

REPORT ON EXAMINATION

OF

AMERICAN SOUTHERN HOME INSURANCE COMPANY

JACKSONVILLE, FLORIDA

AS OF

DECEMBER 31, 2009

BY THE

OFFICE OF INSURANCE REGULATION

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAM FINDINGS	2
PRIOR EXAM FINDINGS	2
HISTORY	3
GENERAL	3
DIVIDENDS TO STOCKHOLDERS	4
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	5
CORPORATE RECORDS	6
CONFLICT OF INTEREST	6
MANAGEMENT AND CONTROL	7
MANAGEMENT	7
AFFILIATED COMPANIES	8
ORGANIZATIONAL CHART	10
MANAGEMENT COMPANY CONTRACT.....	11
FIDELITY BOND AND OTHER INSURANCE	12
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS	12
TERRITORY AND PLAN OF OPERATIONS	13
TREATMENT OF POLICYHOLDERS.....	13
COMPANY GROWTH	13
PROFITABILITY OF COMPANY	13
LOSS EXPERIENCE	14
REINSURANCE	14
ASSUMED	15
CEDED	15
ACCOUNTS AND RECORDS	15
CUSTODIAL AGREEMENT	16
INDEPENDENT AUDITOR AGREEMENT	16
INFORMATION TECHNOLOGY REPORT	16
STATUTORY DEPOSITS	17
FINANCIAL STATEMENTS PER EXAMINATION	17
ASSETS	18
LIABILITIES, SURPLUS AND OTHER FUNDS	19
STATEMENT OF INCOME	21

COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS.....	22
COMMENTS ON FINANCIAL STATEMENTS.....	23
ASSETS.....	22
LIABILITIES.....	23
CONCLUSION.....	24

Tallahassee, Florida

March 23, 2011

Kevin M. McCarty
Secretary, Southeastern Zone, NAIC
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

Monica J. Lindeen
Secretary, Western Zone, NAIC
Commissioner of Securities
and Insurance
Montana Office of the Commissioner
of Securities and Insurance
840 Helena Avenue
Helena, Montana 59601

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

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

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

Dear Sirs and Madams:

Pursuant to your instructions, in compliance with Sections 624.316 and 628.041, Florida Statutes, and 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, 2009, of the financial condition and corporate affairs of:

**AMERICAN SOUTHERN HOME INSURANCE COMPANY
1301 RIVER PLACE BLVD., SUITE 1300
JACKSONVILLE, FLORIDA 32207**

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

SCOPE OF EXAMINATION

This examination covered the period from January 01, 2005, through December 31, 2009. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2004. The examination commenced with planning at the Office on August 08, 2010, to August 13, 2010. The fieldwork commenced on August 16, 2010, and concluded as of March 23, 2011.

This financial examination was an association zone 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 financial findings or exceptions noted during the examination as of December 31, 2009.

Prior Exam Findings

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2004, along with the resulting action taken by the Company in connection therewith.

Management

The Company's custodial agreement with (Pittsburg National Corporation) was not in compliance with Rule 69O-143.042(L), Florida Administrative Code. **Resolution** – The Company amended the custodial agreement with PNC to include the appropriate language to comply with Rule 69O-143.02(L), Florida Administrative Code. Effective in year 2008, the Company changed custodial banks and filed the new State Street Bank Custodial Agreement with the Office.

Accounts and Records

The Company included incorrect amounts in other expenses, commissions payable, taxes, license and fees and escheatable funds. **Resolution** - The Company properly reported the liabilities in subsequent annual statement filings.

The Company improperly offset ceded losses and loss adjustment expenses payable against reinsurance premiums payable. **Resolution** – The Company complied with SSAP 62 and the NAIC Annual Statement Instructions and correctly reported the ceded losses and LAE payable in subsequent annual statement filings.

The Company improperly offset assumed losses payable and assumed LAE payable against uncollected premiums and agent's balances in course of action. **Resolution** – The Company complied with SSAP 62 and the NAIC Annual Statement Instructions and correctly reported the assumed losses payable and assumed LAE payable in subsequent annual statement filings.

HISTORY

General

The Company was incorporated in Florida on September 16, 1982 and commenced business on November 15, 1982 as American Southern Home Insurance Company.

On April 03, 2008, The Midland Company, which was the prior ultimate parent company, consummated a previously announced merger with Munich-American Holding Company, a subsidiary of Munich Re Group and the Company is now a wholly owned subsidiary of Munich Re (aka Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft).

The Company was authorized to transact the following insurance coverage in Florida as of December 31, 2009:

Homeowners Multi Peril	Auto Warranties
Commercial Multi Peril	Home Warranties
PPA Physical Damage	Accident and Health
Other Liability	Mobile Home Multi Peril
Commercial Auto Liability	Fire
Inland Marine	Private Passenger Auto Liability
Service Warranties	Commercial Auto Physical Damage
Credit	Allied Lines
Mobile Home Physical Damage	Surety
Earthquake	

The Articles of Incorporation and Bylaws were reviewed during the period covered by this examination. Articles of Amendment to the Articles of Incorporation were approved by the Stockholders and filed with the Secretary of the State of Florida on June 29, 2005, and May 29, 2007. These Amendments reflected changes to the Company's Capital Stock.

Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid a dividend to its stockholder in 2009, in the amount of \$315,000.

Capital Stock and Capital Contributions

As of December 31, 2009, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$3,500,000
Par value per share	\$3.50

Control of the Company was maintained by its parent, American Modern Home Insurance Company, an Ohio Corporation, who in turn was 100% owned by American Modern Insurance Group, Inc., an Ohio Corporation, who in turn was 100% owned by The Midland Guardian Co., who in turn was 100% owned Munich American Holding Corporation, who in turn was 100% owned by Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft.

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

On April 03, 2008, the Midland Company, which was the prior ultimate parent company of American Southern Home Insurance Company, consummated a previously announced merger with Munich-American Holding Company, a subsidiary of Munich Re Group, and the Company is now a wholly owned subsidiary of Munich Re.

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 and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes. The Board and internal committees are the same for the parent company and affiliates, and the minutes of all meetings are maintained at the parent company.

Conflict of Interest

The Company adopted a policy statement requiring the annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook, as adopted by Rule 69O-138.001, Florida Administrative Code. The Directors and Officers are the same for the parent company and affiliates, and the conflict of interest policy and statements are maintained by the parent company.

MANAGEMENT AND CONTROL

Management

The annual Shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2009, were:

Directors

Name and Location	Principal Occupation
Anthony Joseph Kuczinski Princeton, New Jersey	President/CEO Munich Re America
John Weber Hayden Amelia, Ohio	Vice Chairman/CEO Midland Company
Paul Frederick Gelter Amelia, Ohio	Senior Vice President Midland Company
William Todd Gray Amelia, Ohio	President Midland Company
Michael Lynn Flowers Amelia, Ohio	Vice President/Secretary Tater Farms, LLC
James Paul Tierney Amelia, Ohio	Senior Vice President American Family Home
Jurgen Erwin Kammerlohr Amelia, Ohio	CFO Midland Company
Charles Arthur Bryan Columbus, Ohio	Consulting Actuary Self Employed
James Joseph Butler Avon, Connecticut	Retired Audit Partner
George Terrence Van Gilder Morristown, New Jersey	Retired TOA Reinsurance Company

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

Senior Officers

Name and Location	Principal Occupation
John Weber Hayden	Vice Chairman/CEO
William Todd Gray	President
James Paul Tierney	Senior Vice President
Jurgen Erwin Kammerlohr	Senior Vice President
Matthew Joseph McConnell	Senior Vice President/Treasurer
Michael Lynn Flowers	Vice President/Secretary
Craig Richard Smiddy	Vice President

The Company's Board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and its members as of December 31, 2009.

Executive Committee

John Weber Hayden
William Todd Gray
Michael Lynn Flowers

Audit Committee

John Weber Hayden*
Paul Frederick Gelter
William Todd Gray
Charles Arthur Bryan
James Joseph Butler
George Terrence Van Gilder

*Chairman

Finance Committee

William Todd Gray
Michael Lynn Flowers
Paul Frederick Gelter

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 consolidated holding company

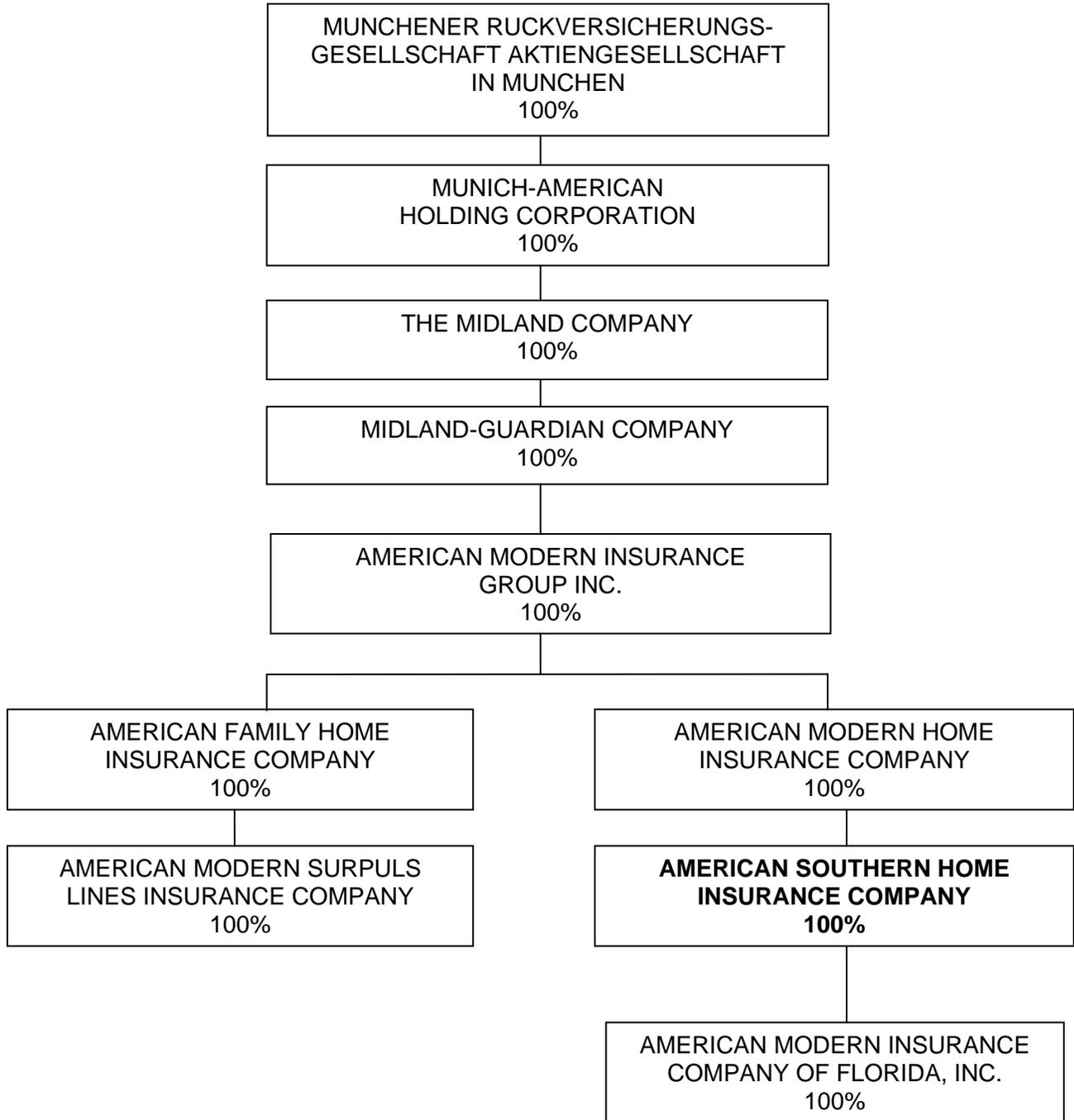
registration statement was filed with the state of Florida on February 26, 2010 for the year ending December 31, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

Subsequent event: The Company filed an amended consolidated holding company registration statement on July 6, 2010. This amended statement included the required Form (C) filing information.

A simplified organizational chart as of December 31, 2009, reflecting the holding company system is shown below. Schedule Y of the Company's 2009 annual statement provided a list of all related companies of the holding company group.

**AMERICAN SOUTHERN HOME INSURANCE COMPANY
Organizational Chart**

DECEMBER 31, 2009



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

Management Company Contract

The Company entered into a Service Agreement effective June 03, 1982, and amended February 22, 1984, with its parent; Midland-Guardian Company, to provide certain managerial, administrative and professional services. The agreement continues in force until cancelled by either party subject to the cancellation provisions of the Agreement. The management fee paid by the Company each month is based upon the actual cost for providing the stipulated services and materials under the Agreement. Fees incurred under this Agreement during 2009 amounted to \$7,104,356.

The Company was also party to a Subservice Agreement amendment effective January 01, 1999, between Midland-Guardian Company and American Modern Insurance Group, Inc. Under this Agreement, Midland-Guardian subcontracts specified bill payment services on behalf of the Company to American Modern Insurance Group.

Tax Allocation Agreement

The Company was included in the consolidated federal income tax return of Munich American Holding Corporation. The consolidated tax provision or credit, calculated in accordance with generally accepted accounting principles, is allocated to the separate companies on the basis of separate return computations. If the current year results in a reported profit for the Company, the tax provision recorded is currently payable to the parent company. Likewise, if the current year results in a reported loss for the Company, the tax credit recorded is currently payable from the parent company to the Company. Estimated settlements are performed quarterly, with the final amount settled once the tax return is filed.

Lease Allocation Agreement

The Company, along with other pool members, entered into a Lease Sharing Agreement with Midland Company effective November 01, 1995. The lease agreement allocation is calculated and reimbursed each month based on the square footage utilized for office and storage space. Fees incurred under this agreement during 2009 amounted to \$473,473.

Effective August 01, 2005, the Lease was amended to add the American Modern Insurance Company of Florida, Inc. as a lessee.

FIDELITY BOND AND OTHER INSURANCE

The Company was a named insured under a Financial Institutions Bond covering the Munich-American Holding Corporation and approximately one hundred and five other pooled affiliates and entities. The aggregate liability of this bond was \$50,000,000, with a single loss limit of \$25,000,000 and \$1,000,000 deductible. The bond adequately covered the suggested minimum as recommended by the NAIC.

The Company was also a named insured along with Munich-American Holding Corporation and the other pooled affiliates and entities to a Directors and Officers (D&O) liability policy in the amount of \$15,000,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees and is not responsible for any employee pension, stock ownership or other insurance plans.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact the business of insurance in all states and the District of Columbia, except for California, Hawaii, Mississippi and New Jersey.

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 Adjuster Handbook that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

COMPANY GROWTH

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:

	2009	2008	2007	2006	2005
Premiums Earned	33,441,397	31,741,204	29,563,413	26,375,372	18,637,051
Net Underwriting Gain/(Loss)	1,831,343	(826,840)	1,571,299	674,520	1,187,499
Net Income	2,826,123	315,887	2,949,693	2,179,455	2,736,862
Total Assets	111,504,540	94,079,050	89,902,047	79,917,701	86,224,635
Total Liabilities	83,565,617	69,261,784	65,624,839	57,613,790	65,771,480
Policyholders Surplus	27,938,923	24,817,266	24,277,208	22,303,910	20,453,155

LOSS EXPERIENCE

The Company's Losses and Loss Adjustment Expenses incurred to Premiums Earned ranged from 39.0 percent to 46.0 percent during the period from 2005 to 2009. Loss incurred increased approximately 8.6 percent from year 2007 to 2008, related to hurricanes Ike and Gustav, which impacted the Company's books in the third quarter of 2008.

The Company had no unusual IRIS ratios related to Losses or Loss Adjustment Expenses in 2009.

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

The Company was a participant in a quota share reinsurance agreement with several affiliated companies. This agreement was effective January 01, 1983, and was in the form of a pooling arrangement. American Modern Home Insurance Company acted as the lead company in the pooling arrangement. The American Modern Insurance Group affiliates and pooling percentages which were reinsured 100% by the lead company were as follows:

American Modern Home Insurance Company	47.5%
American Family Home Insurance Company	27%
American Western Home Insurance Company	9%
American Southern Home Insurance Company	4%
American Modern Select Insurance Company	5%
American Modern Surplus Lines Ins. Company	5%
American Modern Insurance Company of Florida	2%
First Marine Insurance Company	0.5%

After assuming 100% of the direct and assumed business from the affiliated members of the pool, the lead company cedes to the non-affiliated reinsurers its direct and assumed business in accordance with the terms of the respective reinsurance contracts. The retained business is then ceded to each affiliate according to its pooling percentage.

Assumed

Under the intercompany pooling arrangement, the Company assumed \$30,992,272 from affiliates during the year 2009.

Ceded

Under the intercompany pooling arrangement, the Company ceded \$70,401,384 to affiliates during the year 2009. The Company also ceded \$1,800,000, to non-affiliates.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Amelia, Ohio, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2005, 2006, 2007, 2008 and 2009 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 Office granted approval for the Company to file combined CPA audited financial statements with other affiliates and subsidiaries of the American Modern Home Group.

The Company's accounting records were maintained on a computerized system with the parent company and other affiliates, and several subsystems and software applications were utilized. Accounting services were provided to the Company under the management agreement with Midland-Guardian.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with the State Street Bank and Trust Company, entered into on May 23, 2008. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

The Company contracted with an external independent CPA firm to perform the annual audit of its financial statements as required by Rule 69O-137.002 (7) (c), Florida Administrative Code.

Information Technology Report

Tracy Gates, CISA of Highland Clark, LLC, performed an evaluation of the IT and computer systems of the Company in coordination with the IT examination work performed by Ohio examination team.

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	US Treasury Bond 1.000%	\$1,400,000	\$1,402,128
FL	US Treasury Bond 7.500%	400,000	504,092
FL	US Treasury Notes 2.625%	170,000	171,680
FL	US Treasury Notes 0.875%	100,000	100,883
TOTAL FLORIDA DEPOSITS		\$2,070,000	\$2,178,783
GA	US Treasury Notes 1.000%	\$90,000	\$90,137
MA	US Treasury Notes 1.500%	125,000	126,104
NC	US Treasury Bond 7.500%	150,000	189,035
NC	US Treasury Notes 4.500%	175,000	188,767
NH	US Treasury Notes 2.625%	525,000	530,187
NM	US Treasury Bond 7.500%	300,000	378,069
NV	US Treasury Notes 1.000%	210,000	210,319
VA	US Treasury Notes 1.500%	220,000	221,943
TOTAL OTHER DEPOSITS		\$1,795,000	\$1,934,561
TOTAL SPECIAL DEPOSITS		\$3,865,000	\$4,113,344

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, 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 SOUTHERN HOME INSURANCE COMPANY
Assets

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Bonds	\$62,331,288	\$ -	\$ 62,331,288
Stocks:			
Common	7,143,333	-	7,143,333
Cash and Short-Term Investments	688,502	-	688,502
Investment Income			
Due and Accrued	572,629	-	572,629
Premiums and considerations:			
Uncollected premiums	3,944,567	-	3,944,567
Deferred premiums	12,344,400	-	12,344,400
Reinsurance			
Amounts recoverable from reins	1,980,821	-	1,980,821
Funds held/deposited with reins	21,218,012	-	21,218,012
Taxes:			
Net Deferred Tax Asset	1,277,247	-	1,277,247
Receivable from Parent, Subsidiary and Affiliates	3,741	-	3,741
	<hr/>		
Total	\$111,504,540	\$ -	\$ 111,504,540
	<hr/>		

AMERICAN SOUTHERN HOME INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Losses	\$6,108,275		\$6,108,275
Reinsurance Payable on Paid Losses	1,072,333		1,072,333
Loss adjustment expenses	798,809		798,809
Commissions payable	3,564,037		3,564,037
Other expenses	835,126		835,126
Taxes, licenses and fees	996,227		996,227
Current Federal & Foreign Income Taxes	68,587		68,587
Unearned premiums	14,310,928		14,310,928
Ceded reinsurance premiums payable	3,941,223		3,941,223
Funds withheld or retained by company	48,915,750		48,915,750
Payable to parent, subsidiaries and affiliates	1,023,004		1,023,004
Payable for Securities	749,315		749,315
Aggregate write-ins for liabilities	1,182,004		1,182,004
Total Liabilities	\$83,565,617		\$83,565,617
Common capital stock	\$3,500,000		\$3,500,000
Gross paid in and contributed surplus	3,300,000		3,300,000
Unassigned funds (surplus)	21,138,923		21,138,923
Suplus as regards policyholders	\$27,938,923		\$27,938,923
Totals	\$111,504,540	\$ -	\$111,504,540

AMERICAN SOUTHERN HOME INSURANCE COMPANY

Statement of Income

DECEMBER 31, 2009

UNDERWRITING INCOME

Premiums earned	\$33,441,397
DEDUCTIONS	
Losses incurred	\$15,398,583
Loss adjustment expenses incurred	1,853,080
Other underwriting expenses incurred	14,358,391
Total underwriting deductions	<u>\$31,610,054</u>
Net underwriting gain (loss)	\$1,831,343

INVESTMENT INCOME

Net investment income earned	\$1,589,251
Net realized capital gains	(335,865)
Total investment income (loss)	<u>\$1,253,386</u>

OTHER INCOME

Finance and service charges not included in premiums	\$1,167,201
Aggregate write-ins for miscellaneous income	(412,070)
Total other income (loss)	<u>\$755,131</u>
Net income before dividends to policyholders	\$3,839,860
Dividends to policyholders	<u>0</u>
Net income after dividends to policyholders	\$3,839,860
Federal and foreign income taxes incurred	1,013,737
Net income	<u><u>\$2,826,123</u></u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders December 31 prior year	<u>\$24,817,266</u>
Net income	\$2,826,123
Change in unrealized capital gains or (losses)	586,615
Change in deferred income tax	(158,976)
Change in non-admitted assets	182,895
Dividend to Stockholder	(315,000)
Change in Surplus as regards policyholders	<u>\$3,121,657</u>
Surplus as regards policyholders December 31 current year	<u><u>\$27,938,923</u></u>

A comparative analysis of changes in surplus is shown below.

AMERICAN SOUTHERN HOME INSURANCE COMPANY
Comparative Analysis of Changes In Surplus

DECEMBER 31, 2009

Surplus as regards policyholders December 31, 2009 per
Annual Statement

\$27,938,923

	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS
ASSETS:			
No Adjustment			
LIABILITIES:			
No Adjustment			
Net Change in Surplus:			<u>-</u>
Surplus as regards policyholders December 31, 2009 per Examination			<u><u>\$27,938,923</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses

\$ 6,907,084

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2009, met the requirements of the insurance laws of Florida, are consistent with reserves computed in accordance with accepted actuarial standards and principals, and made a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies and agreements.

The Office engaged an independent actuary; Dennis R. Henry, FCAS, MAAA of the Actuarial Advantage Inc., to review the statutory loss and loss adjustment expense reserves carried in the Company's balance sheet as of December 31, 2009. He was in concurrence with the external actuary's opinion.

Capital and Surplus

\$27,938,923

The amount reported by the Company of \$27,938,923, exceeded the minimum of \$7,632,932 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 Southern Home Insurance Company** as of December 31, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$27,938,923, which exceeded the minimum of \$7,632,932 required by Section 624.408, Florida Statutes.

In addition to the undersigned, John Coleman, CFE, and Tracy Gates, CISA, of Highland Clark, LLC participated in the examination. Dennis Henry, FCAS, MAAA, of Actuarial Advantage Inc., and James Pafford, Financial Examination/Analyst Supervisor of the Office also participated in the examination.

Respectfully submitted,

Mary James, CFE, CPM
Chief Examiner
Florida Office of Insurance Regulation