

**REPORT ON EXAMINATION**  
**OF**  
**AMERICAN PLATINUM PROPERTY AND**  
**CASUALTY INSURANCE COMPANY**  
**FORT LAUDERDALE, FLORIDA**

**AS OF**  
**DECEMBER 31, 2011**

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

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April 5, 2013

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

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, 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, 2011, of the financial condition and corporate affairs of:

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY  
1110 WEST COMMERCIAL BLVD.  
FORT LAUDERDALE, FLORIDA 33309**

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, 2011 through December 31, 2011. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2010. This examination commenced with planning at the Office on October 8, 2012, to October 12, 2012. The fieldwork commenced on October 15, 2012, and concluded as of April 5, 2013.

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**

The findings noted during this examination period have been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

### **Prior Exam Findings**

There were no findings, exceptions, or corrective action to be taken by the Company for the examination as of December 31, 2010.

## **SUBSEQUENT EVENTS**

The Company received a capital contribution from its parent, Universal Insurance Holdings Inc., of \$500,000 on June 29, 2012 and \$5,000,000 on December 31, 2012.

The Company had catastrophe reinsurance coverage provided by Segregated Account T-25 – Universal Insurance Holdings of White Rock Insurance (SAC) Limited, which is collateralized by

Universal Insurance Holdings, Inc., the Company's ultimate parent, through contributions to a trust account. A contract effective from January 1, 2011 to January 1, 2012 provided coverage of \$105,000,000 through May 31, 2011 when it was commuted. The ceded earned premium net of the commissions was \$0. A second contract effective from June 1, 2011 through May 31, 2012 provided coverage of \$140,000,000 through December 31, 2011 when it was terminated. It yielded \$0 in ceded earned premium net of the termination. This coverage was replaced with a new contract by an unaffiliated reinsurer effective January 1, 2012.

As of March 13, 2013, the Company requested and withdrew the Allied Lines and Inland Marine lines of business from its Certificate of Authority.

In March 2013, the Company's investment committee authorized management to engage an investment advisor specializing in the insurance industry. The Company is currently in the process of finalizing an agreement with Deutsche Asset & Wealth Management (DeAM), a division of Deutsche Asset Management, the asset management arm of Deutsche Bank AG, to manage the Company's investment portfolio. DeAM and its team of insurance investment specialists are working with the Company management to develop and manage a comprehensive investment program that is expected to provide a more stable and recurring stream of investment income and reduce the effects of market volatility.

Effective February 22, 2013, Bradley Ian Meier resigned as President and Chairman of the Board and Norman Max Meier resigned as Director and Secretary. The Board of Directors approved Sean Patrick Downes as President, Jon William Springer as Chief Operating Officer, and Stephen Joseph Donaghy as Secretary. Additionally, Jon Springer was elected Director.

## HISTORY

### General

The Company was incorporated in Florida on November 12, 2008, and commenced business on December 2, 2008, as Infinity Property and Casualty Insurance Company under the laws of the State of Florida as a property and casualty insurer. The Company is a wholly owned subsidiary of Universal Insurance Holding Company of Florida, an insurance holding company domiciled in the State of Florida. The Company's name was changed to American Platinum Property and Casualty Insurance Company on January 14, 2009.

The Company was party to Consent Order 97807-08-CO filed October 1, 2008, with the Office regarding the application for the issuance of a Certificate of Authority. The Company complied with the provisions of this consent order.

The Company was authorized to transact the following insurance coverage in Florida on December 2, 2008 and continued to be authorized as of December 31, 2011:

Homeowners multi peril  
Inland Marine

Allied Lines

The Company had not written insurance coverage during the examination year in the lines of business of Inland Marine and Allied Lines. The Company was not in compliance with Section 624.430 (1), Florida Statutes, which requires that a company not writing premiums in a line of business in a calendar year, shall remove the line of business from its Certificate of Authority (COA). **Subsequent Event:** In March 2013, the Company requested and was approved to have the allied lines and inland marine lines of business removed from its Certificate of Authority.

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

### **Dividends to Stockholders**

The Company did not declare or pay any dividends during the period of examination.

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

As of December 31, 2011, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	100,000
Total common capital stock	\$5,000,000
Par value per share	\$50.00

The Company was wholly owned and controlled maintained by its parent, Universal Insurance Holding Company of Florida, which in turn was wholly owned by Universal Insurance Holdings Inc., a Delaware corporation.

The parent did not contribute any cash to the Company as of December 31, 2011.

### **Surplus Notes**

The Company did not have any surplus notes 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 examination.

## **CORPORATE RECORDS**

The recorded minutes of the Shareholder(s), 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 and approval of Company transactions and events, in compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code and 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, 2011, were:

## Directors

<b>Name and Location</b>	<b>Principal Occupation</b>
Sean Patrick Downes Fort Lauderdale, Florida	Chief Operating Officer, Universal Insurance Holdings Inc.
Bradley Ian Meier (a) Fort Lauderdale, Florida	Owner, President, and CEO of Universal Insurance Holdings, Inc.
Joel Marc Wilentz, M.D. Fort Lauderdale, Florida	Physician
Norman Max Meier (a) Hollywood, Florida	Pharmaceutical Executive
Reed Jacob Slogoff Merlon, Pennsylvania	Real Estate
Ozzie Abraham Schindler Miami, Florida	Attorney
Michael Anthony Pietrangelo Germantown, Tennessee	Attorney

(a) Bradley Ian Meier and Norman Max Meier resigned as Director, effective February 22, 2013.

Jon William Springer was elected as a new Director.

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

## Senior Officers

<b>Name</b>	<b>Title</b>
Bradley Ian Meier (b)	President
Sean Patrick Downes (b)	Chief Operating Officer
George Robert De Heer	Treasurer
Norman Max Meier (b)	Secretary

(b) Bradley Ian Meier resigned as President and Norman Max Meier resigned as Secretary, effective February 22, 2013. Sean Patrick Downes was elected as President, Jon William Springer as Chief Operating Officer and Stephen Joseph Donaghy as Secretary.

The Company's Board appointed several internal committees. Following were the principal internal board committees and their members as of December 31, 2011:

**Audit Committee**

Ozzie Abraham Schindler <sup>1</sup>  
Reed Jacob Slogoff  
Joel Marc Wilentz

<sup>1</sup> Chairman

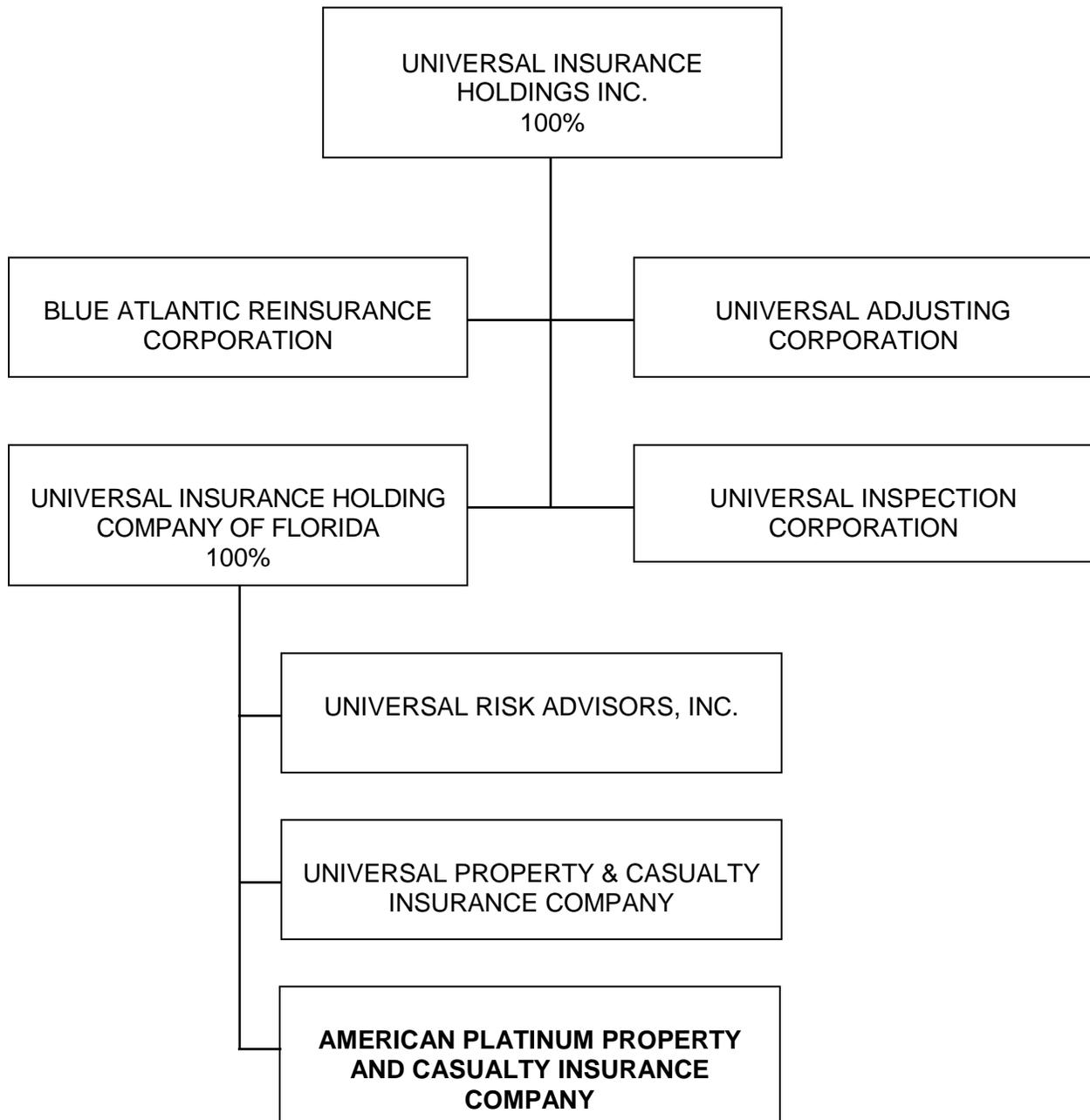
**Affiliated Companies**

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 March 1, 2013, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2011, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2011 annual statement provided a list of all related companies of the holding company group.

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY  
ORGANIZATIONAL CHART**

**DECEMBER 31, 2011**



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

### **Policy Administration Agreement**

The Company and its managing general agent, Universal Risk Advisors, contracted to provide policy administration and servicing functions to the Company, including implementation, testing, policy processing, financial reporting, consumer assistance, first notice of loss, systems backup, and policy systems consulting services. The rate charged to the Company was 5.5% of written premium and the total amount transacted for 2011 was \$2,236, which included the MGA fees.

### **Pricing Agreement**

On November, 10, 2008, the Company executed an agreement (which is in the form of a memorandum) with its affiliate, Universal Adjusting Corporation, for claims adjusting services. Under the terms of this agreement, Universal Adjusting Corporation is to provide the Company with appraisals of damages to insured property.

### **Reinsurance Intermediary Services**

The Company and its managing general agent, Universal Risk Advisors, contracted with an affiliated reinsurance intermediary, Blue Atlantic Reinsurance Corporation (Blue Atlantic), for assistance in developing, negotiating, and placing the Company's reinsurance structure/program. In its capacity as managing general agent, Universal Risk Advisors advises the Company with regard to reinsurance structure and negotiates reinsurance transactions on behalf of the Company. It is also a party to this agreement.

### **Tax Allocation Agreement**

The Company, along with its parent, filed a consolidated federal income tax return. On December 31, 2011, 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 or payable with Universal Insurance Holdings Inc. Within ninety (90) days of the remittance by Universal Insurance Holdings Inc. of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

### **Cost Allocation Agreement**

The Company entered into a Cost Allocation Agreement with Universal Insurance Holdings Inc., Universal Property and Casualty Insurance Company, Universal Risk Advisors, and Universal Adjusting Corporation on November 10, 2008. The agreement allocated cost based upon generally accepted accounting principles. The methods of allocation used were the Proportional Benefit Rule and the Interrelationship Rule.

### **Claims Service Agreement**

The Company entered into a Claims Service Agreement with Universal Adjusting Corporation, an affiliate, on July 1, 2011. The agreement requires Universal Adjusting Corporation to perform adjusting and claims handling services. The fees paid to Universal Adjusting Corporation are set prices for catastrophe claims and non-catastrophe claims according to a schedule included in the agreement.

### **Managing General Agent Agreement**

The Company entered into a Managing General Agency Agreement with its affiliate, Universal Risk Advisors on November 10, 2008. The agreement continues in force as long as both parties remain a party to this agreement, unless otherwise terminated within the guidelines of the agreement. MGA fees were based on 4% of gross written premium and included the \$25 policy fee. Fees incurred under this agreement during 2011 amounted to \$1,626.

Pursuant to the terms of the agency contract, Universal Risk Advisors would underwrite the policies, administer claim settlement, collect premiums, negotiate reinsurance on behalf of the Company, and provide other administrative services.

### **Inspection Services Agreement**

The Company entered into an Inspection Services Agreement with its affiliate, Universal Inspection Corporation on July 1, 2011. According to the agreement, Universal Inspection Corporation will perform residential property insurance inspections. The fee for the services provided were set prices for interior and exterior inspections according to Exhibit A of the agreement.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained fidelity bond coverage up to \$10,000,000 with a deductible of \$100,000, which reached the suggested minimum as recommended by the NAIC.

The Company was also named as an insured on a General Liability, Automobile Liability, and Property Policy, an Umbrella Policy, a Workers' Compensation and Employer's Liability Policy, and a Pollution Liability Policy with its ultimate parent, Universal Insurance Holdings Inc.

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

There were not any pension, stock ownership, or insurance plans in place at the Company during the period of examination.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance only in the State of Florida.

### **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 been growing through the affiliated managing general agent, Universal Risk Advisors, which is a wholly owned subsidiary of Universal Insurance Holdings, which is a member of the holding company system. The Company's business was marketed through Universal Risk Advisors and independent agents contracted with Universal Risk Advisors. The Company began writing business in November of the examination period.

### Profitability of Company

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Premiums Earned	18,507	0	0
Net Underwriting Gain/(Loss)	(46,908)	(197,064)	(124,181)
Net Income	(1,092,794)	1,389,084	(69,752)
Total Assets	10,346,092	12,077,945	9,957,855
Total Liabilities	967,604	826,216	47,011
Surplus As Regards Policyholders	9,378,489	11,251,729	9,910,844

## LOSS EXPERIENCE

There was no one-year or two-year loss development as this was the Company's third year of operations, but first year writing business.

## **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 and excess of loss basis. The reinsurers ceded to included Everest Reinsurance Company, Odyssey America Reinsurance Corporation, and Lloyd's Syndicates, all of whom were authorized. The Company also had catastrophe reinsurance coverage provided by a Segregated Account T25 - Universal Insurance Holdings of White Rock Insurance (SAC) Ltd., which is collateralized by Universal Insurance Holdings, the Company's ultimate parent, through contributions to a trust account.

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 Fort Lauderdale, Florida.

The Company was exempt from having an independent CPA audit due to the Company writing less than one million in written premium in accordance with Section 624.424(8)(b), Florida Statutes.

The Company's accounting records were maintained on computerized systems. The PTE Financial Solutions system was used for general ledger accounting. The Atlas Bridge system was used for premium and policy processing. The Atlas Claims Administrator system was used for claim processing, and the Atlas Client system was used for investment and producer management. There were no deficiencies noted with any of the Company's systems.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with Deutsche Bank executed on July 1, 2009. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code. The agreement was amended with an effective date of November 4, 2010.

The Company also maintained a custodial agreement with SunTrust Bank executed on June 9, 2009. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

## INFORMATION TECHNOLOGY REPORT

INS Services Inc. 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	Cash	\$ 300,000	\$ 300,000
TOTAL SPECIAL DEPOSITS		<u>\$300,000</u>	<u>\$300,000</u>

## FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2011, 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."

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY**

**Assets**

**DECEMBER 31, 2011**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Stocks:			
Common	\$4,708,014		\$4,708,014
Cash and Short-Term Investments	2,241,533		2,241,533
Derivatives	1,315		1,315
Receivable for Securities	2,037,968		2,037,968
Investment Income Due and Accrued	4,123		4,123
Agents' Balances:			
Uncollected premium	161,500		161,500
Deferred premium	86,060		86,060
Reinsurance recoverable	11,528		11,528
Federal Income Taxes recoverable	399,126		399,126
Net Deferred Tax Asset	628,596		628,596
Aggregate write-in for other than invested assets	66,329		66,329
	<hr/>		<hr/>
Totals	\$10,346,092	\$0	\$10,346,092
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**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2011**

	Per Company	Examination Adjustments	Per Examination
Losses	\$4,148		\$4,148
Loss adjustment expenses	1,004		1,004
Commissions Payable	32,465		32,465
Other expenses	20,891		20,891
Taxes, licenses and fees	10,030		10,030
Unearned premium	259,896		259,896
Ceded Reinsurance Premiums Payable	229,991		229,991
Remittances and Items Not Allocated	14,833		14,833
Payable to parent, subsidiaries and affiliates	5,162		5,162
Payable for Securities	378,450		378,450
Aggregate write-ins for liabilities	10,734		10,734
<b>Total Liabilities</b>	<b>\$967,604</b>	<b>\$0</b>	<b>\$967,604</b>
Common capital stock	\$5,000,000		\$5,000,000
Gross paid in and contributed surplus	5,000,000		5,000,000
Unassigned funds (surplus)	(621,511)		(621,511)
<b>Surplus as regards policyholders</b>	<b>\$9,378,489</b>	<b>\$0</b>	<b>\$9,378,489</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$10,346,093</b>	<b>\$0</b>	<b>\$10,346,093</b>

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2011**  
**Underwriting Income**

Premiums earned		\$18,507
	<b>Deductions:</b>	
Losses incurred		\$4,148
Loss expenses incurred		1,004
Other underwriting expenses incurred		60,264
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$65,416</u>

Net underwriting gain or (loss) (\$46,909)

**Investment Income**

Net investment income earned		\$16,767
Net realized capital gains or (losses)		(922,965)
Net investment gain or (loss)		<u>(\$906,198)</u>

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		1,367
Aggregate write-ins for miscellaneous income		0
Total other income		<u>\$1,367</u>

Net income before dividends to policyholders and before federal & foreign income taxes		(\$951,739)
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(\$951,739)
Federal & foreign income taxes		<u>141,055</u>

Net Income (\$1,092,794)

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$11,251,729
Net Income		(\$1,092,794)
Net transfers (to) from Protected Cells		0
Change in Net Unrealized Capital Gains or (Losses)		(891,424)
Change in Net Unrealized foreign capital gains		0
Change in Net Deferred Income Tax		111,103
Change in non-admitted assets		(125)
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>(\$1,873,240)</u>
Surplus as regards policyholders, December 31 current year		<u>\$9,378,489</u>

A comparative analysis of changes in surplus is shown below.

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY**  
**Comparative Analysis of Changes in Surplus**

**DECEMBER 31, 2011**

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, 2011, per Annual Statement \$9,378,489

	<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, 2011, Per Examination			<u><u>\$9,378,489</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

**Losses and Loss Adjustment Expenses** \$5,152

The Office's consulting actuary, Brent Sallay, FCAS, MAAA of Taylor-Walker and Associates, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with the reserves established by the Company.

### Capital and Surplus

The amount of Capital and surplus reported by the Company of \$9,378,489, exceeded the minimum of \$5,000,000 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 **American Platinum Property and Casualty Insurance Company** as of December 31, 2011, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$9,378,489, which exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Maurice Fuller, Examiner-In-Charge, Samita Lamsal, former Examiner-In-Charge, and Connie Hare, Participating Examiner, of the Office participated in the examination. Brent Sallay, FCAS, MAAA, consulting actuary of Taylor-Walker and Associates, and Paul Berkebile, CISA, CFSA, CRISC, IT Manager and Bob Ficken, CPA, CISA, CFE, AES of INS Services Inc. also participated in the examination.

Respectfully submitted,

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Jonathan Frisard  
Financial Examiner/Analyst Supervisor  
Florida Office of Insurance Regulation