid commissions as full compensation on business placed with the Company. The Program Manager had no claims settlement authority and the agreement may be terminated by either party with 30 days notice.

## **FIDELITY BOND**

The Company maintained fidelity bond coverage up to \$500,000 with a deductible of \$50,000, which reached the suggested minimum as recommended by the NAIC.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Parent Company sponsors a defined contribution savings plan covering all employees of the Company. A matching contribution in an amount equal to 100% of the employee's contribution that did not exceed 3% of the employee's compensation, plus 50% of the employee's contribution between 3% and 5% was made by the Company.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance in all fifty (50) states as well as the District of Columbia.

### **Treatment of Policyholders**

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

## COMPANY GROWTH

The Company has shown a substantial decline in Premiums Earned during the examination period, the majority of which was due to the Company's decision during the 2006 period to cease writing a particular class of non-contract commercial surety bonds within a specific geographic region. The Company has increased their bail bond business in its place and has grown geographically to all states plus the District of Columbia resulting in higher costs. The Company has also seen a decrease in Net Underwriting Gain for the examination period which was attributed to higher overhead associated with the surety bail line combined with the overhead associated with the classes of non-contract commercial surety bonds that the Company had added but decided to cease writing effective May 1, 2009. These lines combined with minimal returns on investments have lead to a decrease in Net Income during the examination period as well. The Company has a strong liquidity position and anticipates positive cash flows from operations in 2011 as the growth in the surety bail line is realized.

### Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination, as reported in the filed annual statements.

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Premiums Earned	7,898,078	8,098,645	10,660,263	13,022,366	19,764,183
Net Underwriting Gain/(Loss)	(70,498)	948,451	1,859,482	2,796,545	3,581,621
Net Income	535,572	1,320,227	2,010,782	3,327,955	3,260,436
Total Assets	23,403,242	24,222,421	28,330,787	32,599,788	33,338,824
Total Liabilities	6,235,817	6,089,654	7,865,259	10,363,998	11,946,477
Surplus As Regards Policyholders	17,167,426	18,132,767	20,465,529	22,235,790	21,392,347

## **LOSS EXPERIENCE**

During the current examination period, the Company showed favorable development overall. This was a result of the Company ceasing to write their non-contract commercial surety bonds line and increasing their presence in the bail bonds lines. The company had never incurred a loss in their bail bonds line. The loss developments at the end of the current examination period were \$1,155,443, \$1,818,457, \$3,016,738, \$4,052,409 and \$5,386,644 for the years 2010 through 2006 respectively.

## **REINSURANCE**

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

### **Assumed**

The Company did not assume any reinsurance during the period of this examination.

### **Ceded**

The Company ceded risk on a quota share loss basis to Hartford Reinsurance, ACRH Reinsurance Company, Everest Reinsurance Company, Endurance Reinsurance Corporation of America, XL Reinsurance America Inc. as well as Swiss Re, referred to as Kemper Reinsurance in the Company agreement. These amounts were non-material as the Company had ceased writing their non-contract commercial business with those lines currently being in runoff.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Orlando, Florida.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2006, 2007, 2008, 2009, and 2010, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's core insurance and financial systems run on the Microsoft Dynamics platform. The Company had outsourced their programming functions to Progressive Systems Solutions, Inc., a Microsoft Certified Gold partner.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with UBS Trust Company, N.A., executed on August 7, 2009. The Company was in compliance with Rule 69O-143.042, Florida Administrative Code.

### **Independent Auditor Agreement**

The Company contracted with Geller, Ragans, James, Oppenheimer & Creel to perform the annual audit of its financial statements as required by Rule 69O-137.002 (7) (c), Florida Administrative Code.

## **INFORMATION TECHNOLOGY REPORT**

Mr. Tracy Gates, CISA, CPA, of Highland Clark, LLC performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

## STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411,

Florida Statutes and with various state officials as required or permitted by law:

STATE	Description	Par Value	Market Value
FL	CA St Gen Oblig, 4.255%, 10/1/19	\$200,000	\$200,034
FL	CA ST Gen Oblig, 4.604%, 11/1/23	100,000	100,012
FL	NY Gen Oblig, 4.003%, 8/1/15	500,000	506,715
FL	NC Gen Oblig, 4.037%, 5/1/20	75,000	77,281
FL	VG Gen Oblig, 4.00%, 6/1/19	350,000	363,738
FL	WI Gen Oblig, 4.953%, 5/1/17	400,000	400,980
FL	Canton MI Charter, 3.250%, 10/1/11	250,000	254,798
FL	FL ST Brd Ed, 5.040%, 6/1/29	255,000	259,253
FL	Reedy Creek Imprv, 4.167%, 6/1/14	400,000	405,736
FL	Cash	<u>255,275</u>	<u>255,275</u>
TOTAL FLORIDA DEPOSITS		<u>\$ 2,785,275</u>	<u>\$2,823,822</u>
CA	CD, .65%	\$ 1,000	1,000
GA	Cash	25,004	25,004
IN	Cash	76,492	76,492
MA	IL Gen Oblig, 4.219%, 9/1/22	120,000	108,149
NM	Cash	100,000	100,000
NC	Forsyth County, 4.319%, 3/1/19	200,000	214,878
NC	Cash	51,887	51,887
NV	NC Gen Oblig, 4.037%, 5/1/20	200,000	206,082
OK	NJ State, 4.085%, 4/1/22	50,000	50,297
OK	Clark County, 5.721%, 6/15/24	250,000	243,262.50
OR	CA State, 4.389%, 3/1/15	10,000	10,065
OR	NJ State, 4.085%, 4/1/22	250,000	251,485
OR	OH State, 4.427%, 11/1/15	25,000	25,954
TN	NC Gen Oblig, 4.037%, 5/1/20	200,000	206,082
TN	Seattle WA, 4.217%, 12/1/17	15,000	15,506
VG	GE Cap Corp, 4.972%, 1/15/13	70,000	75,278
WY	Denver County, 4.526%, 12/1/15	10,000	10,484
WY	Yuba City, 4.102%, 9/1/22	150,000	142,590
WY	Cash	<u>2,266</u>	<u>2,266</u>
TOTAL BENEFIT FOR ALL POLICYHOLDERS		<u>\$ 1,806,649</u>	<u>\$1,816,761.50</u>
TN	CD, .20%	28,211	28,211
TN	Cash	30,856	30,856
TX	CD, Various	2,033,554	2,033,554
TX	Cash	100,000	100,000
TOTAL ALL OTHER SPECIAL DEPOSITS		<u>\$2,192,621</u>	<u>\$2,192,621</u>
TOTAL ALL SPECIAL DEPOSITS		<u>\$6,784,545</u>	<u>\$6,833,204.50</u>

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2010, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

ACCREDITED SURETY AND CASUALTY COMPANY, INC.

Assets

DECEMBER 31, 2010

	Per Company	Examination Adjustments	Per Examination
Bonds	\$14,483,849		14,483,849
Stocks:			
Common	1,221,542		1,221,542
Mortgage loans on real estate			
First Liens	898,019		898,019
Cash and Short-Term Investments	3,662,312		3,662,312
Aggregate write-in for invested assets	32,965		32,965
Investment income due and accrued	184,930		184,930
Premiums and considerations			0
Uncollected premiums and agents	543,260		543,260
Reinsurance:			0
Amounts recoverable from reinsurer	(31,248)		(31,248)
Current federal and foreign income tax	1,887,826		1,887,826
EDP Equipment	518,932		518,932
Receivable from parents, subsidiaries	855		855
Totals	<u>\$23,403,242</u>	<u>\$0</u>	<u>\$23,403,242</u>

**ACCREDITED SURETY AND CASUALTY COMPANY, INC.**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2010**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Losses	\$901,630		\$901,630
Loss adjustment expenses	253,813		253,813
Commissions payable, contingent commissions	125,835		125,835
Other expenses	304,459		304,459
Taxes, licenses and fees	26,927		26,927
Net deferred tax liability	322,239		322,239
Unearned premium	35,898		35,898
Advance premium	6,046		6,046
Ceded reinsurance premiums payable	8,089		8,089
Funds held under reinsurance treaties	32,965		32,965
Payable to parent, subsidiaries and affiliates	56,116		56,116
Aggregate write-ins for liabilities	4,161,800		4,161,800
<b>Total Liabilities</b>	<b>\$6,235,817</b>	<b>\$0</b>	<b>\$6,235,817</b>
Common capital stock	\$3,060,000		\$3,060,000
Gross paid in and contributed surplus	541,000		541,000
Unassigned funds (surplus)	13,566,426		13,566,426
<b>Surplus as regards policyholders</b>	<b>\$17,167,426</b>	<b>\$0</b>	<b>\$17,167,426</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$23,403,243</b>	<b>\$0</b>	<b>\$23,403,243</b>

**ACCREDITED SURETY AND CASUALTY COMPANY, INC.**  
**Statement of Income**

**DECEMBER 31, 2010**

**Underwriting Income**

Premiums earned		\$7,898,078
	<b>Deductions:</b>	
Losses incurred		\$390,929
Loss adjustment expenses incurred		(19,381)
Other underwriting expenses incurred		7,597,028
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$7,968,576
Net underwriting gain or (loss)		(\$70,498)

**Investment Income**

Net investment income earned		\$581,823
Net realized capital gains or (losses)		113,899
Net investment gain or (loss)		\$695,722

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		(\$121,907)
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		38,374
Total other income		(\$83,533)
Net income before dividends to policyholders and before federal & foreign income taxes		\$541,691
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$541,691
Federal & foreign income taxes		6,119
Net Income		\$535,572

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$18,132,766
Net Income		\$535,572
Net unrealized capital gains or losses		0
Change in net unrealized capital gains or (losses) less capital gains		62,772
Change in net deferred income tax		(107,640)
Change in nonadmitted assets		395,904
Dividends to stockholders		(1,250,000)
Aggregate write-ins for gains and losses in surplus		(601,950)
Examination Adjustment		0
Change in surplus as regards policyholders for the year		(\$965,341)
Surplus as regards policyholders, December 31 current year		\$17,167,426

A comparative analysis of changes in surplus is shown below.

**ACCREDITED SURETY AND CASUALTY COMPANY, INC.  
Comparative Analysis of Changes in Surplus**

**DECEMBER 31, 2010**

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders  
December 31, 2010, per Annual Statement \$17,167,426

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No Adjustment			
LIABILITIES:			
No Adjustment			
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2010, Per Examination			<u><u>\$17,167,426</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

**Losses and Loss Adjustment Expenses** \$1,155,443

An outside actuarial firm appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2010, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Dennis Henry, FCAS, MAAA of The Actuarial Advantage, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and was in concurrence with this opinion.

### Capital and Surplus

The amount reported by the Company of \$17,167,426, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Accredited Surety and Casualty Company, Inc. as of December 31, 2010, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$17,167,426, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Sheri L. Kenney, CFE, Examiner-In-Charge and Brad Hazelwood, Participating Examiner, of Highland Clark, LLC, participated in the examination. In addition, Dennis R. Henry, FCAS, MAAA, consulting actuary of The Actuarial Advantage, Inc., Tracy D. Gates, CISA, CPA, IT Manager of Highland Clark, LLC and Vetrecia Smith, Financial Specialist and Gary Farmer, Financial Examiner/Analyst Supervisor of the Office also participated in the examination.

Respectfully submitted,

---

Mary James  
Chief Examiner  
Florida Office of Insurance Regulation