



**EXAMINATION REPORT  
OF**

**American Strategic Insurance Corp.  
St. Petersburg, Florida**

**NAIC Company Code: 10872**

**as of  
December 31, 2022**

**By  
The Florida Office of Insurance Regulation**

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April 26, 2024

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 690-138.005, 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, 2022, of the financial condition and corporate affairs of

**American Strategic Insurance Corp.**

1 ASI Way  
St. Petersburg, FL 33702-2514

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, 2018 through December 31, 2022 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on March 31, 2023. The fieldwork concluded as of April 26, 2024. The Company’s last full scope examination by representatives of the Office covered the period of January 1, 2016 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 Company has business and/or licenses in multiple states. The lead state for this examination was Ohio, and states that participated in this examination are as follows: Florida, Illinois, Indiana, Louisiana, Michigan, New Jersey, New York, Texas, and Wisconsin.

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:

#### Notice of Change in Director or Officer

The Company did not file a notice of change in director or officer with the Office within 45 days of an addition or removal of an officer or director, in compliance with Section 628.261, Florida Statutes.

#### Resolution:

The Company filed all notices of changes in directors and officers, in compliance with Section 628.261, Florida Statutes.

#### Letters of Credit

As of December 31, 2017, the Company reported the following letters of credit with Chubb European Group Ltd., and XL Bermuda Ltd. Upon review of the letters of credit, the following provision was not included as required by Rule 69O-144.005(6), Florida Administrative Code:

- The letter of credit shall be made subject to and be governed by the laws of the State of Florida.

#### Resolution:

Beginning in 2022, the Company moved to a multi-beneficiary letter of credit and the language in the letter of credit included all provisions as required by Rule 69O-144.005(6), Florida Administrative Code.

### Related Party Agreement

The Company did not have a formal written agreement to support premium collection on behalf of various affiliates in compliance with SSAP No. 25 Affiliates and Other Related Parties.

### Resolution:

The Company entered into a cash management agreement that supports the premium collection on behalf of the Company and in compliance with SSAP No. 25.

## **COMPANY HISTORY**

### **General**

The Company was incorporated on August 18, 1997 and obtained its Certificate of Authority in Florida on December 18, 1997.

The Company is a Florida domiciled property and casualty insurance company and is a subsidiary of ARX Holding Corp. ("ARX"). ARX is an insurance holding company incorporated in Delaware and owned 100% by The Progressive Corporation ("TPC"), which, through various subsidiaries of TPC, provides a variety of insurance related services including premium finance and claims processing.

The Company is licensed to write homeowners' multi-peril, fire and allied lines, inland marine, and other liability insurance in forty five (45) states and the District of Columbia and is an accredited reinsurer in three (3) states. The Company primarily writes insurance policies through its Managing General Agent ("MGA"), ASI Underwriters Corp. ("ASIU"), in various states across the country. The Company's MGA provides policy management services, including underwriting and claims administration, for all lines of business written by the Company. The Company withdrew from writing commercial multi-peril in 2014.

### **Dividends**

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

## Capital Stock and Capital Contributions

As of December 31, 2022, the Company's capitalization was as follows:

|  |             |
|--|-------------|
| Number of authorized common capital shares | 5,000,000   |
| Number of shares issued and outstanding    | 5,000,000   |
| Total common capital stock                 | \$5,000,000 |
| Par value per share                        | \$1.00      |

During the examination period, the Company received capital contributions from ARX as follows:

2022 - \$250,000,000  
2021 - \$72,000,000  
2020 - None  
2019 - None  
2018 - \$169,500,000

## Surplus Notes

The Company did not have 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, 2022, are shown below:

| Directors*             |                      |  |
|------------------------|----------------------|--|
| Name                   | City, State          | Principal Occupation,<br>Company Name        |
| Charles Ernest Conover | Mayfield Village, OH | Business Leader Agent Engagement             |
| Heather Elizabeth Day  | Mayfield Village, OH | General Manager Customer Experience Strategy |
| Tanya Judith Fjare     | St. Petersburg, FL   | Property General Manager                     |
| Patrick Thomas McCrink | St. Petersburg, FL   | Senior Director of Claims                    |
| Kellie Ann O'Nuallain  | St. Petersburg, FL   | Director of Underwriting and Customer Care   |

\*Chairman is not required to be appointed.

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

| <b>Senior Officers</b>  |                      |                            |
|-------------------------|----------------------|----------------------------|
| <b>Name</b>             | <b>City, State</b>   | <b>Title</b>               |
| Patrick Sean Brennan    | Mayfield Village, OH | Treasurer                  |
| Michelle Cristen Cavell | Mayfield Village, OH | Vice President             |
| Tanya Judith Fjare      | St. Petersburg, FL   | President                  |
| Kathleen Agnes Sundberg | St. Petersburg, FL   | Vice President & Secretary |

The Company's Board does not have any committees at the entity level.

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes. The first person listed is the Chairman of the audit committee.

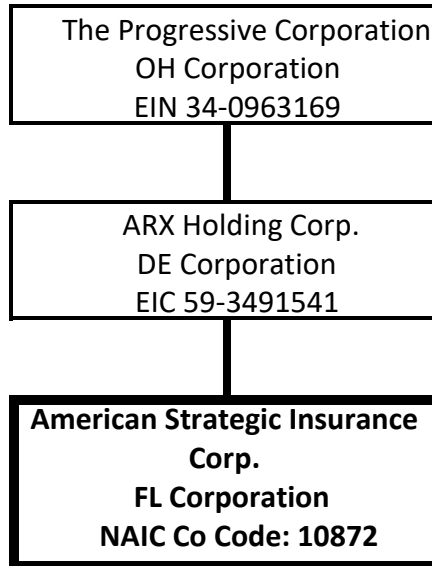
| <b>Audit Committee</b> |                  |                  |
|------------------------|------------------|------------------|
| Stuart B. Burgdoerfer  | Philip F. Bleser | Jeffrey D. Kelly |



## Holding Company System

A simplified organizational chart as of December 31, 2022, reflecting the holding company system, is shown below. Schedule Y of the Company's 2022 annual statement provided a list of all related companies of the holding company group.

### American Strategic Insurance Corp. Organizational Chart December 31, 2022



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

### **Tax Allocation Agreement**

The Company entered into an Affiliated Agreement - Allocation of Federal Income Taxes (Amended and Restated as of June 1, 2021), which is an agreement to file consolidated federal tax returns with its parent, TPC and its subsidiaries. The agreement provides that TPC and its subsidiaries file consolidated federal income tax returns, with quarterly computations of tax liability, being completed at the group level and allocated to each member of the group based on the top marginal tax rate as set forth in Internal Revenue Code section 11. The benefits of any reduced tax brackets or recapture thereof shall be allocated entirely to Progressive Casualty Insurance Company ("PCIC"). The tax liability allocated to any member shall not exceed the amount that such member would be liable for if it filed a separate income tax return. If a member has a net operating loss as determined on a separate return basis, the member will be reimbursed for such loss to the extent that the loss results in a reduction in the consolidated tax liability of the group.

Intercompany balances will be settled within thirty (30) days of the end of each quarter in which TPC is required to make a federal income tax estimated payment. If any estimated taxes are paid on a consolidated basis, each subsidiary shall remit its estimated tax payment to TPC no earlier than 10 days prior to the due date of the estimated taxes and the subsidiary's liability shall be reduced by the amount of any estimated taxes paid. Any difference between the estimated tax payments from the actual liability as determined on a separate-return basis shall be paid to the subsidiary no more than 30 days after the difference has been calculated. Such settlement shall not be deemed a final settlement until the return year in question has been audited and/or closed by the Internal Revenue Service.

### **Joint Servicing (Cost Allocation) Agreement with PCIC**

The Company entered into a Joint Servicing (Cost Allocation) Agreement, effective January 1, 2016, between PCIC and various affiliated companies. Under the terms of the agreement, the Company is provided by or provides to PCIC various underwriting, claims, administrative and management services at cost, based on the use of services by any of the companies.

## **Joint Servicing (Cost Allocation) Agreement with ARX**

The Company entered into a Joint Servicing (Cost Allocation) Agreement, effective September 1, 2020, between ARX and other affiliates in the group. The parties agree to provide certain services and facilities that assist in the transaction of their insurance business, at cost.

## **Intercompany Allocation Agreement**

The Company is party to an Intercompany Allocation Agreement with ASI Assurance Corp. ("ASIA"), ASI Home Insurance Corp. ("ASIH"), ASI Preferred Insurance Corp. ("ASIP"), Progressive Property Insurance Company ("PPIC"), ASI Lloyds, Inc. ("ASIL"), and ASI Select Insurance Corp. ("ASISL") (collectively, "the Parties"). This Agreement was effective on January 1, 2022, with respect to the Umbrella Excess of Loss Reinsurance Contract, for the period January 1, 2022 to January 1, 2023, by and between the Parties and Waypoint Underwriting Management LLC for and on behalf of Insurance Company of the West ("Umbrella XOL Contract") and shall include any renewals thereof. The Agreement was approved by the California, Delaware, Florida, and Texas insurance departments.

## **Intercompany Cash Management Agreement**

The Company is party to an Intercompany Cash Management Agreement with five of its property and casualty affiliates, effective July 1, 2019. Under the terms of the agreement, the companies provide cash management services for each other to improve efficiency and reduce costs.

The Company also participates in an affiliated Cash Management Agreement with Progressive Casualty Insurance Company ("PCIC"), under which PCIC was appointed as the Company's cash manager and provides the Company with cash management services.

## **Interest Agreement**

The Company participates in an Interest Agreement with Progressive Casualty Insurance Company ("PCIC"). Under this agreement, the Company agrees to pay PCIC or receive credit from PCIC for any balances owed to PCIC or owed by PCIC as a result of activity in PCIC's cashier account. The amount of these transactions shall be determined by an analysis of the average unpaid balances of these accounts. Interest will be charged at the prevailing 90-day Treasury bill rate on the last day of each month computed to the nearest quarter of a percent.

## **Managing General Agent Agreement**

The Company entered into a Managing General Agency Agreement between ASI Underwriters Corporation ("ASIU"), ASIA, ASIH, ASIP, and PPIC, effective September 10, 2000. The Agreement permits ASIU to provide underwriting, claims, and premium processing services for all lines of business except commercial. ASIU also can provide these services to ASIL for all lines of business except commercial and in all states except Texas. ASIU receives a monthly commission based on a percentage of premium written and a new business or renewal policy fee that varies by state.

## **Investment Management Agreement**

The Company, ARX and its insurance company subsidiaries entered into an Investment Management Agreement with Progressive Capital Management Corporation ("PCM") on January 1, 2016. The agreement provides that PCM will manage the Company's investment portfolio in accordance with the Company's investment guidelines. The agreement also provides that PCM will provide investment accounting services and assist in preparing the Company's statutory Schedule D. Management fees are assessed based on a percentage of the value of the investment portfolio as of the last trading day of the month.

## **Agency Agreements**

The Company participates in a non-exclusive agency agreement with Sunshine Security Insurance Agency, Inc. ("SSIA"), under which SSIA sells homeowners insurance underwritten by the Company, and for which SSIA is paid a commission by the Company. The Company also participates in a non-exclusive agency agreement with Progressive Advantage Agency, Inc. ("PAA"), under which PAA sells homeowners insurance underwritten by the Company, and for which PAA is paid a commission by the Company.

## ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in St. Petersburg, Florida.

## TERRITORY AND PLAN OF OPERATIONS

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

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

The Company is an authorized reinsurer in the following states:

- Indiana
- Louisiana
- Texas

The Company was authorized to transact insurance in Florida on December 18, 1997, and is currently authorized for the following lines of business in Florida as of December 31, 2022:

- Fire
- Allied Lines
- Homeowners Multi-Peril
- Inland Marine
- 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 assumed risk from its affiliates on a quota share basis and intercompany pooling arrangements.

### **Reinsurance Ceded**

The Company participates in a reinsurance program that is designed to reduce overall risk while, to the extent of coverage purchased, protect capital, and reduce volatility in combined ratio from the costs associated with catastrophic events. The Company's reinsurance program covers the Company and its insurer affiliates as the companies are multi-cedents on primarily all reinsurance contracts. The Company and its affiliates ceded risks through the use of various reinsurance contracts including multi-year catastrophic excess of loss, aggregate excess of loss, catastrophe bonds, excess of loss covering umbrella business, and aggregate stop loss coverage. The excess of loss treaty is supplemented by a catastrophe bond 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; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2022. 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, 2022. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**American Strategic Insurance Corp.**  
**Assets**  
**December 31, 2022**

|   | Assets                        | Nonadmitted<br>Assets      | Net Admitted<br>Assets        |
|---|-------------------------------|----------------------------|-------------------------------|
| Bonds   | \$2,206,284,010               |                            | \$2,206,284,010               |
| Stocks  |                               |                            |                               |
| Common stocks   | 104,912,903                   |                            | 104,912,903                   |
| Real Estate   |                               |                            |                               |
| Properties occupied by the company  | 38,755,206                    |                            | 38,755,206                    |
| Cash and short-term investments   | 100,967,268                   |                            | 100,967,268                   |
| Receivable for securities   | 11,081,458                    |                            | 11,081,458                    |
| Subtotals, cash and invested assets   | \$2,462,000,845               |                            | \$2,462,000,845               |
| Investment income due and accrued   | 10,677,696                    |                            | 10,677,696                    |
| Premiums and considerations   |                               |                            |                               |
| Uncollected premiums and agents' balances   | 13,587,123                    |                            | 13,587,123                    |
| Deferred premiums, agents' balances and installments                                      | 110,843,332                   |                            | 110,843,332                   |
| Reinsurance   |                               |                            |                               |
| Amounts recoverable from reinsurers   | 37,012,655                    |                            | 37,012,655                    |
| Net deferred tax asset  | 43,794,035                    | 43,794,035                 |                               |
| Guaranty funds receivable or on deposit   | 7,404                         |                            | 7,404                         |
| Electronic data processing equipment and software   | 1,012,379                     | 102,920                    | 909,459                       |
| Furniture and equipment, including health care delivery assets                            | 1,692,359                     | 1,692,359                  |                               |
| Receivable from parent, subsidiaries and affiliates                                       | 3,177,364                     |                            | 3,177,364                     |
| Aggregate write-in for other than invested assets   | 14,480,337                    | 14,474,299                 | 6,038                         |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | 2,698,285,529                 | 60,063,613                 | 2,638,221,916                 |
| From Separate Accounts, Segregated Accounts and Protected Cell Accounts                   |                               |                            |                               |
| <b>Total</b>  | <b><u>\$2,698,285,529</u></b> | <b><u>\$60,063,613</u></b> | <b><u>\$2,638,221,916</u></b> |



**American Strategic Insurance Corp.  
Liabilities, Surplus and Other Funds  
December 31, 2022**

|   | Per Company            |
|---|------------------------|
| Losses  | \$536,160,829          |
| Reinsurance payable on paid losses and loss adjustment expenses       | 64,289,805             |
| Loss adjustment expenses  | 136,329,007            |
| Commissions payable, contingent commissions and other similar charges | 23,186,307             |
| Other expenses  | 11,566,760             |
| Taxes, licenses and fees  | 15,536,637             |
| Current federal and foreign income taxes                              | 12,922,713             |
| Unearned premiums   | 1,036,221,566          |
| Advance premiums  | 38,913,954             |
| Ceded reinsurance premiums payable                                    | 40,137,961             |
| Funds held by company under reinsurance treaties                      | 861,403                |
| Amounts withheld or retained by company for account of others         | 338,294                |
| Remittances and items not allocated                                   | 148,705                |
| Payable to parent, subsidiaries and affiliates                        | 65,682,837             |
| Aggregate write-in for liabilities                                    | 22,340,074             |
| Total liabilities excluding protected cell liabilities                | 2,004,636,852          |
| Protected cell liabilities  |                        |
| Total liabilities   | \$2,004,636,852        |
| Common capital stock  | 5,000,000              |
| Gross paid-in and contributed surplus                                 | 825,252,945            |
| Unassigned funds (surplus)  | (196,667,881)          |
| Surplus as regards policyholders                                      | 633,585,064            |
| Totals  | <u>\$2,638,221,916</u> |

**American Strategic Insurance Corp.**  
**Statement of Income**  
**December 31, 2022**

|   | Per Company            |
|---|------------------------|
| <b>Underwriting Income</b>  |                        |
| Premiums earned   | \$1,642,775,054        |
| <b>Deductions</b>   |                        |
| Losses Incurred   | \$1,152,346,293        |
| Loss adjustment expenses incurred   | 199,782,911            |
| Other underwriting expenses incurred  | 465,621,961            |
| Total Underwriting deductions   | \$1,817,751,165        |
| Net underwriting gain (loss)  | \$(174,976,111)        |
| <b>Investment Income</b>  |                        |
| Net investment income earned  | \$50,140,100           |
| Net realized capital gains or (losses)  | (9,055,380)            |
| Net investment gain or (loss)   | \$41,084,720           |
| <b>Other Income</b>   |                        |
| Net gain or (loss) from agents' or premium balances charged off   | \$(1,359,328)          |
| Finance and service charges not included in premiums  | 5,406,127              |
| Aggregate write-ins for miscellaneous income  | 10,739,711             |
| Total other income  | \$14,786,510           |
| Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | \$(119,104,881)        |
| Dividends to policyholders  |                        |
| Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | \$(119,104,881)        |
| Federal & foreign income taxes incurred   | (18,648,241)           |
| Net Income  | <u>\$(100,456,640)</u> |

|   | Per Company          |
|---|----------------------|
| <b>Capital and Surplus Account</b>                                      |                      |
| Surplus as regards policyholders, December 31 prior year                | \$543,916,335        |
| Net Income  | (100,456,640)        |
| Change in net unrealized capital gains or losses less capital gains tax | (20,779,162)         |
| Change in net deferred income taxes                                     | 5,508,926            |
| Change in non-admitted assets   | (45,590,214)         |
| Surplus adjustments:  |                      |
| Paid in   | 250,985,819          |
| Change in surplus as regards policyholders for the year                 | 89,668,729           |
| Surplus as regards policyholders, December 31, current year             | <u>\$633,585,064</u> |

**American Strategic Insurance Corp.  
Reconciliation of Capital and Surplus  
December 31, 2022**

| <b>Capital/Surplus Change during Examination Period</b> |             |               |                      |
|---|-------------|---------------|----------------------|
| Surplus at December 31, 2017, per Company               |             |               | \$508,147,757        |
|   | Increase    | Decrease      |                      |
| Loss in surplus   |             | (374,722,839) |                      |
| Change in net unrealized capital gain (loss)            | 28,814,521  |               |                      |
| Change in net deferred income tax                       | 33,939,319  |               |                      |
| Change in non-admitted assets                           |             | (55,882,638)  |                      |
| Change in provision for reinsurance                     | 36,000      |               |                      |
| Change in paid in surplus                               | 493,252,943 |               |                      |
| Net increase (or decrease)                              |             |               | \$125,437,306        |
| Surplus at December 31, 2022, per Company               |             |               | <u>\$633,585,063</u> |

**American Strategic Insurance Corp.**  
**Analysis of Changes in Financial Statement Resulting from the Examination**  
**December 31, 2022**

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

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Capital and Surplus**

The amount of capital and surplus reported by the Company of \$633,585,064, exceeded the minimum of \$100,000,000 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 American Strategic Insurance Corp. as of December 31, 2022, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following individuals from INS Regulatory Insurance Services, Inc. also participated in the examination:

|                                       |                     |        |
|---------------------------------------|---------------------|--------|
| Kelly Willison, CPA, CFE, CFE (Fraud) | Examination Manager | INSRIS |
| Zach Cannon                           | Staff Examiner      | INSRIS |

Respectfully submitted,



Renee Hanshaw, CPA, CFE  
Examiner-in-Charge  
INS Regulatory Insurance Services, Inc.  
Representing the Florida Office of Insurance Regulation



Chad Mason, PIR  
Chief Financial Examiner  
Property & Casualty/Life & Health Financial Oversight  
Florida Office of Insurance Regulation