



**EXAMINATION REPORT
OF**

**Associated Industries Insurance Company, Inc.
Boca Raton, FL**

NAIC Company Code: 23140

**as of
December 31, 2021**

**By
The Florida Office of Insurance Regulation**

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May 25, 2023

Michael Yaworsky
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, 2021, of the financial condition and corporate affairs of

Associated Industries Insurance Company, Inc.

903 N.W. 65th Street, Suite 300

Boca Raton, FL 33487

hereinafter referred to as “AIIIC” or “the Company.” Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2018 through December 31, 2021 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on September 6, 2022. The fieldwork concluded as of May 25, 2023. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2015 through December 31, 2017.

The examination was 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 examination was a multi-state/coordinated process. The lead state for this exam was Delaware, and states that participated in this exam are as follows: Arizona, California, Florida, New York, Oklahoma, Pennsylvania, and Texas. The Company is licensed in Florida and eligible for Surplus Lines in all other states and the District of Columbia.

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

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

Custodial Agreement

A review of the Company's custodial agreement indicated that the Company was not in compliance with Rule 69O-143.042(j) and Rule 69O-143.042(o), Florida Administrative Code, which requires certain language to be used in the agreement. It is recommended the Company amend the custodial agreement with SunTrust for compliance with Rule 69O-143.042, Florida Administrative Code.

An addendum to the SunTrust custodial agreement was executed on February 15, 2023 to include the certain language necessary to be in compliance with Rule 69O-143.042, Florida Administrative Code.

COMPANY HISTORY

General

The Company was incorporated in Florida on October 3, 1953 and commenced business on May 13, 1954, as Southeast Title and Insurance Company. In January 1995, Associated Industries Insurance Services, Inc. ("AIIS") purchased the Company and changed the name to AIIC. In June 1996, the Company acquired 100% of the stock of a non-assessable insurer, Associated Industries of Florida Property & Casualty Trust, which was merged into the Company. On September 7, 2007, the Company and AIIS were acquired by AmTrust Financial Services, Inc. In 2009, AIIS was renamed AmTrust North America of Florida, Inc. ("ANAFL"). Effective December 30, 2016, Comp Options Insurance Company was merged with and into the Company with the Company being the surviving entity. AIIC was a subsidiary of ANAFL until December 31, 2019,

when the Company became a subsidiary of Wesco Insurance Company, a subsidiary of AmTrust Financial Services, Inc.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2021, the Company's capitalization was as follows:

Number of authorized common capital shares	25,000
Number of shares issued and outstanding	20,000
Total common capital stock	\$2,000,000
Par value per share	\$100.00

A \$7,000,000 capital contribution was received from the Company's parent, Wesco Insurance Company, on March 31, 2021.

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, 2021, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Donald T. DeCarlo	Douglaston, New York	Attorney Self-Employed
Susan C. Fisch	San Francisco, California	Retired Formerly Reinsurance Broker Executive
Evan M. Greenstein	Jericho, New York	Sr. Vice President, Commercial Lines AmTrust Financial Services, Inc.
Adam Z. Karkowsky	Great Neck, New York	President AmTrust Financial Services, Inc.
Stephen B. Ungar	North Hills, New York	Executive Vice President and General Counsel AmTrust Financial Services, Inc.

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

Senior Officers		
Name	City, State	Title
Elissa M. Pacheco ^(a)	Davie, Florida	President and Chief Underwriting Officer
Harry C. Schlachter ^(b)	Lawrence, New York	Treasurer
Stephen B. Ungar	North Hills, New York	Secretary
Jeffrey H. Mayer	Teaneck, New Jersey	Chief Actuary
Barry W. Moses	Shaker Heights, Ohio	Vice President, Senior Regulatory Counsel and Assistant Secretary

(a) Ms. Pacheco resigned and was replaced by Christopher H. Foy on July 1, 2022.

(b) Mr. Schlachter retired and was replaced by Ellen K. Dion on February 1, 2022.

The Company's Board appointed the Workers' Compensation Dividend Committee, an internal board committee. The following were the members as of December 31, 2021:

Workers' Compensation Dividend Committee		
Donald DeCarlo	Harry C. Schlachter ^(c)	Stephen Ungar

(c) Mr. Schlachter retired and was replaced by Ellen K. Dion on February 1, 2022.

The Company delegated the following committee functions to those at the holding company level, in accordance with Section 624.424(8)(c), Florida Statutes. The following were the principal Board committees, at the holding company level, and their members as of December 31, 2021:

Audit Committee		
Name	City, State	Title
Donald DeCarlo	Douglaston, New York	Attorney Self-Employed
Susan Fisch	San Francisco, California	Retired Formerly Reinsurance Broker Executive
Mark Serock	Upper Montclair, New Jersey	Retired Formerly a Partner and CPA with KPMG, LLP

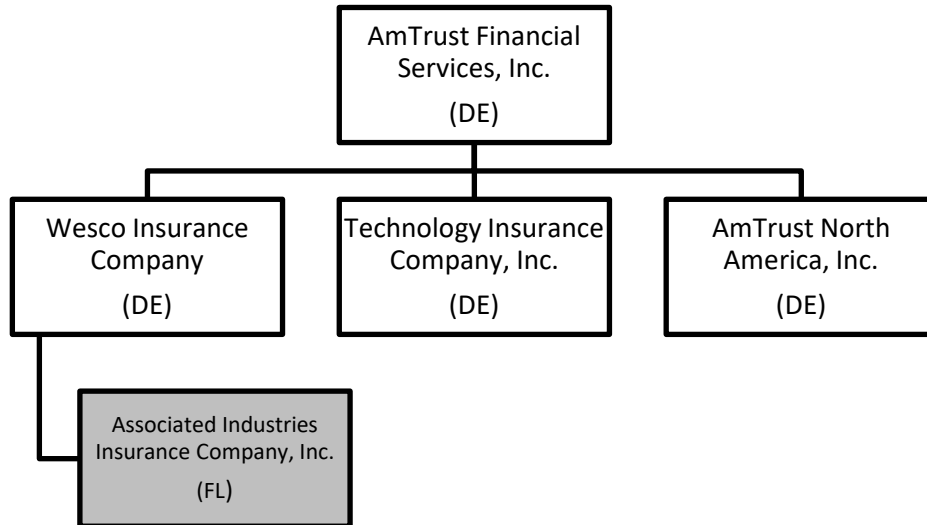
Compensation Committee	
Donald DeCarlo	Susan Fisch

Nominating & Corporate Governance Committee		
Name	City, State	Title
Adam Karkowsky	Great Neck, New York	President AmTrust Financial Services, Inc.
Barry Zyskind	Brooklyn, New York	Chairman and Chief Executive Officer AmTrust Financial Services, Inc.

Holding Company System

A simplified organizational chart as of December 31, 2021, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2021 annual statement provided a list of all related companies of the holding company group.

**Simplified Organizational Chart
December 31, 2021**



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

Tax Allocation Agreement

The Company entered into a tax allocation agreement with its ultimate parent, AmTrust Financial Services, Inc. (“AFSI”), on September 7, 2007. AFSI files a consolidated tax return on behalf of the Group. AIIC pays AFSI its tax liability as if it were computed on a stand-alone basis. AIIC remits to AFSI any amounts determined to be due. AFSI remits to AIIC that part of any tax refund received by the Group that results from tax savings to the Group.

Pool Management Agreement

The Company entered into a pool management agreement with Technology Insurance Company, Inc. (“TIC”) and AmTrust North America, Inc. (“ANA”) effective January 1, 2019. Under the agreement, ANA provides all necessary services to TIC and AIIC to conduct their business. All costs associated with the agreement are paid by TIC.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Boca Raton, Florida.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida. It was authorized to write surplus lines business in the other forty-nine (49) states and the District of Columbia.

The Company was authorized to transact insurance in Florida on April 17, 1959, and is currently authorized for the following lines of business in Florida as of December 31, 2021:

- Fire
- Commercial Multi-Peril
- Workers' Compensation
- Commercial Auto Liability
- Burglary and Theft
- Credit
- Allied Lines
- Inland Marine
- Other Liability
- Commercial Auto Physical Damage
- Boiler and Machinery

The Company writes workers' compensation policies in Florida and surplus lines business in the states where it is eligible.

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

The Company ceded risk on a quota share and excess of loss basis under reinsurance contracts implemented at the holding company level.

Effective October 1, 2017, AIC and fifteen (15) other affiliates entered into an Intercompany Reinsurance Pooling Agreement with TIC. Under the terms of the Pooling Agreement, the Company ceded 100% of the Company's liabilities on insurance policies that were in force as of October 1, 2017, or that had expired or been terminated or non-renewed as of October 1, 2017, and 100% of its liabilities on all insurance policies issued subsequent to October 1, 2017.

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, 2021. 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, 2021. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Associated Industries Insurance Company
Assets
December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$86,146,633		\$86,146,633
Common stocks	1,070,936		1,070,936
Cash and short-term investments	(8,234,151)		(8,234,151)
Receivables for securities	9,062		9,062
Subtotals, cash and invested assets	\$78,992,479		\$78,992,479
Investment income due and accrued	443,353		443,353
Amounts recoverable from reinsurers	6,936,113		6,936,113
Net deferred tax asset	110,535	96,185	14,350
Receivable from parent, subsidiaries and affiliates	1,647,064		1,647,064
Total	\$88,129,544	96,185	\$88,033,359

Associated Industries Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2021

	Per Company
Current federal and foreign income taxes	\$ 98,595
Ceded reinsurance premiums payable	23,287,921
Funds held by company under reinsurance treaties	1,139,531
Provision for reinsurance	653,134
Payable to parent, subsidiaries and affiliates	714,134
Total liabilities	\$25,893,315
Common capital stock	2,000,000
Gross paid-in and contributed surplus	47,469,666
Unassigned funds (surplus)	12,670,378
Surplus as regards policyholders	\$62,140,044
Totals	\$88,033,359

Associated Industries Insurance Company
Statement of Income
December 31, 2021

	Per Company
Underwriting Income	
Premiums earned	\$ 0
Deductions	
Other underwriting expenses incurred	39
Total Underwriting deductions	39
Net underwriting gain (loss)	\$ (39)
Investment Income	
Net investment income earned	1,722,843
Net realized capital gains or (losses)	3,025
Net investment gain or (loss)	\$1,725,867
Other Income	
Aggregate write-ins for miscellaneous income	(826)
Total other income	(826)
Federal & foreign income taxes incurred	280,532
Net Income	\$1,444,471
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$53,380,877
Net Income	1,444,471
Change in net unrealized capital gains or losses less capital gains tax	267,761
Change in net deferred income taxes	(57,400)
Change in non-admitted assets	83,715
Change in provision for reinsurance	20,621
Surplus adjustments:	
Paid in	7,000,000
Change in surplus as regards policyholders for the year	8,759,168
Surplus as regards policyholders, December 31, current year	\$62,140,044

**Associated Industries Insurance Company
Reconciliation of Capital and Surplus
December 31, 2021**

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, 2017, per Company			\$48,368,276
	Increase	Decrease	
Net Income (loss)	6,485,501		
Change in net unrealized capital gain (loss)	340,709		
Change in net deferred income tax	13,796		
Change in non-admitted assets		96,185	
Change in provision for reinsurance	27,947		
Surplus Adjustments: Paid in	7,000,000		
Net increase (or decrease)			13,771,768
Surplus at December 31, 2021 per Company			\$62,140,044

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$62,140,044, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Associated Industries Insurance Company as of December 31, 2021, consistent with the insurance laws of the State of Florida.

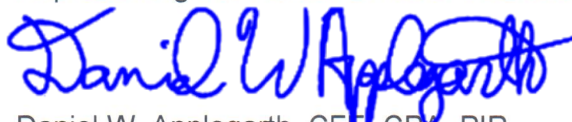
In addition to the undersigned, the following individuals from Noble Consulting Services, Inc. ("Noble") also participated in the examination:

Karen Milster, CFE, CPA	Participating Examiner	Noble
Robin Roberts, CFE	Exam Manager	Noble
Chad Mason, PIR	Exam Manager	Office

Respectfully submitted,



James Menck, CFE, CPA, CIA
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the Florida Office of Insurance Regulation



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