



**EXAMINATION REPORT
OF
AMERICAN TRADITIONS INSURANCE COMPANY**

NAIC Company Code: 12359

**Pinellas Park, Florida
as of
December 31, 2018**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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June 5, 2020

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 690-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2018, of the financial condition and corporate affairs of

American Traditions Insurance Company

7785 66th Street
Pinellas Park, Florida 33781

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, 2014 through December 31, 2018. Fieldwork, which included planning meetings held at the Florida Office of Insurance Regulation (“the Office”) commenced on August 8, 2019, and concluded as of June 5, 2020. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2009 through December 31, 2013.

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

None

Previous Examination Findings

Reinsurance Agreement Omission

The Company's agreement with Y-Bridge Insurance SPC did not comply with SSAP 62R, Paragraph 8, in that it did not include an insolvency clause. In order for the Company to take reinsurance credit, the insolvency clause must be included as part of the reinsurance agreement. The agreement also was not executed by both parties within required time frames of the effective date of the agreement. The agreement is also missing "errors and omissions" and "arbitration" clauses, which are common provisions.

Resolution: The Company subsequently corrected this issue by adding an insolvency clause to the agreement.

COMPANY HISTORY

General

The Company was incorporated in Florida on August 9, 2005 and commenced business on January 1, 2006.

The Company was authorized to transact the following lines of business in Florida on December 5, 2005 and continued to be authorized as of December 31, 2018:

Allied Lines	Mobile Home Multi-Peril
Fire	Mobile Home Physical Damage
Homeowners Multi-Peril	Other Liability
Inland Marine	

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2018, 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

Surplus Notes

The Company reported surplus notes issued to the Florida State Board of Administration (SBA) in the amount of \$3,397,509 as of December 31, 2018.

Acquisitions, Mergers, Disposals, Dissolutions

On May 31, 2018, the Company merged with an affiliate, Modern USA Insurance Company ("MUIC"), with the Company being the surviving entity. The balances reported on December 31, 2018 represent the combined operating results of both entities as if the entities had consolidated on January 1, 2018.

MANAGEMENT AND CONTROL

Corporate Governance

The Company's Board of Directors ("the Board") serving as of December 31, 2018, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Thomas John Jerger	Pinellas Park, Florida	Chairman and Chief Executive Officer American Traditions Insurance Company
Thomas John Jerger, Jr.	Clearwater, Florida	President American Traditions Insurance Company
Brian James Adamski	Lutz, Florida	Chief Financial Officer, Treasurer, American Traditions Insurance Company
Raymond Mark Blacklidge	Madeira Beach, Florida	Senior Vice President, Secretary and General Counsel American Traditions Insurance Company
Joel Peter Yanchuck	Treasure Island, Florida	Attorney Yanchuck, Berman, Wadley & Zervos PA
Richard Mitchell Jerger, Jr.	St. Petersburg, Florida	Director American Traditions Insurance Company
Keith Marco Lindgren	Ft. Lauderdale, Florida	Director
Gavin Michael Ryan	Plano, Texas	Shareholder
Stephen Harold Braun	Chicago, Illinois	Shareholder
Dan Lee Hurley	Ellenton, Florida	Vice President of Compliance American Traditions Insurance Company
Justin Darby Locke	Clearwater, Florida	Controller American Traditions Insurance Company
Greg Sellner Hall	Sunset, South Carolina	Director West Point Underwriters, LLC

Senior Officers elected and serving the Company as of December 31, 2018 are as shown below:

Senior Officers		
Name	City, State	Title
Thomas John Jerger.	Pinellas Park, Florida	Chairman and Chief Executive Officer
Thomas John Jerger, Jr.	Clearwater, Florida	President
Brian James Adamski	Lutz, Florida	Chief Financial Officer, Treasurer
Dan Lee Hurley	Ellenton, Florida	Vice President of Compliance
Justin Darby Locke	Clearwater, Florida	Controller
Raymond Mark Blacklidge	Madeira Beach, Florida	Senior Vice President, Secretary and General Counsel

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members, with the chairman listed first for each committee, as of December 31, 2018:

Audit Committee		
Name	City, State	Title, Company Name
Thomas John Jerger	Pinellas Park, Florida	Chairman and Chief Executive Officer American Traditions Insurance Company
Richard Mitchell Jerger,	St. Petersburg, Florida	Director American Traditions Insurance Company
Joel Peter Yanchuck	Treasure Island, Florida	Attorney Yanchuck, Berman, Wadley & Zervos PA
Keith Marco Lindgren	Ft. Lauderdale, Florida	Shareholder
Greg Sellner Hall	Sunset, South Carolina	Director West Point Underwriters, LLC

Investment Committee		
Name	City, State	Title, Company Name
Thomas John Jerger	Pinellas Park, Florida	Chairman and Chief Executive Officer American Traditions Insurance Company
Brian James Adamski	Lutz, Florida	Chief Financial Officer, Treasurer American Traditions Insurance Company
Gavin Michael Ryan	Plano, Texas	Shareholder
Greg Sellner Hall	Sunset, South Carolina	Director West Point Underwriters, LLC
Richard Mitchell Jerger	St. Petersburg, Florida	Director American Traditions Insurance Company
Joel Peter Yanchuck	Treasure Island, Florida	Attorney Yanchuck, Berman, Wadley & Zervos PA

Holding Company System

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

Tax Allocation Agreement

Effective December 31, 2018, the Company and its parent, Jerger Insurance Holding Company (“JIHC”), entered into a consolidated federal income tax return agreement to file a consolidated federal income tax return for periods of time during which the Company is qualified to file a consolidated return as defined by Section 1504 of the Internal Revenue Code. Prior to December 31, 2018 the Company had an identical agreement with Jerger Holding Corporation, which merged into Jerger Insurance Holding Company effective May 31, 2018. Under the agreement, the Company is liable for the federal income tax in an amount not to exceed that which would have been due by the Company had it filed a separate tax return, or its pro rata portion of the tax paid under the consolidated income tax return, whichever is less.

Facilities Agreement

The Company had a Facilities Agreement, effective November 1, 2007, with MUIC, MUSA MGA, LLC, West Point Underwriters, LLC and T. J. Jerger MGA, LLC. The agreement served to establish the cost of running the facilities of the companies that were party to the agreement, and established procedures for the allocation of the cost of the facilities. The agreement called for monthly invoices submitted by the Treasurer of each company by the 15th day of the following month for reimbursable expenses to be paid by the last day of the following month. On January 1, 2018, the agreement was amended to update the participants and the percentages of the expenses to allocate to each participant. On May 31, 2018, the Company merged with MUIC with the Company being the surviving entity. The agreement has not been amended to reflect the current participants.

Managing General Agent Agreement

The Company entered into a Managing General Agent agreement with T.J. Jerger MGA, LLC (MGA), effective September 1, 2005, to administer 100% of the policies written by the Company and to provide services for managing and administering the affairs of the Company. Services included, but were not limited to, policy issuance, underwriting, premium billing and collection, and the adjustment and payment of claims. Contract terms included a commission rate of 20% of net written premium and a \$25 per policy MGA fee. Effective April 1, 2013, the commission rate changed to be in a range from 20% to 25%, depending on the Company’s net income. Effective May 27, 2015, the agreement was amended to include general provisions related to the

processing of funds between the Company, the MGA, insureds and claimants, claim payments, and written communication between the Company, MGA and the Company's policyholders. The Company incurred commission expense and policy fees of \$19,814,750 and \$3,007,575 respectively for 2018.

Effective September 1, 2005, the MGA outsourced the policy issuance, underwriting, premium billing and collection servicing to the affiliated West Point Underwriters, LLC, through a Policy Administration Agreement.

Effective January 1, 2006, the MGA outsourced the claims servicing on behalf of the Company through a Claims Administration Services Agreement to an affiliate, Storm King Claims Service. Under terms of this agreement, the MGA pays an administrative fee of \$330 per claim and an hourly rate of \$60 to Storm King Claims Service for claims not outsourced to third party independent adjusters. Any third-party costs such as independent adjusters, engineers, investigators and all legal expenses shall be paid for by the Company.

Effective January 1, 2019, the MGA pays a \$660 fee to Storm King Claims Service for claims meeting the following criteria: (a) where the insured is represented by an attorney or public adjuster, or, (b) where there is litigation, or (c) is a third-party liability claim.

Florida Commercial Lease Agreement

Effective June 25, 2008, the Company entered into a lease agreement, with an affiliate, 66 Investors, LLC. 66 Investors, LLC is the owner of the Company's home office building located in Pinellas Park, Florida. The term of the agreement was for one year with the total lease amount of \$57,927.80 due in monthly installments by the 15th of each month. The agreement is renewed on a yearly basis, ninety days prior to the expiration of the lease.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Pinellas Park, Florida. The Company's accounting records were maintained on a computerized system hosted by its affiliate West Point Underwriters. The system provides agents with secure web-based access to quote

and bind policies. Policyholders also have a secure portal for making premium payments, reporting claims and viewing policy and claims status.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had securities held under Custodial Agreements in place with the following:

Custodian	Effective Date
Janney Montgomery Scott, LLC	August 29, 2007
Morgan Stanley & Co. Incorporated	July 24, 2007
Morgan Stanley Smith Barney, LLC	May 2, 2011

Independent Auditor Agreement

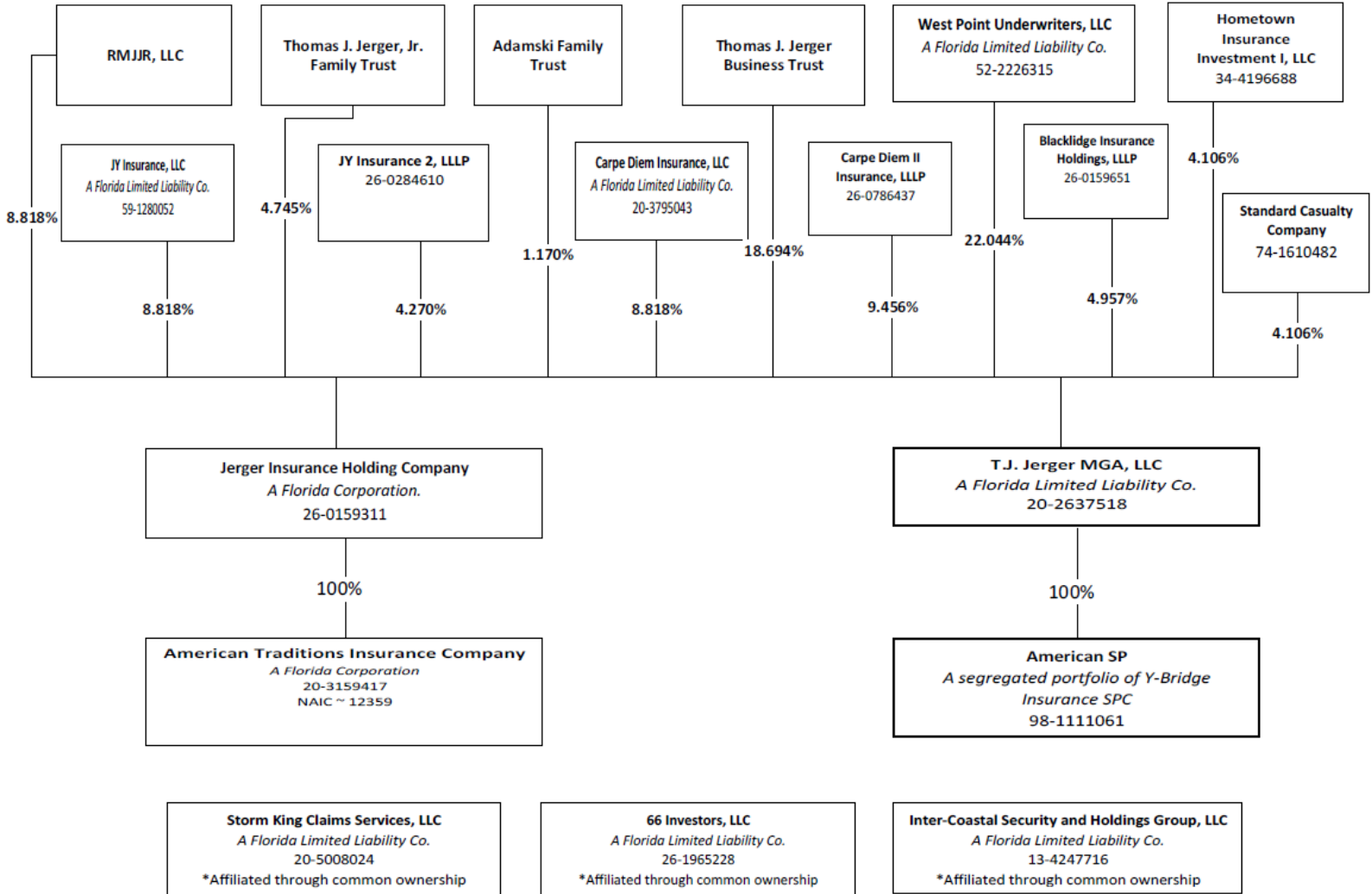
An independent CPA, Johnson Lambert Company, LLC., audited the Company's statutory basis financial statements annually for the period under examination.

Corporate Records Review

The recorded minutes of the Shareholder(s), Board and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions.

Schedule Y as reported in the Company's Annual Statement as of December 31, 2018, reflecting an organization chart of the holding company system, is shown on the following page.

American Traditions Insurance Company Organizational Chart December 31, 2018



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida on August 9, 2005, and is currently authorized for the following lines of business as of December 31, 2018:

Allied Lines	Fire
Homeowners Multi-Peril	Inland Marine
Mobile Home Multi-Peril	Mobile Home 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 premiums during the period of this examination.

Reinsurance Ceded

As of December 31, 2018, the Company's ceded reinsurance program consisted of quota share, and excess of loss and catastrophe reinsurance provided by agreements with various commercial reinsurers through its reinsurance intermediary, AON Benfield, Inc. The Company also participated in the Florida Hurricane Catastrophe Fund ("FHCF"). The FHCF provides catastrophe coverage for named hurricanes up to a maximum limit of 90% of the amount of the ultimate loss in the applicable reinsurance layer paid by the Company in excess of the Company's retention levels.

The Company has catastrophe reinsurance and other per risk reinsurance from private reinsurers, including a quota share agreement. Under the 2018-2019 catastrophe reinsurance program, the Company retained \$3 million of risk per occurrence. The Company's retention is reduced to 92.5% of the \$3 million as a result of a 7.5% quota share agreement for that layer. The Company cedes amounts above its retention up to \$400 million for the first covered event, gross of the participation in the FHCF, and \$200 million for the second covered event. The Company also participates in related reinstatement premium protection agreements. The Company has a maximum retention on a per risk basis of \$500,000 with reinsurance coverage above that up to \$1.5 million.

INFORMATION TECHNOLOGY REPORT

Philip Brudney, CISA, Director of risk3sixty, performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

A statutory deposit in the form of a \$300,000 CD was deposited with the State of Florida as required by Section 624.411, Florida Statutes.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; the statutory Statement of Operations; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2018. 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, 2018. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

American Traditions Insurance Company

Assets

December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Bonds	\$60,528,605		\$60,528,605
Stocks			
Common	2,239,997		2,239,997
Real Estate			
Cash, cash equivalents and short-term investments	19,281,489		19,281,489
Other Investments	1,124,951		1,124,951
Receivables for securities	144		144
Subtotal cash and invested assets	\$83,155,206	\$0	\$83,155,206
Interest income due and accrued	501,942		501,942
Agents' balances			
Uncollected premium	1,181,562		1,181,562
Deferred premium	4,999,997		4,999,997
Amounts recoverable from reinsurer	3,262,886		3,262,886
Current federal and foreign income taxes recoverable	477,765		477,765
Net deferred tax asset	2,967,133		2,967,133
Electronic data processing equipment	25,238		25,238
Receivable from parent, subsidiaries and affiliates	1,608,524		1,608,524
Aggregate write-in for other than invested assets	106,005		106,005
Totals	\$98,286,238	\$0	\$98,286,238

American Traditions Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Losses	\$16,076,399		\$16,076,399
Loss adjustment expenses	3,020,484		3,020,484
Other expenses	1,517,590		1,517,590
Taxes, licenses and fees	221,627		221,627
Unearned premiums	45,902,733		45,902,733
Advance premiums	3,305,762		3,305,762
Ceded reinsurance	(3,819,532)		(3,819,532)
Payable to parent	2,056,612		2,056,612
Total liabilities	\$68,281,615	\$0	\$68,281,615
Common capital stock	1,000		1,000
Surplus notes	3,397,059		3,397,059
Gross paid-in and contributed surplus	15,501,0894		15,501,0894
Unassigned funds (surplus)	11,105,480		11,105,480
Surplus as regards policyholders	\$30,004,623	\$0	\$30,004,623
Total liabilities, surplus and other funds	\$98,286,238	\$0	\$98,286,238

American Traditions Insurance Company
Statement of Income
December 31, 2018

Underwriting Income	
Premiums earned	\$60,590,689
Deductions:	
Losses Incurred	\$33,494,733
Loss expenses incurred	7,241,036
Other underwriting expenses incurred	26,610,734
Aggregate write-ins for underwriting deductions	0
Total Underwriting deductions	\$67,346,503
Net underwriting gain (loss)	(\$6,755,814)
Investment Income	
Net investment income earned	\$1,101,892
Net realized capital gains or (losses)	(114,947)
Net investment gain or (loss)	\$987,025
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(\$147,802)
Finance and service charges not included in premiums	375,097
Aggregate write-ins for miscellaneous income	244,989
Total other income	\$472,284
Net income before dividends to policyholders and before federal & foreign income taxes	(\$5,296,505)
Dividends to policyholders	0
Net income, after dividends to policyholders, but before federal & foreign income taxes	(\$5,296,505)
Federal & foreign income taxes	(463,727)
Net Income	(\$4,832,778)

Capital and Surplus Account	
Surplus as regards policyholders December 31 prior year	\$34,597,884
Net Income	(\$4,832,778)
Change in net unrealized capital gains or losses	(128,544)
Change in non-admitted assets	(41,045)
Change in net deferred income taxes	820,871
Change in surplus notes	(411,765)
Surplus adjustments: Paid in	0
Transferred to surplus	(1,000)
Paid in surplus	1,000
Change in surplus as regards policyholders for the year	(\$4,593,261)
Surplus as regards policyholders, December 31, current year	\$30,004,623

American Traditions Insurance Company
Reconciliation of Capital and Surplus
December 31, 2018

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2014, per Examination			\$19,940,688
	Increase	Decrease	
Loss in surplus		(\$4,535,246)	(\$4,535,246)
Change in net unrealized capital gain (loss)		(\$106,806)	(\$106,806)
Change in net deferred income tax	\$458,169		\$458,169
Change in non-admitted assets		(\$33,976)	(\$33,976)
Change in surplus notes		(\$411,765)	(\$411,765)
Change in paid in surplus	\$14,693,559		\$14,693,559
Transferred to surplus		(\$1,000)	\$1,000
Net increase (or decrease)			\$10,063,935
Surplus at December 31, 2018 per examination			\$30,004,623

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Derek P. Chapman, FCAS, MAAA, CERA, of Merlinos and Associates Inc., appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2018, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office's consulting actuary, Greg Wilson, F.C.A.S, M.A.A.A of Lewis & Ellis Inc., 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 \$30,004,623, exceeded the minimum of \$10 million required by Section 624.408, Florida Statutes.

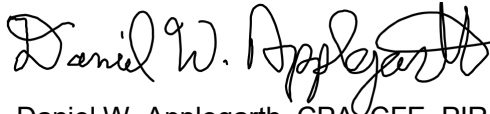
CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American Traditions Insurance Company** as of December 31, 2018, 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
Roshi Fekrat, CPA, CFE, CIA, AMCM	Examiner-in-Charge	Global Insurance Enterprises Inc.
George Brown, CFE, CIE, MCM	Participating Examiner	Global Insurance Enterprises, Inc.
Philip Brudney, CPA, CISA, CIPP/E	IT Specialist	Risk3sixty
Greg Wilson, FCAS, MAAA	Actuary	Lewis and Ellis

Respectfully submitted,



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