



**Examination Report
Of**

**American Integrity Insurance Company of Florida
Tampa, Florida**

NAIC Company Code: 12841

**as of
December 31, 2019**

**By
The Florida Office of Insurance Regulation**

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May 27, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

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 (“the NAIC”), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

**American Integrity Insurance Company of Florida
5426 Bay Center Drive, Suite 600
Tampa, Florida 33609**

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, 2015, through December 31, 2019, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on August 25, 2020. The fieldwork concluded as of May 27, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2010 through December 31, 2014.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes information obtained from the examination of the records, accounts, files, and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

Section 624.424(8)(c), Florida Statutes, requires the Board of Directors of an insurer to establish an Audit Committee of three or more directors of the insurer or an affiliated company. The Company's by-laws established an Audit Committee of only two directors, which does not comply with the statutory requirement.

Previous Examination Findings

The following is an update on other regulatory information disclosed in the previous examination:

Appointed Actuary

Finding: On February 10, 2010, the Board of Directors formally appointed Christopher Gross, ACAS, MAAA (President & CEO - Christopher Gross Consulting, Inc.) as the opening actuary of the Company effective for the December 31, 2009, year-end. This appointment should have occurred sometime before December 31, 2009.

Resolution: The Company provided satisfactory responses to assure that subsequent appointments have been timely and sufficiently documented.

Compliance with State Laws and Regulations

Finding: The Company was not in compliance with Rule 69O-137.002, Florida Administrative Code, (6) (a), which states each insurer required by this rule to file an annual Audited Financial Report must, by December 31 of the year subject to audit, register with the Office in writing the name and address of the independent Certified Public Accountant or accounting firm retained to conduct the annual audit set forth in this rule. The Company failed to file CPA Awareness Letters for 2010, 2011, and 2012.

Resolution: The Company provided satisfactory responses to assure that CPA Awareness letters will be filed as required.

Finding: Company was not in compliance with Section 717.117, Florida Statutes, due to a failure to provide documentation of unclaimed property (Report of Unclaimed Property).

Resolution: The Company provided satisfactory responses to assure that unclaimed property would be reported as required.

COMPANY HISTORY

General

American Integrity Insurance Company of Florida is a domestic stock company that is licensed only in Florida. The Company was incorporated on July 20, 2006, obtained its Certificate of Authority from the Florida Office of Insurance Regulation on September 13, 2006, and began writing business on March 15, 2007. The Company is a 100% owned subsidiary of American Integrity Insurance Group, LLC (“AIIG”).

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2019, the Company’s capitalization was as follows:

Number of authorized common capital shares	1,000
Number of shares issued and outstanding	1,000
Total common capital stock	\$1,000
Par value per share	\$1.00

The Company has authorized 1,000 shares of \$1 per share value of common stock, of which 1,000 shares are issued and outstanding. The parent company, AIIG, is the sole shareholder.

Surplus Notes

The Company maintained three surplus note obligations that were in effect during the current review period.

On June 27, 2007, the Company entered into a \$7 million surplus note with the Florida State Board of Administration under Florida's Insurance Capital Build-Up Incentive Program. Under the program, which was implemented by the Florida Legislature to encourage insurance companies to write additional residential insurance coverage in Florida, the State Board of Administration matched the Company's funds of \$7 million that were earmarked for participation in the program. This surplus note has a twenty-year term that expires on March 31, 2027 and accrues interest at a rate equivalent to the ten-year U.S. Treasury Bond Rate, adjusted quarterly based on the ten-year Constant Maturity Treasury rate. For the first three years of the term of the surplus note, the Company was required to pay interest only, although principal payments were accepted during this period. Any payment of principal or interest by the Company on the surplus note is subject to approval by the Office.

An event of default will occur under this surplus note if the Company (i) defaults in the payment of the surplus note; (ii) fails to meet at least a 2:1 ratio on net premium to surplus ("Minimum Writing Ratio") requirement by September 1, 2007; (iii) fails to submit quarterly filings to the Office; (iv) fails to maintain at least \$50 million of surplus during the term of the surplus note, except for certain situations; (v) misuses proceeds of the surplus note; (vi) makes any misrepresentation in the application for the program; or (vii) pays any dividend when principal or interest payments are past due under the surplus note.

On September 21, 2010, the Company's parent, AllIG, issued a surplus note in the amount of \$1,250,000. This surplus note accrued interest at a rate of 5% during its ten-year term until maturity. The terms of this surplus note expired on September 21, 2020 and remains a part of the Company's surplus.

On December 31, 2010, the Company's parent, AllIG, issued a surplus note in the amount of \$1,500,000. This surplus note accrued interest at a rate of 5% during its ten-year term until maturity. The terms of this surplus note expired on December 31, 2020 and remains a part of the Company's surplus.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

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, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
David Lewis Clark ⁽¹⁾	Dallas, TX	Vice President and Principal, Sowell & Company
Benjamin Aaron Lurie	Dallas, TX	Vice President, Sowell & Company
Steven Edward Smathers	Dallas, TX	Attorney
Robert Craig Ritchie	St. Petersburg, FL	President and CEO, American Integrity Insurance Company of Florida
Ernest Nicholas Csiszar	Columbia, SC	Adjunct Professor, former NAIC President

⁽¹⁾ Chairman

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Robert Craig Ritchie	St. Petersburg, FL	President and Chief Executive Officer
David Lewis Clark	Evanston, IL	Treasurer, Chairman
Jon Phillip Ritchie	St. Petersburg, FL	Chief Operating Officer

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2019. The first person listed on the left for each committee is the chairman.

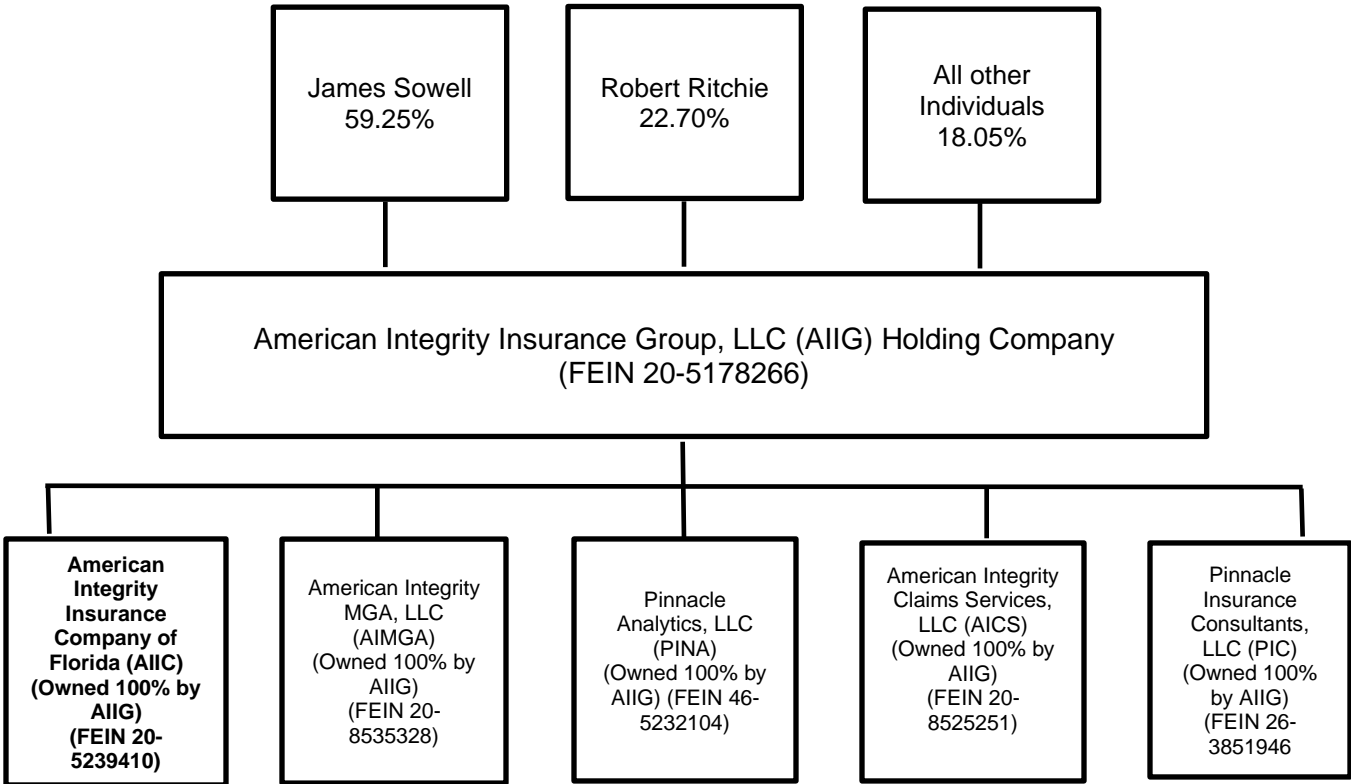
Audit Committee	
Ernest Nicholas Csiszar	Benjamin Aaron Lurie

Investment Committee	
David Lewis Clark	Benjamin Aaron Lurie

Holding Company System

The Company is 100% owned by AIIG. There are four affiliated entities: American Integrity MGA, LLC (“AIMGA”) a managing general agency, American Integrity Claims Services, LLC (“AICS”), a claims TPA company, Pinnacle Analytics, LLC (“PINA”), reinsurance and analytics company and Pinnacle Insurance Consultants, LLC (“PIC”), an in-house retail agency. Policies are acquired through AIMGA, which is also a wholly owned subsidiary of the Parent AIIG. Claims adjudication and processing are performed by AICS, which is also a wholly owned subsidiary of the Parent.

An organizational chart as of December 31, 2019, reflecting the holding company system, is shown below. Schedule Y of the Company’s 2019 annual statement provided a list of all related companies of the holding company group.



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

Management Agreement

The Company entered into a Management Agreement with its parent, AIIG, on June 23, 2006, to provide certain management services. The agreement continues in force for a term of five years and will automatically renew for successive five-year periods, unless otherwise terminated within the guidelines of the agreement. The management fee paid by the Company each month was equal to 2.0% of written premium on new and renewed business. Fees incurred under this agreement during 2019 amounted to \$6,677,350.

Managing General Agent Agreement

The Company entered into a Managing General Agency Agreement with its affiliate, AIMGA, on September 5, 2006. The agreement continues in force for a term of five years and will automatically renew for successive five-year periods, unless otherwise terminated within the guidelines of the agreement. MGA fees were equal to 24% of direct written premium (5% for business assumed from Citizens) and included a \$25 policy fee. Claims administration services were included in the agreement. Claims administration fees were calculated according to a fee schedule based on the size of the claim. The AIMGA has contracted directly with the agency force in addition to West Point Underwriters for policy administration services and Claims Services for the claims adjudication. Fees incurred under this agreement during 2019 amounted to \$68,009,968.

Reinsurance Intermediary Services Agreement

The Company entered into a Reinsurance Intermediary Services Agreement with its affiliates, AIMGA and PINA on January 1, 2014, to have Pinnacle provide certain reinsurance related services. The agreement continues in force for a term of twelve months and will automatically renew for successive twelve-month periods, unless otherwise terminated within the guidelines of the agreement. Fees incurred under this agreement during 2019 amounted to \$6,217,546.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Tampa, Florida. Apart from an independent auditor, the Company did not enter into any agreements with non-affiliated entities.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in Florida on September 13, 2006, and is currently authorized for the following lines of business as of December 31, 2019:

- Fire
- Homeowners Multiple Peril
- Mobile Home
- Multi-Peril
- Mobile Home Physical Damage
- Inland Marine
- Private Passenger Auto Liability
- PPA Physical Damage
- Other Liability

REINSURANCE

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

Reinsurance Assumed

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

Reinsurance Ceded

During the examination the Company used a combination of quota share reinsurance with a sliding scale and profit-sharing provisions, per risk excess of loss reinsurance, facultative reinsurance and excess of loss catastrophe coverage provided by both commercial reinsurers and the Florida Hurricane Catastrophe Fund.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ending December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

American Integrity Insurance Company of Florida
Assets
December 31, 2019

	Per Company
Bonds	\$146,248,850
Cash and short-term investments	43,040,242
Subtotal cash and invested assets	\$189,289,092
Interest income due and accrued	1,057,777
Agents' balances	
Uncollected premium	4,904,754
Deferred premium	12,141,176
Amounts recoverable from reinsurer	59,437,202
Net deferred tax asset	4,221,537
Electronic data processing equipment	209,151
Receivable from parent, subsidiaries, and affiliates	13,449,923
Aggregate write-in for other than invested assets	39,914
Totals	\$284,750,526

American Integrity Insurance Company of Florida
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company
Losses	\$49,015,966
Loss adjustment expenses	14,992,789
Other expenses	1,034,745
Taxes, licenses, and fees	1,161,846
Current Federal and Foreign Income Taxes	674,924
Unearned premiums	80,532,755
Advance premiums	8,084,277
Amounts withheld	4,518,957
Remittances and Items not Allocated	(3,695,109)
Ceded reinsurance	49,863,455
Aggregate write-in for liabilities	504,614
Total liabilities	\$206,689,218
Common capital stock	1,000
Surplus notes	5,838,236
Gross paid-in and contributed surplus	14,249,000
Unassigned funds (surplus)	57,973,073
Surplus as regards policyholders	\$78,061,308
Total liabilities, surplus and other funds	\$284,750,526

American Integrity Insurance Company of Florida
Statement of Income
December 31, 2019

	Per Company
Underwriting Income	
Premiums earned	\$136,687,178
Deductions	
Losses Incurred	\$93,762,242
Loss expenses incurred	11,388,235
Other underwriting expenses incurred	31,831,311
Total Underwriting deductions	\$136,981,788
Net underwriting gain (loss)	(\$294,609)
Investment Income	
Net investment income earned	\$5,498,902
Net realized capital gains or (losses)	71,330
Net investment gain or (loss)	\$5,570,232
Other Income	
Net income before dividends to policyholders and before federal & foreign income taxes	\$5,275,623
Net income, after dividends to policyholders, but before federal & foreign income taxes	\$5,275,623
Federal & foreign income taxes	1,760,178
Net Income	\$3,515,445
Capital and Surplus Account	
Surplus as regards policyholders December 31 prior year	\$74,657,729
Net Income	\$3,515,445
Change in net unrealized capital gains or losses	(43)
Change in non-admitted assets	(736,482)
Change in net deferred income taxes	891,423
Change in surplus notes	(411,765)
Change in prevision for reinsurance	145,000
Change in surplus as regards policyholders for the year	\$3,403,578
Surplus as regards policyholders, December 31, current year	\$78,061,307

**American Integrity Insurance Company of Florida
Reconciliation of Capital and Surplus
December 31, 2019**

No adjustments were made to surplus as regards policyholders as a result of this examination.

Capital/Surplus Change during Examination Period			
Surplus on December 31, 2014, per Company			\$55,449,503
	Increase	Decrease	
Net Income	\$26,090,992		\$26,090,992
Change in net unrealized capital gain (loss)	\$1		\$1
Change in net deferred income tax		\$526,067	(\$526,067)
Change in non-admitted assets		\$894,296	(\$894,296)
Change in surplus notes		\$2,058,824	(\$2,058,824)
Change in paid in surplus		\$0	\$0
Transferred to surplus		\$0	\$0
Net increase (or decrease)			\$22,611,806
Surplus on December 31, 2019, per Company			\$78,061,309

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$78,061,309, exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

In the 2021 legislative session, Sections 626.7451 and 624.424, Florida Statutes, were amended by the passage of Senate Bill 76. The first section specifies contract clauses that must be in any agreement between an insurer and a managing general agent (MGA). The second section provides additional guidance to be used in determining whether fees charged by an affiliate are fair and reasonable. The Company shall demonstrate to the satisfaction of the Office that its contracts comply with these requirements.

RECOMMENDATIONS

Section 624.424(8)(c), Florida Statutes, requires the Board of Directors of an insurer to establish an Audit Committee of three or more directors of the insurer or an affiliated company. The Company's by-laws established an Audit Committee of only two directors, which is not in compliance with the statute. Additionally, Rule 69O-137.002, Florida Administrative Code (F.A.C.) requires a proportion of directors to be independent based on the Company's direct written and assumed premiums written. Since the Company reported more than \$300M in premium on its 12/31/2020 financial statement, the Rule would require the Company to have at least 50% of its audit committee members meet the independent status.

It is recommended that the Company appoint an independent director to the Audit Committee that would meet the requirements of Rule 69O-137.002, F.A.C and amend its bylaws establishing the Audit Committee with three directors as required by Section 624.424, Florida Statutes.

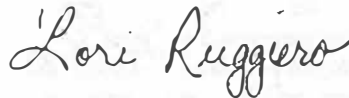
CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of American Integrity Insurance Company of Florida as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following also participated in the examination:

Jeffrey Rockwell, MBA	Exam Manager	Office
Casey Hengstebeck	Participating Examiner	Office
Jeffrey Good, CFE, CIE, MCM	Supervising Examiner	NOVO Consulting Group
Raymond Conover, AIE, ARE , FLMI, MCM	Participating Examiner	NOVO Consulting Group
Clifton Day, MPA, CPM, CSM, MCM	Participating Examiner	NOVO Consulting Group
John Sinkiewicz, CISA, GFCA, LEH, GREM, CHFI	IT Examiner	NOVO Consulting Group
Brent Sally, FCAS, MAAA	Actuary	Taylor-Walker Consulting

Respectfully submitted,



Lori Ruggiero, CFE, CIE, MCM
Examiner-in-Charge
Managing Partner
The NOVO Consulting Group, LLC
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
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