

**REPORT ON EXAMINATION**  
**OF**  
**AMERICAN FAMILY HOME INSURANCE**  
**COMPANY**  
**JACKSONVILLE, FLORIDA**

**AS OF**  
**DECEMBER 31, 2004**

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

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Tallahassee, Florida

September 8, 2005

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

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Dear Sir and Madam:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes (FS), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination of December 31, 2004, of the financial condition and corporate affairs of:

**AMERICAN FAMILY 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 of January 1, 2002 through December 31, 2004. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2001. This examination commenced, with planning at the Office, on May 9, 2005, to May 13, 2005. The fieldwork commenced on May 15, 2005, and was concluded as of September 8, 2005. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

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 (FAC), with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement assets and the determination of liabilities, as those balances affect the financial solvency of the Company.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio report, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the amounts of the Company's assets and liabilities as reported by the Company in its annual statement as of December 31, 2004. Transactions subsequent to year-end 2004 were reviewed where relevant and deemed significant to the Company's financial condition.

This report of examination was confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which were deemed to require special explanation or description.

Based on the review of the Company's control environment and the materiality level set for this examination, reliance was placed on work performed by the State of Ohio, which is the domiciliary state of the parent company, American Modern Home Insurance Company and by the Company's CPAs, after verifying the statutory requirements, for the following cycles:

- Premium
- Losses
- Reinsurance

### **Status of Adverse Findings from Prior Examination**

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2001, along with resulting action taken by the Company in connection therewith.

#### **General**

The Company had not written insurance coverage in certain lines of business for a period of two years. The Company was directed to comply with Section 624.430, FS and request these lines of insurance be removed from its certificate of authority. **Resolution:** The Company has complied with the above recommendation.

## **Accounts and Records**

The Company had regularly transacted commercial paper with The Midland Company and Midland Guardian Company, both affiliates. **Resolution:** Pursuant to clarification from the Office, the Company has discontinued these transactions in accordance with Section 625.332, FS. The Company has agreed to request prior approval from the Office before initiating this type of transaction in the future.

The Company must maintain Company records and assets in the State of Florida pursuant to Section 628.271, FS unless otherwise approved by the Office. The Company was directed to request by May 31 of each year, approval to maintain records outside the State of Florida.

**Resolution:** The Company has complied with the above directive.

## **Income Tax Affiliated Agreements**

The Company's tax agreement did not state a methodology for settlement of any receivable/payable balance, nor was there a stated time certain for completing the settlement.

**Resolution:** The Company has complied with this recommendation by amending the contract and stating that the settlement must be completed on a quarterly basis.

## **Management**

The Company failed to provide any Board of Director's or any committee minutes that documented the review of a prior examination report or the appointment of an independent actuary. It was recommended that the Company review all future examination reports and note this review in the Board minutes. The Company was directed to appoint a qualified actuary by December 31 for all future years. **Resolution:** The Company has complied with both the above recommendations and directives.

### **Amended by-laws**

The Company failed to file amended by-laws with the Office. The Company was directed to file amended by laws by May 31, 2003. **Resolution:** The Company complied with the above directive.

### **Drafts Outstanding**

The Company did not escheat drafts in excess of five years old as required by Section 717.105, FS. The Company was directed to escheat these drafts and provide evidence of compliance to the Office by March 31, 2003. **Resolution:** The Company has complied with this directive.

## **HISTORY**

### **General**

The Company was incorporated in Florida on January 28, 1965 and commenced business on July 1, 1965 as American Family Home Insurance Company.

In accordance with Section 624.401(1), FS, the Company was authorized to transact the following insurance coverage in Florida on December 31, 2004:

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

The articles of incorporation and the bylaws were not amended during the period covered by this examination.

## Capital Stock

As of December 31, 2004, the Company's capitalization was as follows:

Number of authorized common capital shares	250,000
Number of shares issued and outstanding	250,000
Total common capital stock	\$4,200,000
Par value per share	\$16.80

Control of the Company was maintained by its parent, American Modern Home Insurance Company, an Ohio corporation, who owned 100 percent of the stock issued by the Company, who in turn was 100 percent owned by The Midland Company, an Ohio corporation.

## Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination.

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Premiums Earned	198,473,620	187,193,056	169,702,676
Net Underwriting Gain/(Loss)	6,884,003	(2,786,473)	(2,106,121)
Net Income	19,837,854	8,357,173	6,045,765
Total Assets	370,883,141	356,108,375	321,995,839
Total Liabilities	265,662,671	265,095,567	248,769,304
Surplus As Regards Policyholders	105,220,470	91,012,808	73,226,536

## **Dividends to Stockholders**

In accordance with Section 628.371, FS, the Company declared and paid dividends to its stockholder in 2002, 2003 and 2004 in the amounts of \$3,200,000, \$2,500,000 and \$2,600,000, respectively.

## **Management**

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, FS. Directors serving as of December 31, 2004, were:

### **Directors**

#### **Name and Location**

#### **Principal Occupation**

John W. Hayden  
Cincinnati, Ohio

President & Chief Executive Officer  
The Midland Company

Joseph P. Hayden III  
Cincinnati, Ohio

Chairman of the Board,  
Chief Operating Officer  
The Midland Company

John Ignatius Von Lehman  
Cincinnati, Ohio

Executive Vice President,  
Chief Financial Officer & Secretary  
The Midland Company

Paul Thomas Brizzolara  
Loveland, Ohio

Executive Vice President,  
Chief Legal Officer  
The Midland Company

Paul Francis Gelter  
Cincinnati, Ohio

Executive Vice President  
The Midland Company

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

### **Senior Officers**

<b>Name</b>	<b>Title</b>
John Weber Hayden	President & CEO
Kenneth Gerald Boberg	Executive Vice President & CFO
James Paul Tierney	Senior Vice President & Treasurer
Michael Lynn Flowers	Vice President & Secretary
William Todd Gray	Senior Vice President
John Ignatius Von Lehman	Senior Vice President

The Company's board appointed several internal committees in accordance with Section 607.0825, FS. Following is the principal internal board committee and its members as of December 31, 2004:

### **Audit Committee**

John Weber Hayden 1  
John Ignatius Von Lehman  
Kenneth Gerald Boberg  
1 Chairman

### **Conflict of Interest Procedure**

The Company had adopted a policy statement requiring annual disclosure of conflicts of interest, in accordance with Section 607.0832, FS. No exceptions were noted during this examination period.

### **Corporate Records**

The recorded minutes of the shareholder, Board of Directors, 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 in accordance with

Section 607.1601, FS, including the authorization of investments as required by Section 625.304, FS.

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

The Company did not have any acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the period of the examination.

### **Surplus Debentures**

The Company did not have any surplus debentures.

## **AFFILIATED COMPANIES**

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), FAC. The latest holding company registration statement was filed with the State of Florida on September 30, 2004, as required by Section 628.801, FS, and Rule 69O-143.046, FAC.

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

### **Tax Allocation Agreement**

The Company, along with its ultimate parent, The Midland Company filed a consolidated federal income tax return. On December 31, 2004, the method of allocation between the Company and

its parent was computed on a statutory basis and the Company paid its proportional share of tax as if it filed a separate return. All taxes and credits were allocated among the individual members of the consolidated group on a quarterly basis.

### **Cost Sharing Agreement**

The Company along with the other pool members was party to a 10 year 2 month lease agreement with The Midland Company effective November 1, 1995. The lease agreement allocation was calculated and reimbursed each month based on year to date written premium for each company. The Company paid \$19,409,898 and \$17,868,352, in 2004 and 2003, respectively.

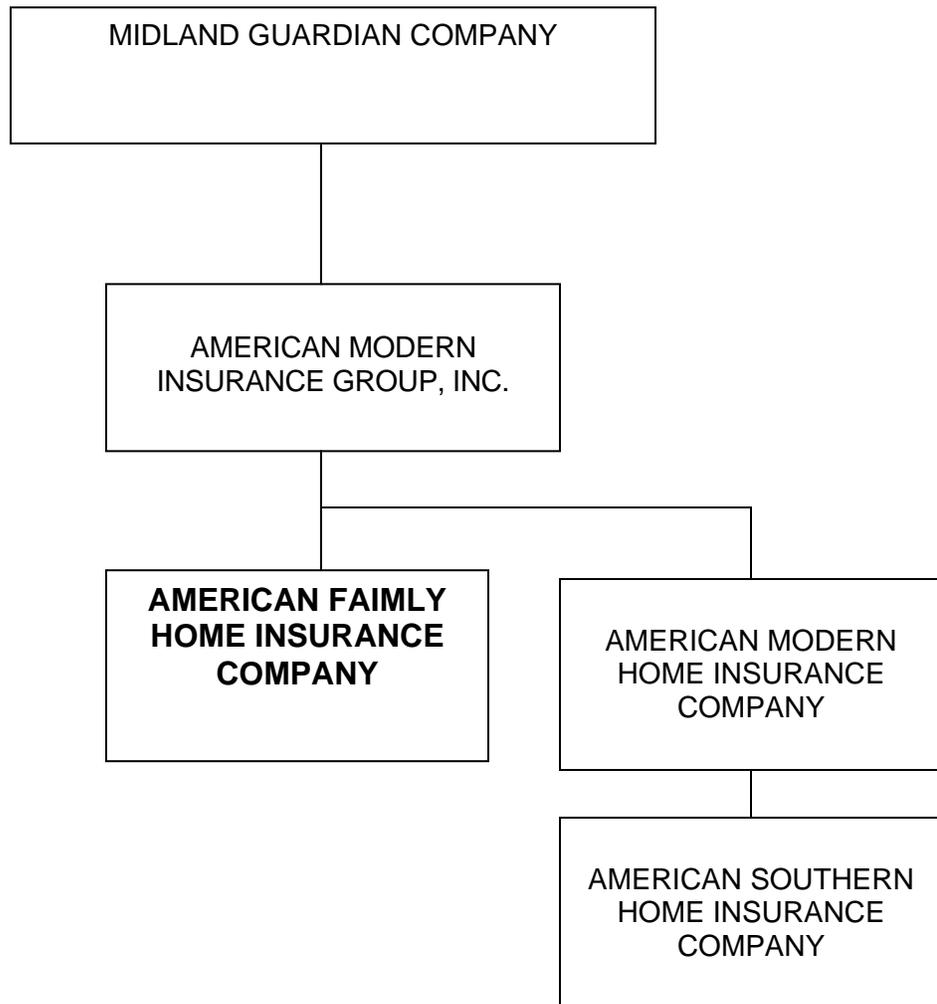
### **Management Agreement**

The Company entered into a service agreement on December 27, 1973 with the Midland-Guardian Company. It was last amended on May 13, 1999. The Company contracted for administrative services, professional services, postage, telephone and telegraph, light and heat, rent, printing and stationary, field expenses, and miscellaneous expenses as incurred in the conduct of Company's business. The above services and expenses were reimbursed on a monthly basis, based on each companies pooling percentage. The Company paid \$2,032,682 and \$1,912,530, for these services in 2004 and 2003, respectively.

A simplified organizational chart as of December 31, 2004, reflecting the holding company system, is shown below. Schedule Y of the Company's 2004 annual statement provided a list of all related companies of the holding company group.

**AMERICAN FAMILY HOME INSURANCE COMPANY  
ORGANIZATIONAL CHART**

**DECEMBER 31, 2004**



## FIDELITY BOND AND OTHER INSURANCE

The American Modern Home Group maintained fidelity bond coverage up to \$25,000,000 with a deductible of \$25,000, for all pooled affiliates, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC in the NAIC's Financial Condition Examiners Handbook.

## PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees.

## STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, FS, and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	USTBDS, 5.375%, 02/15/31	\$ 100,000	\$ 108,133
FL	USTBDS, 5.375%, 02/15/31	425,000	459,565
FL	USTNS, 4.75%, 11/15/08	600,000	628,428
FL	USTNS, 6.875%, 05/15/06	950,000	1,000,284
FL	USTNS, 3.0%, 11/15/07	<u>425,000</u>	<u>422,378</u>
TOTAL FLORIDA DEPOSITS		\$2,500,000	\$ 2,618,788
AR	USTNS, 4.75%, 11/15/08	\$ 75,000	\$ 78,554
GA	USTNS, 7.50%, 02/15/05	50,000	50,332
LA	USTBDS, 5.375%, 02/15/31	100,000	108,133
MA	USTNS, 6.875%, 05/15/06	500,000	526,465
NC	USTNS, 4.75%, 11/15/08	125,000	130,923
NC	USTNS, 3.0%, 11/15/07	175,000	173,920
NM	USTBDS, 5.375%, 02/15/31	200,000	216,266
NM	USTNS, 7.50%, 02/15/05	125,000	125,830
OH	USTBDS, 5.375%, 02/15/31	50,000	54,067
VA	USTNS, 4.75%, 11/15/08	<u>100,000</u>	<u>104,738</u>
TOTAL OTHER DEPOSITS		<u>\$ 1,500,000</u>	<u>\$1,569,228</u>

TOTAL SPECIAL DEPOSITS

\$ 4,000,000

\$ 4,188,016

## **INSURANCE PRODUCTS AND RELATED PRACTICES**

### **Territory**

The Company was authorized to transact insurance in 46 states, including the District of Columbia in accordance with Section 624.401(2), FS, except for:

Maine  
Vermont

New Hampshire  
Texas

### **Treatment of Policyholders**

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

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim.

## **REINSURANCE**

The reinsurance agreements reviewed, as of December 31, 2004, were found to meet NAIC regulations with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

The Company was a participant in a quota share reinsurance agreement with several affiliated companies. This agreement was effective January 1, 1983 and was 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	62%
American Family Home Insurance Company	30%
American Southern Home Insurance Company	3%
American Western Home Insurance Company	3%
G.U.I.C	2%

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

Ceding commissions were allocated at an amount equal to all expense incurred in writing the ceded premium. All parties of this agreement had the right to offset balances payable with balances receivable. The ceding parties withhold an amount equivalent to the net outstanding loss reserves and the net unearned premium reserve at inception, less the provisional commission thereon.

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

**Assumed**

The Company assumed no business except as a pool member.

**Ceded**

The Company ceded all of its direct business to the lead company of the pool.

## **ACCOUNTS AND RECORDS**

An independent CPA audited the Company's statutory basis financial statements annually for the years 2002, 2003 and 2004, in accordance with Section 624.424(8), FS. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, FAC.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

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

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company entered into a custodial agreement on March 1, 1994 with PNC Trust Company of Florida, NA (PNC). The custodial agreement was not in compliance with 69O-143.042(L), FAC. The custodial agreement discussed the replacement of any security or securities that due to PNC's negligence or willful misconduct is lost, misplaced or stolen; but, it did not state that said security or securities will be replaced promptly with like security or cash.

### **Independent Auditor Agreement**

The Company, on the recommendation of the audit committee, entered into an agreement with an independent auditor. For the period covered by this examination the audit firm has been Deloitte and Touche, LLP.

## **Risk-Based Capital**

The Company reported its risk-based capital at an adequate level.

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2004, 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 FAMILY HOME INSURANCE COMPANY**  
**Assets**

**DECEMBER 31, 2004**

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	\$163,652,062		\$163,652,062
Stocks:			
Preferred	8,185,792		\$8,185,792
Common	57,116,003		57,116,003
Cash:			
On deposit	(7,965,962)		(7,965,962)
Short-term investments	3,775,670		3,775,670
Agents' Balances:			
Uncollected premium	11,680,302	7,966,846	19,647,148
Deferred premium	14,072,448		14,072,448
Amounts recoverable from reinsurer	0	7,311,640	7,311,640
Funds held by or deposited with reinsurance companies	117,997,884		117,997,884
Interest and dividend income due & accrued	2,368,942		2,368,942
Guaranty funds receivable	0	148,805	148,805
Totals	\$370,883,141	\$15,427,291	\$386,310,432

**AMERICAN FAMILY HOME INSURANCE COMPANY**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2004**

Liabilities	Per Company	Examination Adjustments	Per Examination
Losses	\$42,571,308		\$42,571,308
Reinsurance payable on paid loss and loss adjustment expenses	0	7,966,846	7,966,846
Loss adjustment expenses	7,337,149		7,337,149
Commissions payable	4,006,188	3,201,224	7,207,412
Other expenses	4,241,427	(3,679,810)	561,617
Taxes, licenses and fees	1,267,643	148,805	1,416,448
Current federal income taxes	1,480,260		1,480,260
Net deferred tax liability	3,882,103		3,882,103
Unearned premium	98,965,372		98,965,372
Ceded reinsurance premiums payable	(468,729)	7,311,640	6,842,911
Funds held under reinsurance treaties	100,741,618		100,741,618
Drafts outstanding	81,386		81,386
Payable to parent, subsidiaries and affiliates	1,377,498		1,377,498
Payable for securities	179,448		179,448
Aggregate write-ins for liabilities	0	478,586	478,586
<b>Total Liabilities</b>	<b>\$265,662,671</b>	<b>\$15,427,291</b>	<b>\$281,089,962</b>
Common capital stock	\$4,200,000		\$4,200,000
Gross paid in and contributed surplus	12,550,000		12,550,000
Unassigned funds (surplus)	88,470,470		88,470,470
Surplus as regards policyholders	\$105,220,470		\$105,220,470
<b>Total liabilities, capital and surplus</b>	<b>\$370,883,141</b>	<b>\$15,427,291</b>	<b>\$386,310,432</b>

**AMERICAN FAMILY HOME INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2004**

**Underwriting Income**

Premiums earned	\$198,473,620
DEDUCTIONS:	
Losses incurred	86,432,482
Loss expenses incurred	16,171,641
Other underwriting expenses incurred	88,985,494
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	<u>\$191,589,617</u>
Net underwriting gain or (loss)	\$6,884,003

**Investment Income**

Net investment income earned	\$10,144,161
Net realized capital gains or (losses)	6,433,622
Net investment gain or (loss)	<u>\$16,577,783</u>

**Other Income**

Net gain or (loss) from agents' or premium balances charged off	
Finance and service charges not included in premiums	\$2,198,967
Aggregate write-ins for miscellaneous income	
Total other income	<u>\$2,198,967</u>
Net income before dividends to policyholders and before federal & foreign income taxes	\$25,660,753
Dividends to policyholders	
Net Income, after dividends to policyholders, but before federal & foreign income taxes	<u>\$25,660,753</u>
Federal & foreign income taxes	<u>5,822,899</u>
Net Income	\$19,837,854

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year	\$91,012,812
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**Gains and (Losses) in Surplus**

Net Income	\$19,837,854
Net unrealized capital gains or losses	(3,330,137)
Change in net deferred income tax	325,158
Change in non-admitted assets	(25,217)
Dividends to stockholders	(2,600,000)
Examination adjustment	0
Change in surplus as regards policyholders for the year	<u>\$14,207,658</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$105,220,470</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Assets

**Guaranty Fund Receivable** \$148,805

The Company incorrectly recorded this debit balance to Taxes, licenses and fees. In this report, the Office reclassified the entry from Taxes, licenses and fees. This reclass entry did not affect surplus.

**Amounts Recoverable From Reinsurers** \$7,311,640

The Company improperly offset ceded losses and LAE payable against ceded reinsurance payable. In this report, the Office reclassified this entry by debiting amounts recoverable from reinsurers and crediting ceded reinsurance premiums payable. This reclass entry did not affect surplus.

**Uncollected Premiums and Agents' Balances** \$19,647,148

The Company improperly offset assumed losses payable and assumed LAE payable against uncollected premiums and agents' balances in course of collection. In this report, the Office reclassified the amount of \$7,966,846 to reinsurance payable on paid loss and LAE, in accordance for proper treatment pursuant to SSAP 62, and the NAIC annual statement instructions. This reclass entry did not affect surplus.

## **Liabilities**

**Losses and Loss Adjustment Expenses** \$49,908,457

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, 2004, 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 contracted with INSRIS to review the work papers provided by the Company and concurred with this opinion.

**Commissions Payable** \$3,201,224

**Other Expenses** \$561,617

**Aggregate Write-ins for Liabilities** \$478,586

The Company incorrectly classified amounts in other expenses, commissions payable and escheatable funds. In this report, the Office reclassified \$3,679,810 out of other expenses to commissions payable \$3,201,229 and aggregate write-ins for liabilities \$478,586. This reclass entry did not affect surplus.

**AMERICAN FAMILY HOME INSURANCE COMPANY, INC.  
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

**DECEMBER 31, 2004**

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  
per December 31, 2004, Annual Statement \$105,220,470

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
<b>ASSETS:</b>			
Uncollected prem.	11,680,302	19,647,148	7,966,846
Recov. from reins.	0	7,311,640	7,311,640
Guaranty fund rec.	0	148,805	148,805
<b>LIABILITIES:</b>			
Reins. payable	0	7,966,846	(7,966,846)
Comm. payable	4,006,427	7,207,412	(3,201,224)
Other expenses	4,241,427	561,617	3,679,810
Taxes lic. & fees	1,267,643	1,416,448	(148,805)
Ceded rein. pay.	(468,729)	6,842,911	(7,311,640)
Agg. write-in	0	478,586	(478,586)
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2004, Per Examination			\$105,220,470

## SUMMARY OF FINDINGS

### **Compliance with previous directives**

The Company has taken the necessary actions to comply with the comments made in the 2001 examination report issued by the Office.

### **Current examination comments and corrective action**

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2004.

### **Management**

The Company's custodial agreement with PNC was not in compliance with 690-143.042(L), FAC. **It is recommended that the Company amend their custody agreement with PNC to include that PNC will promptly replace any security or securities that are missing due to their negligence or willful misconduct with like security or cash; within 90 days of the issuance of this report.**

### **Accounts and Records**

The Company included incorrect amounts in other expenses, commissions payable, taxes, license and fees and escheatable funds. **It is recommended that the Company follow NAIC annual statement instructions when completing future annual statements.**

The Company improperly offset ceded losses and LAE payable against ceded reinsurance premiums payable. **It is recommended that the Company comply with SSAP 62 and the NAIC annual statement instructions when completing future annual statements.**

The Company improperly offset assumed losses payable and assumed LAE payable against uncollected premiums and agents' balances in course of collection. **It is recommended that the Company comply with SSAP 62 and the NAIC annual statement instructions when completing future annual statements.**

## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American Family Home Insurance Company, Inc.** as of December 31, 2004, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$105,220,470 which was in compliance with Section 624.408, FS.

In addition to the undersigned, Michael A. Davis, CFE, CPM, and Jeffery L. Jones, CFE, with INS Regulatory Insurance Services, Inc. also participated in the examination.

Respectfully submitted,

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