REPORT ON EXAMINATION

OF

AMCOMP ASSURANCE CORPORATION

NORTH PALM BEACH, FLORIDA

AS OF

DECEMBER 31, 2002

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida
March 31, 2004

Kevin M. McCarty
Director
Chair, Financial Condition (E) Committee, NAIC
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Honorable Joel S. Ario
Secretary, Western Zone, NAIC
Insurance Administrator
Oregon Insurance Division
350 Winter Street NE, Room 440
Salem, Oregon 97310-3883

Honorable Alfred W. Gross
Secretary, Southeastern Zone, NAIC
Commissioner
Bureau of Insurance
Commonwealth of Virginia
P.O. Box 1157
Richmond, Virginia 23218

Honorable Jim Poolman
Secretary, Midwestern Zone, NAIC
Commissioner
North Dakota Department of Insurance
600 East Boulevard
Bismark, North Dakota 58505-0320

Dear Sirs:

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 Commissions (NAIC), we have conducted an examination of December 31, 2002, of the financial condition and corporate affairs of:

AMCOMP ASSURANCE CORPORATION
701 U. S. HIGHWAY ONE, SUITE 200
NORTH PALM BEACH, FLORIDA 33408

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, 2001 through December 31, 2002. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2000. This examination commenced, with planning at the Office, on October 9, 2003. The fieldwork commenced on October 16, 2003 and was suspended on January 2, 2004. Fieldwork resumed on March 29, 2004 and concluded as of March 31, 2004. 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 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, 2002. Transactions subsequent to year-end 2002 were reviewed where relevant and deemed significant to the Company's financial condition.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which are 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 Company's CPAs, after verifying the statutory requirements, for the following accounts:

Agents' Balances or Uncollected Premiums
Reinsurance Recoverables
Reinsurance Payable on Paid Loss and Loss Adjustment Expenses
Unearned Premiums
Advance Premiums
Ceded Reinsurance Premiums Payable

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, 2000, along with resulting action taken by the Company in connection therewith.

Management

The Company did not have an annual shareholder meeting for the election of directors in accordance with Sections 607.1601 and 628.231, FS. **Resolution:** The Company held an annual shareholder meeting for the election of directors in 2002, in accordance with Sections 607.1601 and 628.231, FS.

Statutory Deposits

The Company did not report a certificate of deposit with the State of Arizona on Schedule E, Part 2 of the 2000 Annual Statement. **Resolution:** The Company reported a certificate of deposit with the State of Arizona on Schedule E, Part 2 of the 2002 Annual Statement.

Certification of Compliance With Executive Order 13224

The Company did not complete their process for compliance with Executive Order 13224. **Resolution:** The Company is in compliance with Executive Order 13224.

Bonds

The Company reported investments on settlement date rather than trade date. **Resolution:** The Company correctly reported investments on the trade date as of December 31, 2002.

HISTORY

General

The Company was purchased by AmCOMP Preferred Insurance Company, effective October 31, 1997. Prior to the purchase, the Company was known as Thomas Jefferson Insurance Company and was in run-off since 1993. At that time, it was a subsidiary of American General Insurance.

In accordance with Section 624.401(1), FS, the Company was authorized to transact Workers' Compensation insurance coverage in Florida on December 31, 2002.

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

Capital Stock

As of December 31, 2002, the Company's capitalization was as follows:

Number of authorized common capital shares	2,000,000
Number of shares issued and outstanding	1,800,000
Total common capital stock	$1,800,000
Par value per share	$1

Control of the Company was maintained by its parent, AmCOMP Preferred Insurance Company, who owned 100 percent of the stock issued by the Company, who in turn was 100 percent owned by AmCOMP, Inc., a Delaware corporation. AmCOMP, Inc. pledged the stock of the Company's parent, along with $17,000,000 of surplus notes issued by the Company and its parent, to AmSouth Bank as collaterial against a loan. At December 31, 2002, the principal amount of the loan was $7,437,500 and the interest rate was 3.939%.

Profitability

The Company reported the following net underwriting and net income results for the last two years:

Years	Underwriting Income (Losses)	Net Income (Losses)
2002	(946,940)	(835,921)
2001	($2,467,626)	(1,873,444)

Net investment gains of $2,526,869 and $1,097,689 in 2002 and 2001 respectively, have sustained the business operations of the Company for these years.

Dividends to Stockholders

The Company did not declare or pay dividends to its stockholder in 2002 or 2001.

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, 2002, were:

Directors

Name and Location	Principal Occupation
Samuel Alexander Stephens Linville, NC	Chairman
Frederick Ross Lowe North Palm Beach, FL	Chief Executive Officer AmCOMP, Inc.
Debra Jane Cerre-Ruedisili North Palm Beach, FL	President
Paul Brian Queally New York, NY	Managing Partner-Welsh, Carson, Anderson and Stowe
Sean Michael Traynor New York, NY	Partner-Welsh, Carson, Anderson and Stowe
Richard Edward Kroon Redback, NJ	President, TriPar Corp
Daniel Joseph Thomas Addison, TX	Executive VP Concentra Managed Care

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

Senior Officers

Name	Title
Debra Jane Cerre-Ruedisili	President
Antonio Alexander Faillaci	Vice President
Colin Balfour Williams	Vice President
Marshall Neal Gordon	Vice President
Melody Antoinette Misiaszek	Secretary
Dennis Francis Plante	Treasurer

The Company's board appointed several internal committees in accordance with Section 607.0825, FS. Following are the principal internal board committees and their members as of December 31, 2002:

Audit Committee	**Investment Committee**
Daniel J. Thomas	Fred R. Lowe
Paul B. Queally	Richard E. Kroon
Sean M. Traynor	

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 audit and investment committee meetings 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 had no acquisitions, mergers, disposals, dissolutions, and purchase or sales through reinsurance during the examination period.

Surplus Debentures

The Company had a surplus note of $5,000,000 at December 31, 2001 to the ultimate controlling corporation, AmCOMP, Inc. On December 27, 2002, the Company received additional cash of $2,000,000 from AmCOMP, Inc., thereby increasing surplus notes to $7,000,000 at December 31, 2002. The principal balance of the $5,000,000 note is payable on March 31, 2006 and the principal balance of the $2,000,000 note is payable on March 31, 2008. The Office must approve any payment of interest or repayment of principal when paid from the Company's surplus. **Subsequent Event:** On March 31, 2003 and December 4, 2003, the Company received cash in the amount of $2,000,000 and $6,500,000, respectively, from AmCOMP, Inc. in exchange for surplus notes of the same amounts. Additionally, in a letter dated December 31, 2002, the Office approved for payment all the interest in arrears on the $5,000,000 surplus note as of January 1, 2003. The interest payment of $750,000 was not accrued at December 31, 2002 because payment on that date was conditional on Office approval.

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 November 14, 2000, 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 parent and other affiliates, filed a consolidated federal income tax return. On December 31, 2002, the method of allocation of tax liability between the companies was based upon calculations on a separate return basis, including current credit for net losses. The agreement required the inter-company tax balances to be settled within a reasonable time after filing the consolidated federal income tax return.

Management Agreement

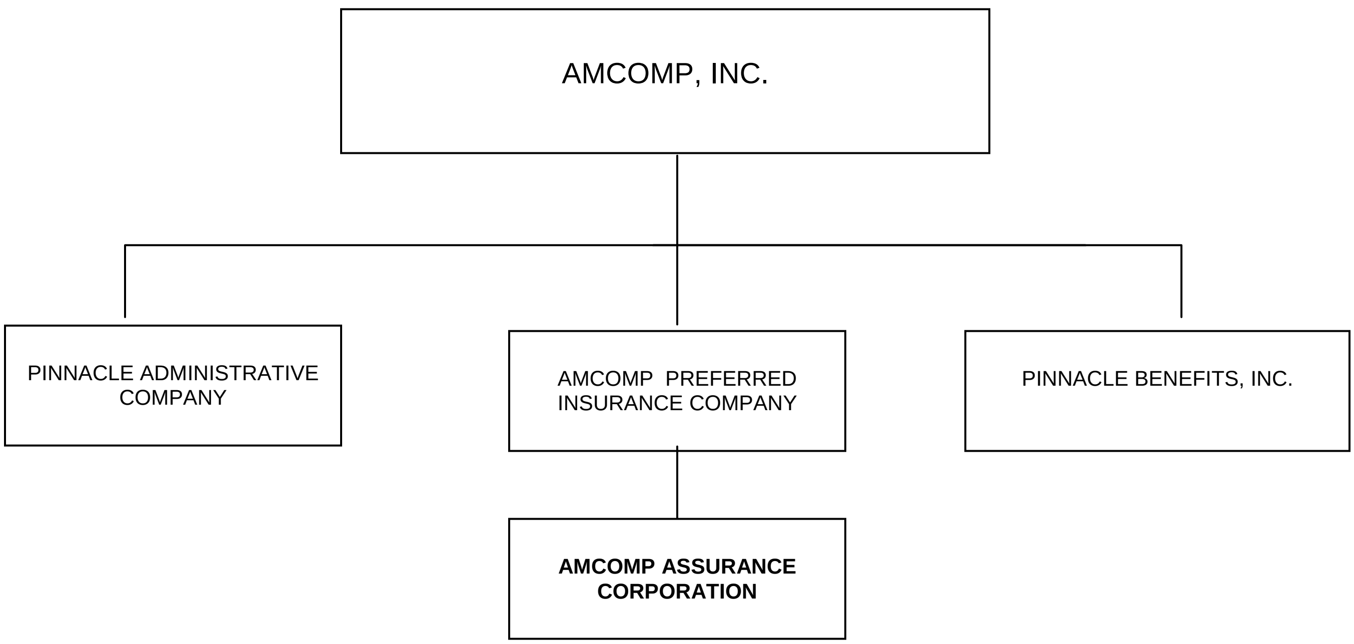
The Company had a management contract with Pinnacle Administrative Company (PAC). The contract included marketing, underwriting, billings, collections, claims administration, reinsurance, policy issuance, accounting, reporting, investing, and general administration. For the management services provided, the Company paid PAC the amount of $14,276,000 during calendar year 2002.

Service Company Contract

The management company, PAC, had a service contract with Pinnacle Benefits, Inc. (PBI) to provide the claims administration for the Company. PAC paid PBI a yearly amount equal to three percent of the earned-normal audited standard premium.

A simplified organizational chart as of December 31, 2002, reflecting the holding company system, is shown below. Schedule Y of the Company's 2002 annual statement provided a list of all related companies of the holding company group.

AMCOMP ASSURANCE CORPORATION
ORGANIZATIONAL CHART
DECEMBER 31, 2002



FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to $2,000,000 with a deductible of $50,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company had 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	USTNTS,	2.75%,	10/31/03	$ 315,000	$ 314,538
FL	USTNTS,	5.25%,	02/15/29	1,685,000	1,760,825
Total Florida Deposits				$2,000,000	$2,075,363
AR	USTNTS,	5.25%,	02/15/29	$ 5,000	$ 5,225
AR	USTNTS,	6.25%,	02/15/03	100,000	100,590
GA	USTNTS,	4.75%,	11/15/08	30,000	32,747
GA	USTNTS,	5.25%,	02/15/29	55,000	57,475
IL	USTNTS,	2.75%,	10/31/03	1,500,000	1,497,803
IL	USTNTS,	6.25%,	07/31/11	200,000	169,164
LA	USTNTS,	3.00%	11/30/03	20,000	20,319
LA	USTNTS,	5.25%,	02/15/29	30,000	31,350
NM	USTNTS,	2.75%,	09/30/03	55,000	55,638
NM	USTNTS,	4.75%,	11/15/08	40,000	43,664
NM	USTNTS,	5.25%,	02/15/29	160,000	167,200
NC	USTNTS,	4.625%,	05/15/06	3,000,000	3,235,320
NC	USTNTS,	5.25%,	02/15/29	130,000	135,850
NC	USTNTS,	5.875%,	02/15/04	125,000	131,445
NC	USTNTS,	5.875%,	11/15/05	3,000,000	3,327,180
SC	USTNTS,	2.75%,	09/30/03	500,000	505,780
VA	USTNTS,	2.75%,	10/15/03	505,000	510,492
Total Other Deposits				$9,455,000	$ 10,027,242
Total Special Deposits				$11,455,000	$12,102,605

CERTIFICATION OF COMPLIANCE WITH EXECUTIVE ORDER 13224

The Company had established and implemented procedures and guidelines for complying with Executive Order 13224: Blocking Property and Prohibiting Transactions with Persons Who Permit, Threaten to Commit, or Support Terrorism. However, the Company had not signed the certification form. **Subsequent Event:** The Company provided the Office with a duly executed certification form, subject to approval by the Office.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

The Company was authorized to transact insurance in the following states, in accordance with Section 624.401(2), FS:

Alabama	Arizona	Arkansas	Colorado
Florida	Georgia	Illinois	Indiana
Kentucky	Louisiana	Mississippi	Missouri
New Mexico	North Carolina	Ohio	Oklahoma
South Carolina	Tennessee	Texas	Virginia
West Virginia	Wisconsin		

At December 31, 2002, based on post examination adjusted information and premium calculated at 125% of actual pursuant to Section 624.4095 F.S., the Company's written premium ratio was 5.2 to 1. This was not in compliance with Section 624.4095, FS, which requires an insurer’s ratio of net written premium to surplus not to exceed 4 to 1. **Subsequent event:** The Company’s written premium ratio at December 31, 2003 based on the audited financial statement was 2.7 to 1.

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 were found to comply with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines. The following agreements contained unusual contract provisions.

- A 50% quota share reinsurance agreement with Max Re, Ltd, effective January 1, 2001, contained various loss corridors and a loss cap, which held the Company responsible for all losses in excess of 75.5%.
- A quota share reinsurance agreement with Max Re, Ltd, effective January 1, 2002, contained various loss corridors and a loss cap, which held the Company responsible for all losses in excess of 74%.

The Company determined that these reinsurance agreements did not transfer insurance risk and accounted for them in the annual statement using deposit accounting. Reinsurance deposits attributable to these agreements at December 31, 2002 were $1.5 Million. These deposits were fully collateralized at December 31, 2002 through investments held in trust with the Company as beneficiary. **Subsequent event:** On December 26, 2003, the Company executed Reinsurance Commutation and Release Agreements with Max RE, Ltd commuting the January 1, 2001 and January 1, 2002 quota share agreements.

Assumed

The Company and its parent entered into an intercompany pooling agreement effective January 1, 2001. The agreement applied to business retained after all other reinsurance assumptions and cessions. Under the terms of the agreement, the Company ceded 100 percent of the net written premiums to the parent who, in turn, retro ceded to the Company 21 percent of the combined net written premiums of the parent and the premiums assumed by the parent under this agreement. The Company and parent shared in the combined net losses and expenses of both companies based on the retro ceded percentage. Effective January 1, 2002, the pooling percentages were adjusted to 29 percent for the Company and 71 percent for the parent.

Subsequent Event:

The pooling agreement between the Companies was amended in December 2003 to include a related reinsurance trust agreement.

Ceded

The Company ceded risk on an excess of loss basis to the following authorized reinsurers: Continental Casualty Company, Everest Reinsurance Company, Motors Insurance Company, and American Reinsurance Company. As discussed above, the Company ceded risk on a quota share basis to Max Re, Ltd, an unauthorized reinsurer and accounted for these agreements under the deposit accounting method.

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

Subsequent Event:

In October 2003, the Commissioner of Insurance of the Commonwealth of Pennsylvania, acting as Liquidator of Reliance Insurance Company (Reliance) filed a claim to recover $2,320,848 of reinsurance payments made to the Company and its parent. The Commonwealth claimed the payments were voidable preference payments to which the estate of Reliance in liquidation is entitled. In December 2003, the Company and its parent filed a claim against Reliance to recover $9,891,747 of reinsurance recoveries due from Reliance. These unpaid reinsurance recoveries were written off by the companies in 2001 but are still being pursued by the Company.

ACCOUNTS AND RECORDS

An independent CPA audited the Company's statutory basis financial statement for the years 2001 and 2002, 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 North Palm Beach, Florida, where this examination was conducted.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company, its parent, and AmCOMP, Inc. had a custodial agreement for the safekeeping of securities with AmSouth Bank dated June 29, 2001. The agreement was not in compliance with Rule 69O-143.042, FAC. The agreement failed to provide for separation of the Company's securities from the securities of its affiliates. Instead, the agreement gave the custodian the right to use the securities to secure the repayment of any liability owed by other members who were party to the agreement.

Investment Management Agency Agreement

The Company, its parent, and AmCOMP, Inc. had an investment management agency agreement with AmSouth Bank dated June 27, 2001, which appointed the Bank as investment manager for certain assets of the group.

CPA Agreement

The Company had an agreement with Deloitte & Touche, LLP to audit its financial statements for the year ended December 31, 2002.

Risk-Based Capital

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

Information Technology

As part of the financial condition examination, Computer Aid, Inc. performed an Information Technology (IT) evaluation during October and November 2002. The following were material findings from the audit:

- The fire suppression and detection for its data center, located on the second floor of its principal operational office, should be upgraded.

- The size of the organization does not warrant the Company's formal fulltime independent IT audit function. It was recommended that a periodic (at least every two years) independent IT audit/assessment be conducted and the results reported directly to the CEO.
- The Company should complete the draft of the enterprise security policy document.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2002, 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."

AMCOMP ASSURANCE CORPORATION
Assets

DECEMBER 31, 2002

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	$51,444,977		$51,444,977
Cash:			
On deposit	4,842,906		4,842,906
Agents' Balances:			
Uncollected premium	61,036,442	292,997	61,329,439
Deferred premium	33,567,442		33,567,442
Reinsurance recoverable	12,147,770		12,147,770
Federal income tax recoverable	1,757,138	(516,733)	1,240,405
Guaranty funds on deposit	1,464,867		1,464,867
Interest and dividend			
income due & accrued	915,542		915,542
Receivable from PSA	5,537,109		5,537,109
Aggregate write-in for			
other than invested assets	1,539,124		1,539,124
Totals	$174,253,317	($223,736)	174,029,581

AMCOMP ASSURANCE CORPORATION
Liabilities, Surplus and Other Funds

DECEMBER 31, 2002

Classification	Per Company	Examination Adjustments	Per Examination
Losses	$37,544,436		37,544,436
Reinsurance payable on paid loss and loss adjustment expense	9,432,375	($104,842)	9,327,533
Loss adjustment expenses	4,978,674		4,978,674
Commissions payable	3,768,053		3,768,053
Other expenses	15,183,496	(181,365)	15,002,131
Taxes, licenses and fees	5,712,368	(41,020)	5,671,348
Unearned premium	23,665,310		23,665,310
Advance premiums	50,762		50,762
Ceded reinsurance premiums payable	56,911,818	41,020	56,952,838
Provision for reinsurance	5,451		5,451
Federal income taxes payable	0	1,142,039	1,142,039
Total Liabilities	$157,252,743	855,832	158,108,575
Common capital stock	1,800,000		1,800,000
Surplus notes	7,000,000		7,000,000
Gross paid in and contributed surplus	15,666,534		15,666,534
Unassigned funds (surplus)	(7,465,960)	(1,079,568)	(8,545,528)
Surplus as regards policyholders	17,000,574	(1,079,568)	15,921,006
Total liabilities, capital and surplus	$174,253,317	(223,736)	174,029,581

AMCOMP ASSURANCE CORPORATION
Statement of Income

DECEMBER 31, 2002

Underwriting Income	
Premiums earned	$56,685,842
DEDUCTIONS:	
Losses incurred	32,052,042
Loss expenses incurred	5,681,960
Other underwriting expenses incurred	19,898,780
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$57,632,782
Net underwriting gain or (loss)	($946,940)
Investment Income	
Net investment income earned	$2,341,940
Net realized capital gains or (losses)	184,929
Net investment gain or (loss)	$2,526,869
Other Income	
Net gain or (loss) from agents' or premium balances charged off	($462,218)
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	(484,446)
Total other income	($946,664)
Net income before dividends to policyholders and before federal & foreign income taxes	$633,265
Dividends to policyholders	2,049,555
Net Income, after dividends to policyholders, but before federal & foreign income taxes	($1,416,290)
Federal & foreign income taxes	(580,369)
Net Income	($835,921)
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$17,864,555
Gains and (Losses) in Surplus	
Net Income	($835,921)
Change in net deferred income tax	(583,339)
Change in non-admitted assets	576,468
Change in provision for reinsurance	(5,451)
Change in surplus notes	2,000,000
Surplus adjustments: Paid in	0
Aggregate write-ins for gains and losses in surplus	(2,015,738)
Examination Adjustment	(1,079,568)
Change in surplus as regards policyholders for the year	($1,943,549)
Surplus as regards policyholders, December 31 current year	$15,921,006

COMMENTS ON FINANCIAL STATEMENTS

Assets

Reinsurance Deposits $ 1,539,124

The Company refiled its 2002 annual statement to report reinsurance deposits (Aggregate Write-In Assets) on two quota share agreements that did not transfer risk to the reinsurer. Originally, the Company filed its 2002 annual statement with the two quota share agreements accounted for as reinsurance.

Liabilities

Losses and Loss Adjustment Expenses $ 42,523,110

An outside actuarial firm rendered an opinion that the amounts carried in the balance sheet as of December 31, 2002, make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The consulting actuary utilized as part of this examination did not identify any reserve deficiencies.

Adjustments

The independent CPA restated the audited financial statements for the years 2002 due to various timing issues effecting years 2001 and 2002 that were discovered during the 2003 audit. The same and additional issues such as uncollectible reinsurance recoverables are causing the Company to re-file its 2003 annual statement. The issues affecting the 2001 and 2002 years involved federal taxes, state taxes, and balances due the parent for tax consolidation errors, totaling to a net decrease in the surplus of the Company at December 31, 2002 of $1,079,568, or 6% of surplus. The effect of the 2003 audit adjustments on surplus as of December 31, 2003 is a decrease of $1,386,159.

AMCOMP ASSURANCE CORPORATION

Comparative Analysis of Changes in Surplus
DECEMBER 31, 2002

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, 2002, Annual Statement				$17,000,574
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:				
Agents' balance: Uncollected Premium	61,036,442	61,329,439	292,997	
Federal income tax rec.	1,757,138	1,240,405	(516,733)	
LIABILITIES:				
Reins. Payable on loss LAE	9,432,375	9,327,533	104,842	
Other expenses	15,183,496	15,002,131	181,365	
Taxes, licenses & fees	5,712,368	5,671,348	41,020	
Ceded reins. Prem. Payable	56,911,818	56,952,838	(41,020)	
Federal income tax payable	0	1,142,039	(1,142,039)	
Net Change in Surplus:				(1,079,568)
Surplus as Regards Policyholders December 31, 2002, Per Examination				$15,921,006

SUMMARY OF FINDINGS

Compliance with previous directives

The Company has taken the necessary actions to comply with the comments made in the 2000 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, 2002.

Custodial Agreement

The Company, AmCOMP, Inc., and its parent had a custodial agreement with AmSouth Bank dated June 29, 2001 for the safekeeping of securities. The agreement was not in compliance with Rule 69O-143.042, FAC. The agreement gave the custodian the right to use the securities to secure the repayment of any liability owed by any member of the affiliated group, regardless of the manner in which title to the securities were held. **The Company is directed to enter into a separate agreement with AmSouth Bank that complies with Rule 69O-143.042, FAC. The Company is to provide documentation of compliance to the Office within 90 days of the issuance of this report.**

Written Premium Ratio

At December 31, 2002, the Company's written premium ratio was 5.2 to 1. This was not in compliance with Section 624.4095, FS, which requires an insurer’s ratio of net written premium to surplus not to exceed 4 to 1. **The Company is directed to comply with Section 624.095, FS, as evidenced in all future filings with the Office.**

Subsequent event:

The Company’s written premium ratio at December 31, 2003 based on the audited financial statement was 2.7 to 1.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **AMCOMP ASSURANCE CORPORATION** as of December 31, 2002, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was $15,921,006, which was in compliance with Section 624.408, FS.

In addition to the undersigned, Mary James, CFE, CPM, Financial Examiner/Analyst Supervisor, an actuarial firm, Mercer Oliver Wyman, and Computer Aid, Inc. participated in the examination.

Respectfully submitted,

____
Donna Letterio, CFE, CPA, MS
Financial Specialist
Florida Office of Insurance Regulation