



**EXAMINATION REPORT
OF
AMERICAN SOUTHERN HOME
INSURANCE COMPANY**

NAIC Company Code: 41998

**Jacksonville, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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March 15, 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 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 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 18, 2020. The fieldwork concluded as of March 15, 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 multi-state/coordinated holding company group 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. The lead state for this exam was Ohio, and states that participated in this exam are as follows: Florida, Oklahoma and Texas.

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

There were no significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on July 29, 1982, and commenced business on November 15, 1982.

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

There were no capital contributions during the period under examination.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

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
Anthony Joseph Kuczinski ⁽¹⁾	Princeton, New Jersey	President and Chief Executive Officer, Munich Re America
René Anton Gobonya	Amelia, Ohio	Chief Financial Officer, American Modern Insurance Group
Oliver Jurgen Horbelt	Bedford Corners, New York	Chief Financial Officer, Munich Re American
James Joseph Butler	Avon, Connecticut	Retired KPMG Partner
Alice Chamberlayne Hill	Morristown, New Jersey	Retired Judge
William Alexander Robbie	Colts Neck, New Jersey	Retired Chief Financial Officer Platinum Underwriters Reinsurance Ltd
Robin Harriet Wilcox	Princeton, New Jersey	General Counsel, Secretary Munich Re America
Andreas Matthias Kleiner	Cincinnati, Ohio	President and Chief Executive Officer American Modern Insurance Group

⁽¹⁾ Chairman

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

Senior Officers		
Name	City, State	Title
Anthony Joseph Kuczinski	Princeton, New Jersey	Chairman of the Board
Andreas Matthias Kleiner	Cincinnati, Ohio	President and Chief Executive Officer
Scott Christopher Vess	Fairfield, Ohio	Vice President and Treasurer
René Anton Gobonya	Amelia, Ohio	Senior Vice President and Chief Financial Officer
Charles Schuster Griffith III	Milford, Ohio	Senior Vice President and Secretary

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 for each committee is the chairman.

Executive Committee		
Name	City, State	Title, Company Name
Andreas Matthias Kleiner	Cincinnati, Ohio	Chief Executive Officer, American Modern Insurance Group
Anthony Joseph Kuczinski	Princeton, New Jersey	Chief Executive Officer, Munich Re America
René Anton Gobonya	Amelia, Ohio	Chief Financial Officer, American Modern Insurance Group

Investment Committee		
Name	City, State	Title, Company Name
Oliver Jurgen Horbelt	Bedford Corners, New York	Chief Financial Officer, Munich Re America
Michael Bos	Bavaria, Germany	Chief Investment Officer, Munich Re America
René Anton Gobonya	Amelia, Ohio	Chief Financial Officer, American Modern Insurance Group
Peter Richter	Hartford, Connecticut	Chief Financial Officer Hartford Steam Boiler
Paul Wolfe	Howell, New Jersey	Controller Munich Re America

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Audit Committee		
Name	City, State	Title, Company Name
Oliver Jurgen Horbelt	Bedford Corners, New York	Senior Vice President and Chief Financial Officer
James Joseph Butler	Avon, Connecticut	Retired KPMG Partner
William Alexander Robbie	Colts Neck, New Jersey	Retired Chief Financial Officer
Alice Chamberlayne Hill	Morristown, New Jersey	Retired Judge

Holding Company System

The Company is owned 100% by American Modern Home Insurance Company (American Modern Home), an insurance company domiciled in the state of Ohio. American Modern Home is 100% owned by the American Modern Group, Inc. (American Modern), an Ohio corporation. American Modern is 100% owned by Midland-Guardian Co., and is in turn owned by Munich-American Holding Corporation (Munich American). Munich American is owned 100% by Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft (“Munich Re Group”), a company organized under the laws of Germany.

A simplified 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.

Company Name	Domicile
Munich Re, AG	Germany
Munich-American Holding Corporation	Delaware
The Midland Company	Ohio
Midland-Guardian Company	Ohio
American Modern Insurance Group, Inc.	Ohio
American Modern Home Insurance Company	Ohio
American Modern Property & Casualty Insurance Company	Ohio
American Western Home Insurance Company	Oklahoma
American Southern Home insurance Company	Florida
American Modern Insurance Company of Florida, Inc.	Florida
American Modern Select Insurance Company	Ohio
Lloyds Modern Corporation, Attorney in Fact for:	Texas
American Modern Lloyds Insurance Company	Texas
American Family House Insurance Company	Florida

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

Tax Allocation Agreement

Effective September 27, 2017 the Company entered into an amended and restated tax allocation agreement with Munich-American Holding Corporation (Munich-American), and other affiliates to file a consolidated federal income tax return. On December 31, 2019, the method of allocation was on a separate-entity basis. Each participant’s tax liability was amount equal to the total of its

federal income tax liability as if the Participant had filed a separate tax return. Each member of the Munich Re Group recorded an inter-company income tax receivable or payable with Holding Company on a quarterly basis. Munich-American paid any refunds due to participants within 90 days after the end of the taxable period.

General Services and Cost Allocation Agreement

The Company entered into an amended and restated General Services and Cost Allocation Agreement on October 7, 2019 with Munich-American to provide certain management services. The agreement continues in force for a term of one year and will automatically renew for successive one-year periods, unless otherwise terminated within the guidelines of the agreement. Compensation for providing the services is based on the actual costs for services and capital under the agreement. Fees incurred under this agreement during 2019 amounted to \$10,892,189.

IT Framework Services Agreement

The Company entered into an amended and restated IT Framework Agreement for the Group-wide provision of IT Services on October 21, 2019 with Munich Re, where Munich Re is to provide certain IT Services to its affiliated entities which may include applications, software, infrastructure and consulting services. The fee paid by the Company is equal to the actual costs of service and capital. Fees incurred under this agreement during 2019 amounted to \$4,946,564.

Investment Management Agreement

The Company entered into an Investment Management Agreement on May 28, 2008 with MEAG New York Corporation. The agreement was amended and restated on October 1, 2019 to remove American Modern Surplus Lines from the agreement and update the investment guidelines and allocation limits. Fees incurred under this agreement during 2019 amounted to \$89,906.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Jacksonville, Florida.

The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with State Street Bank and Trust Company executed on May 23, 2008.

Managing General Agent Agreements

Two agreements are discussed below:

1. The Company utilized a non-affiliated Managing General Agent (MGA), Embrace Pet Insurance Agency, LLC to produce Pet Health insurance business. The MGA was responsible for quoting policies to customers, claims administration, billing, and collecting premiums on behalf of the insurer. The Company retained the right for binding authority and ensures all policies meet company underwriting guidelines. The MGA wrote \$5,824,412 in premium during 2019, which was within its authorized limit of \$50 million.
2. The Company utilizes non-affiliated MGA, Community Association Underwriters of America, Inc., to produce the following lines, Commercial Package, Equipment Breakdown, Crime, General Liability, Directors and Officers Liability, Excess Liability, Environmental Impairment Liability and Hired/Non-owned Auto Liability. The MGA was responsible for quoting policies to customers, claims administration, billing, and collecting premiums on behalf of the insurer. The Company retained the right for binding authority and ensures all policies meet company underwriting guidelines. The MGA wrote \$3,562,784 in premiums in 2019, which was within its authorized limit of \$24 million.

Independent Auditor Agreement

An independent CPA, KPMG audited the Company's statutory basis financial statements annually for the years 2015 through 2019.

Corporate Records Review

The recorded minutes of the Shareholder(s), Board of Directors (Board), Audit Committee and Investment Committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states:

Alabama	Alaska	Arizona
Arkansas	California	Colorado
Connecticut	Delaware	District of Columbia
Florida	Georgia	Hawaii
Idaho	Illinois	Indiana
Iowa	Kansas	Kentucky
Louisiana	Maine	Maryland
Massachusetts	Michigan	Minnesota
Mississippi	Missouri	Montana
Nebraska	Nevada	New Hampshire
New Jersey	New Mexico	New York
North Carolina	North Dakota	Ohio
Oklahoma	Oregon	Pennsylvania
Rhode Island	South Carolina	South Dakota
Tennessee	Texas	Utah
Vermont	Virginia	Washington
West Virginia	Wisconsin	Wyoming

The Company was authorized to transact insurance coverage in Florida on December 30, 1982 and is currently authorized for the following lines of business as of December 31, 2019.

Fire	Workers' Compensation
Allied Lines	Other Liability
Homeowners Multi-Peril	Credit
Commercial Multi-Peril	Livestock
Ocean Marine	Fidelity
Inland Marine	Surety
Earthquake	Burglary and Theft
Accident and Health	Mobile Home Multi-Peril
Mobile Home Physical Damage	Miscellaneous Casualty
Home Warranties	Commercial Auto Liability
Multi-Peril Crop	Commercial Auto Physical Damage
Farmowners Multi-Peril	Private Passenger Auto Liability
Private Passenger Auto Physical Damage	Glass
Boiler and Machinery	

The Company primarily writes Homeowners Multi-Peril, Ocean Marine, Auto Physical Damage, and Other Liability in the following states:

State	2019 Written Premium
Florida	\$32,335,681
Louisiana	14,685,199
South Carolina	8,436,778
Oklahoma	5,909,030
New York	5,547,887

The above states represented 81.4% of direct written premiums as of December 31, 2019.

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.

Since January 1, 1983, the Company has been a participant in a quota share reinsurance agreement with several affiliated companies in the American Modern Insurance Group. American

Modern Home Insurance Company acts as the lead company in the pooling arrangement and assumes the other affiliates premiums, losses and expenses. After ceding to non-affiliated reinsurers, American Modern Home retrocedes to other affiliates in accordance with the pooling percentages as follows:

American Modern Home Insurance Company	47.5%
American Family Home Insurance Company	27%
American Western Home Insurance Company	9%
American Modern Property and Casualty Ins. Co.	5.5%
American Modern Select Insurance Company	5%
American Southern Home Insurance Company	4%
American Modern Insurance Company of Florida, Inc.	2%

Reinsurance Assumed

Under the intercompany pooling arrangement, the Company assumed \$26,599,000 from affiliates during 2019.

Reinsurance Ceded

Under the intercompany pooling arrangement, the Company ceded \$80,779,000 to affiliates during the year 2019.

Effective October 1, 2017, the American Modern Insurance Group entered into a quota share agreement with Allstate Insurance Company whereby the Group ceded 10% of the property and casualty business produced by Ivantage Select Agency, Inc. The agreement was amended on to increase the ceding percentage to 25% on April 1, 2018. Several subsequent amendments added exclusions to certain lines of business based on their geographic area and excluded certain lines from coverage in the state of Florida.

Effective January 1, 2019, the Company, and the other affiliates in the pooling agreement, entered into a property catastrophe excess of loss reinsurance agreement with Munich Reinsurance America, Inc. The Group's retention is \$250 million, while the reinsurer's per occurrence limit is \$125 million and term limit is \$250 million.

Effective January 1, 2019, the Company, and other affiliates in the pooling agreement, entered into a property catastrophe excess of loss reinsurance agreement with Munich Reinsurance

America, Inc. The Group's retention is \$5 million of net loss, while the reinsurer's per risk limit is \$20 million and term limit is \$40 million.

Effective October 15, 2019, the Company, and other affiliates in the pooling agreement entered into a property per risk reinsurance agreement with Munich Reinsurance America, Inc. The Group's retention is \$25 million of ultimate net loss, while the reinsurer's per risk and per occurrence limit is \$25 million and term limit is \$50 million.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended 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 Southern Home Insurance Company

Assets

December 31, 2019

	Per Company
Bonds	\$56,886,573
Common stocks	15,000,014
Cash and Short-term Investments	2,301,259
Receivable for securities	1,010
Subtotals cash and invested assets	74,188,855
Investment income due and accrued	441,675
Agents' balances	
Uncollected premium	14,203,216
Deferred premium	16,699,159
Amounts recoverable from reinsurer	6,336,703
Net deferred tax asset	672,719
Aggregate write-in for other than invested	288
Totals	\$112,542,615

American Southern Home Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company
Losses	\$4,575,329
Reinsurance payable on paid losses and loss adjustment expenses	2,409,241
Loss adjustment expenses	595,136
Other expenses	2,030,018
Other expenses	791,706
Taxes, licenses and fees	31,358
Unearned premiums	13,943,604
Ceded reinsurance	10,775,155
Payable to parent	32,126,222
Aggregate write-in for liabilities	606,761
Total liabilities	67,884,530
Common capital stock	3,500,000
Gross paid-in and contributed surplus	3,300,000
Unassigned funds (surplus)	37,858,086
Surplus as regards policyholders	44,658,085
Total liabilities, surplus and other funds	\$112,542,615

American Southern Home Insurance Company
Statement of Income
December 31, 2019

	Per Company
Underwriting Income	
Premiums earned	\$25,335,620
Deductions	
Losses Incurred	12,399,810
Loss expenses incurred	1,560,168
Other underwriting expenses incurred	12,286,599
Aggregate write-ins for underwriting deductions	71,300
Total Underwriting deductions	26,317,877
Net underwriting gain (loss)	(982,256)
Investment Income	
Net investment income earned	1,719,316
Net realized capital gains or (losses)	804,105
Net investment gain or (loss)	2,523,422
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(65,123)
Finance and service charges not included in premiums	485,250
Aggregate write-ins for miscellaneous income	(173,510)
Total other income	246,617
Net income before dividends to policyholders and before federal & foreign income taxes	1,787,783
Net income, after dividends to policyholders, but before federal & foreign income taxes	1,787,783
Federal & foreign income taxes	(36,715)
Net Income (loss)	\$1,751,068

	Per Company
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$43,087,055
Net Income	1,751,068
Change in net unrealized capital gains or losses	(10,308)
Change in non-admitted assets	(108,322)
Change in net deferred income tax	(61,409)
Change in surplus as regards policyholders for the year	1,571,030
Surplus as regards policyholders, December 31, current year	\$44,658,085

American Southern Home Insurance Company
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 at December 31, 2014, per Company			\$38,705,502
	Increase	Decrease	
Net income	\$9,521,406		\$9,521,406
Change in net unrealized capital gains		\$279,511	(\$279,511)
Change in net deferred income tax		\$2,130,555	(\$2,130,555)
Change in non-admitted assets		\$163,988	(\$163,988)
Aggregate write-ins for gains and losses in surplus		\$994,770	(\$994,770)
Net increase (or decrease)			\$5,952,583
Surplus at December 31, 2019 per Company			\$44,658,085

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Christopher Nyce, FCAS, MAAA, a consultant with KPMG, LLP, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

Thomas Botsko, ACAS, MAAA, Chief Property & Casualty Actuary with the Ohio Department of Insurance, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$44,658,085 exceeded the minimum of \$4 million required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the Office's review of the Company noted that there has not been a significant impact to the Company. The Office has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

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, 2019, consistent with the insurance laws of the State of Florida.

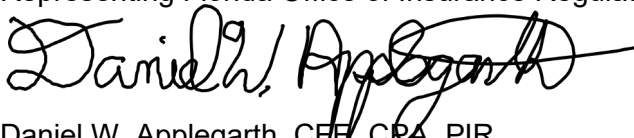
In addition to the undersigned, the following also participated in the examination:

Marie Stuhlmuller	Examination Manager	Office
James Menck	Examination Manager	Eide Bailly

Respectfully submitted,



Joseph Hofmeister, CFE
Examiner-in-Charge
Eide Bailly LLP
Representing Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CRA, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation