REPORT ON EXAMINATION

OF

AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA

TAMPA, FLORIDA

AS OF

DECEMBER 31, 2009

BY THE

OFFICE OF INSURANCE REGULATION

TABLE OF CONTENTS

Tallahassee, Florida

June 3, 2010

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, 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, 2009, of the financial condition and corporate affairs of:

AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA
7650 W. COURTNEY CAMPBELL CAUSEWAY, SUITE 1200
TAMPA, FLORIDA 33607

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, 2009, through December 31, 2009. This is the third year Risk-Focused Examination of the Company. This examination commenced with planning at the Florida Office of Insurance Regulation (Office), on March 29, 2010 to April 2, 2010. The fieldwork commenced on April 5, 2010 and concluded as of June 3, 2010.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

Risk-focused examinations consist of a seven-phase process that can be used to identify and assess risk, assess the adequacy and effectiveness of strategies/controls used to mitigate risk and assist in determining the extent and nature of procedures and testing to be utilized in order to complete the review of that activity. The process should generally include a determination of the quality and reliability of the corporate governance structure and risk management programs. In addition, it can be used for verification of specific portions of the financial statements or other limited-scope reviews, increased focus on, and can result in increased substantive testing of, accounts identified as being at high risk of misstatement. Conversely, the risk assessment process should result in decreased focus on, and fewer substantive tests on the accounts identified as being at low risk of misstatement. The risk-focused surveillance process can be used to assist examiners in targeting areas of high-risk.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2009. Transactions subsequent to year-end 2009 were reviewed where relevant and deemed significant to the Company's financial condition. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the Demotech rating report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

Status of Adverse Findings from Prior Examination

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2008, along with resulting action taken by the Company.

Financial

The Company netted out $1,311,781 of premium refunds due to Citizens Property Insurance Corporation ("Citizens") from the asset balance it reflected in the 2008 annual statement for "Premiums and Agents Balance in Course of Collection". These refunds pertained to policies returned or cancelled that the Company received under the takeout program rather than premiums received on assumed risks underwritten by other reinsurers. **Resolution:** The Company reflected premium refunds due to Citizens Property Insurance Corporation as a separate liability in the 2009 annual statement.

HISTORY

General

The Company is a domestic, stock company that is licensed only in Florida. The Company was incorporated under Florida law on July 20, 2006, and commenced business on September 13, 2006.

The Company's business was comprised of assumptions from Citizens, subsequent renewals written directly, and new business written through independent agents. As of December 31, 2009, the Company had 83,477 policies in force: 70,852 of those policies were assumed from Citizens and the remaining 12,625 were from direct voluntary business.

The Company was authorized to transact the following insurance coverages in Florida as of December 31, 2009:

Fire

Homeowner's Multi Peril

Mobile Home Multi Peril

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

Capital Stock

As of December 31, 2009, 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

All of the shares were issued to the Company's parent, American Integrity Insurance Group, LLC (AIIG), a privately held Texas corporation, for $5,000,000. The amount paid for the Company's stock in excess of the par value was reflected in the Company's financial statements as gross paid-in and contributed surplus. Control of the Company was maintained by AIIG who owned 100% of the stock.

The stock of the Company has been pledged as collateral in connection with a loan entered into by AIIG in 2007. This loan was acquired in part to infuse capital into the Company. Of the original loan amount of $11,330,000, the current balance as of the end of fieldwork was approximately $9,108,000. The loan was not disclosed in the 2009 annual statement.

The Company was not in compliance with Section 624.424 (1) (a), Florida Statutes, and Rule 690-137.001 (4) (a), Florida Administrative Code, which require that the annual statement be prepared in conformity with the NAIC Annual Statement Instructions for Property-Casualty Companies. The annual statement instructions require disclosure of transactions which involve guarantees or undertakings for the benefit of an affiliate or related party in Note 10 of the annual statement.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed annual statements.

	2009	2008	2007
Premiums Earned	61,205,223	78,494,854	54,456,195
Net Underwriting Gain/(Loss)	693,720	1,248,995	1,516,863
Net Income	2,796,699	3,406,315	(1,178,626)
Total Assets	93,359,790	89,085,269	94,489,405
Total Liabilities	67,041,424	64,967,090	73,146,693
Surplus As Regards Policyholders	26,318,366	24,118,179	21,342,712

Dividends to Stockholders

The Company did not declare or pay dividends to its stockholder in 2009.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2009, were:

Directors

Name and Location	Principal Occupation
David Lewis Clark, Chairman Dallas, Texas	Vice President and Principal Sowell & Company
James Edwin Sowell Dallas, Texas	Chief Executive Officer Sowell & Company
Robert Craig Ritchie Houston, Texas	President & Chief Executive Officer American Integrity Insurance Company of Florida
Steven Edward Smathers Dallas, Texas	Attorney at Law Steven Smathers
Keith Douglas Martin Dallas, Texas	Chief Financial Officer Sowell & Company

The Board of Directors (Board) in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
Robert Craig Ritchie	President & Chief Executive Officer
David Lewis Clark	Secretary / Treasurer
Keith Douglas Martin	Vice President / Assistant Secretary

The Board appointed two internal committees in accordance with Section 607.0825, Florida Statutes. Following were the two committees and their members as of December 31, 2009:

Audit Committee	**Investment Committee**
David Lewis Clark[1]	David Lewis Clark [1]
Keith Douglas Martin	Keith Douglas Martin
Steven Edward Smathers	

[1] Chairman

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook.

Corporate Records

The recorded minutes of the shareholder, Board, and internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales through Reinsurance

There were no acquisitions, mergers, disposals, dissolutions, or purchase or sales through reinsurance during the period of examination.

Surplus Debentures

On June 27, 2007, the Company executed a surplus note with the State Board of Administration of Florida in the amount of $7 million in order to participate in the Capital Build-up Incentive Program. The surplus note accrues interest at a rate equivalent to the 10-year U.S. Treasury Bond rate. The term of the agreement is 20 years.

AFFILIATED COMPANIES

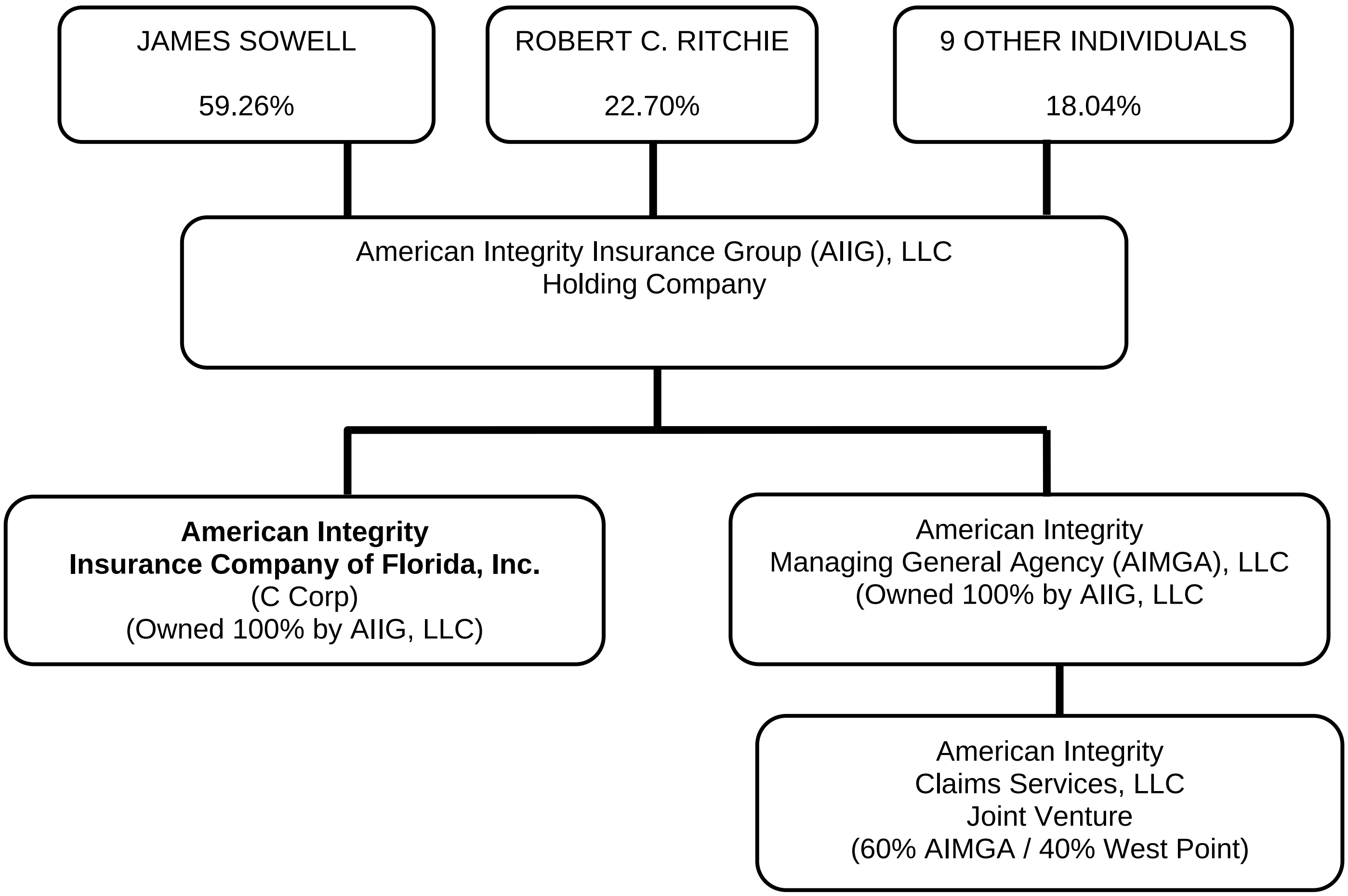
The Company was a member of an insurance holding company system as defined by Rule 69O-143.045 (3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on March 1, 2010, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2009, reflecting the holding company system, is shown below. Schedule Y of the Company's 2009 annual statement provided a list of all related companies of the holding company group.

AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA

ORGANIZATIONAL CHART

DECEMBER 31, 2009



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

Management Agreement

The Company entered into a Management Agreement with its parent, AIIG, on June 23, 2006, to provide certain management services. The agreement was for a term of five years and would automatically renew for successive five-year periods, unless otherwise terminated within the guidelines of the agreement. The management fee paid by the Company each month was equal to 2.0% of written premium on new and renewed business. Fees incurred under this agreement during 2009 amounted to $1,947,521.

Managing General Agency Agreement

The Company entered into a Managing General Agency Agreement with its affiliate, American Integrity Managing General Agency, LLC (AIMGA) on September 5, 2006. The agreement was for a term of five years and would automatically renew for successive five-year periods, unless otherwise terminated within the guidelines of the agreement. MGA fees were based on 24% of direct written premium (5% for business assumed from Citizens) and included the $25 policy fee. Claims administration services were included in the agreement. Claims administration fees were calculated according to a fee schedule based on size of claim. Fees incurred under this agreement during 2009 amounted to $19,037,560.

Cost Allocation Agreement

The Company entered into a Cost Allocation Agreement with AIIG and AIMGA on January 1, 2007. The agreement allocated cost based upon the scope of work and responsibilities performed for the benefit of the affiliated company. Fees incurred under this agreement during 2009 amounted to $73,116.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to $1,000,000 with a deductible of $50,000, which adequately covered the suggested minimum recommended by the NAIC. The Company also maintained Professional Liability coverage, which included Directors and Officers (D&O), with an aggregate limit of $3,000,000 with a deductible of $25,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had a qualified 401(k) retirement plan for the benefit of their employees. The Company also had an employee medical and dental plan.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	Description	Par Value	Market Value
FL	FL State Treasury Inv Account	$ 308,877	$ 308,877
TOTAL SPECIAL DEPOSITS		$ 308,877	$ 308,877

INSURANCE PRODUCTS

The Company offered Fire, Homeowners and Mobile Home Multi Peril insurance policies.

Territory

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

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

REINSURANCE

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

Assumed

The Company did not assume any business through reinsurance other than the business obtained from Citizens. In 2009, the Company assumed $4.1 million of written premium from Citizens.

Ceded

The Company ceded risk on a per risk excess of loss and per occurrence catastrophe basis to the Florida Hurricane Catastrophe Fund (FHCF) and various unrelated reinsurers. For the year ended December 31, 2009, the commercial excess of loss treaties generally provided coverage on ultimate net losses of $74,000,000 in excess of $3 million per occurrence, not to exceed $148,000,000 for all occurrences. The FHCF provided coverage for 90% of the losses from qualifying catastrophic events in excess of $45,375,050, up to a maximum of $172,680,935, plus 100% of $10,000,000 (drop-down layer) in excess of $7,235,454.

Effective December 31, 2009, the Company entered into a quota share agreement that provides coverage for 12.5% of all losses net of other reinsurance coverages, the aggregate of which shall not exceed 116.6% of net ceded premiums earned for policies covered.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Tampa, Florida, where the examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2009 in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

Investment Advisory Agreement

The Company maintained an agreement with Credit Suisse Asset Management, LLC (Credit Suisse), entered into on March 27, 2007. Under this agreement, Credit Suisse directed and supervised the investments within established account objectives and guidelines established by the Company.

Custodial Agreement

The Company entered into a custodial agreement with the Bank of New York Mellon on June 25, 2008. The Company was in compliance with Rule 69O-143.042, Florida Administrative Code which stipulates the requirements of a custodial agreement.

Special Claims Services Agreement

The Company had a services agreement with SIU Compliance Solutions, Inc. (SIU), entered into on June 22, 2008. Under this agreement, SIU provided specific special investigative services on claims involving suspected fraud.

Independent Auditor Agreement

The Company contracted with an external independent CPA firm to perform the annual audit of its financial statements as required by Rule 690-137.002 (7) (c), Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

INS Services, Inc. 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.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA, INC.
Assets

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Bonds	$73,837,131		$73,837,131
Cash and short-term investments	7,758,905	($100,000)	7,658,905
Investment income due and accrued	277,158		277,158
Agents' Balances:			
Uncollected premium	3,748,624		3,748,624
Deferred premium	4,147,455		4,147,455
Amounts recoverable from reinsurers	26,489		26,489
Current federal and foreign income tax recoverable and interest thereon	270,524		270,524
Net deferred tax asset	2,380,000		2,380,000
Electronic data processing equipment and software	10,495		10,495
Aggregate write ins for other than invested assets	903,009		903,009
Totals	$93,359,790	($100,000)	$93,259,790

AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA, INC.
Liabilities, Surplus and Other Funds

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Losses	$10,512,537		$10,512,537
Loss adjustment expenses	3,838,431		3,838,431
Other expenses	460,669		460,669
Taxes, licenses and fees	395,735		395,735
Unearned premiums	30,184,311		30,184,311
Advance premium	2,171,926		2,171,926
Ceded reinsurance premiums payable	16,710,797		16,710,797
Funds held by company under reinsurance treaties	264,418		264,418
Amounts withheld or retained by company for account of others	1,251,987		1,251,987
Remittances and items not allocated	280,850		280,850
Payable to parent, subsidiaries and affiliates	657,473		657,473
Aggregate write-ins for liabilities	312,289		312,289
Total Liabilities	$67,041,424	$0	$67,041,424
Aggregate write-ins for special surplus funds	1,583,307		1,583,307
Common capital stock	1,000		1,000
Surplus notes	7,000,000		7,000,000
Gross paid in and contributed surplus	11,999,000		11,999,000
Unassigned funds (surplus)	5,735,059	(100,000)	5,635,059
Surplus as regards policyholders	$26,318,366	($100,000)	$26,218,366
Total liabilities, surplus and other funds	$93,359,790	($100,000)	$93,259,790

AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA, INC.
Statement of Income
DECEMBER 31, 2009

Underwriting Income

Premiums earned	$61,205,223
Deductions:	
Losses incurred	$28,625,352
Loss expenses incurred	8,616,806
Other underwriting expenses incurred	23,269,344
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$60,511,502
Net underwriting gain or (loss)	$693,720

Investment Income

Net investment income earned	$850,504
Net realized capital gains or (losses)	763,850
Net investment gain or (loss)	$1,614,354

Other Income

Net gain or (loss) from agents' or premium balances charged off	$0
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	0
Total other income	$0
Net income before dividends to policyholders and before federal & foreign income taxes	$2,308,074
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$2,308,074
Federal & foreign income taxes	(488,625)
Net Income (Loss)	$2,796,699

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	$24,118,179
Net Income	$2,796,699
Change in net deferred income taxes	(696,312)
Change in non-admitted assets	99,803
Examination Adjustment	(100,000)
Change in surplus as regards policyholders for the year	$2,100,190
Surplus as regards policyholders, December 31 2009	$26,218,369

COMMENTS ON FINANCIAL STATEMENTS

Assets

Cash and Short Term Investments $7,858,905

Based upon the confirmation letter received from Compass Bank, $100,000 of the balance of a money market account was identified as collateral against the issuance and use of certain purchase cards utilized by two senior officers for the payment of expenses.

The Company was not in compliance with the provisions of 625.012 (16), Florida Statutes, which describes admitted assets as those "…deemed by the office to be available for the payment of losses and claims."

Pledged Assets

Assets and revenues of the Company were pledged as collateral for a loan entered into by AIIG in 2007.

The Company was not in compliance with the provisions of 625.012 (16), Florida Statutes, which describes admitted assets as those "…deemed by the office to be available for the payment of losses and claims." As pledged assets, those assets were not available for the payment of losses and claims.

The Company was not in compliance with Statement of Statutory Accounting Principles 4, Paragraph 2 which states "An asset has three essential characteristics: (a) it embodies a probable future benefit that involves a capacity, singly or in combination with other assets, to contribute directly or indirectly to future net cash inflows, (b) a particular entity can obtain the benefit and control others' access to it, and (c) the transaction or other event giving rise to the entity's right to or control of the benefit has already occurred. These assets shall then be evaluated to determine whether they are admitted." As pledged assets, the Company is not able to control others' access to those assets.

These assets and revenues do not meet the requirements for admitted assets and accordingly, should be non-admitted. The Office has made the decision to allow the admission of these assets based upon management's agreement to amend the loan to exclude all assets of the Company. The Office has given the Company one (1) year to ratify an amended loan agreement. Until an amended loan agreement has been ratified, the following letter from the representative of the current lenders will suffice to ensure that the assets currently pledged are under the control of the Company and are available for future claims.

April 1, 2010

David Clark
Bob Ritchie
American Integrity Insurance Group

Via email

Dear David and Bob:

As representatives for the Lenders (successors in interest to Brooke Credit) on loan 6477 to American Integrity Insurance Group and American Integrity MGA, I am providing the following clarification of the security interest, UCC filing, and overall collateral on this loan.

This loan does not include a UCC filing or security interest in the assets of American Integrity Insurance Company of Florida (AIICF).

In the loan addendum, the following language in the Collateral definition presents a carve out of any assets of the insurance company.

> (a) All of Borrower's and Borrower's wholly owned subsidiaries' (other than AIICF) personal property, whether tangible or intangible, and all of Borrower's and Borrower's wholly owned subsidiaries' (other than AIICF) interest in property and fixtures, now owned or existing or hereafter acquired and wherever located, including without limitation, the following: (i) all furniture, inventory, machinery, vehicles, equipment, goods and supplies; (ii) all accounts,

The collateral on this loan includes American Integrity Insurance Group and American Integrity MGA as debtors as well as a stock pledge of AIICF, which of course is contingent and subject to regulatory approval.

At loan inception, the attached letter was received from the Office of Insurance Regulation acknowledging the loan as well as the exclusion of AIIFC as a secured interest.

Please let me know if you have additional questions.

Regards,

Kelly M. Drouillard

Kelly M Drouillard

8706 Bourgade Street, Suite 120 • Lenexa, KS 66219 -1459 • (800) 850-8490 Ext 1 • kelly@quiviracapital.com

Liabilities

Losses and Loss Adjustment Expenses $14,350,968

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2009, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

An independent actuarial review performed on behalf of the Office was in concurrence with this opinion.

Capital and Surplus

The adjusted surplus amount of $26,218,366 exceeded the minimum of $6,704,142 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA, INC.
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS

DECEMBER 31, 2009

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2009, per Annual Statement				$26,318,366
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:				
Cash and Short-term Investments	$7,758,905	$7,658,905	($100,000)	
LIABILITIES:				
No Adjustment Needed.			$0	
Net Change in Surplus:				($100,000)
Surplus as Regards Policyholders December 31, 2009, Per Examination				$26,218,366

SUMMARY OF FINDINGS

Compliance with previous directives

The Company took the necessary actions to comply with the comments made in the 2008 examination report issued by the Office.

Current examination comments and corrective action

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2009.

Company Stock

The stock of the Company has been pledged as collateral in connection with a loan entered into by AIIG in 2007. The loan was not disclosed in the annual statement.

The Company was not in compliance with Section 624.424 (1) (a), Florida Statutes, and Rule 690-137.001 (4) (a), Florida Administrative Code, which require that the annual statement be prepared in conformity with the NAIC Annual Statement Instructions for Property-Casualty Companies. The annual statement instructions require disclosure of transactions which involve guarantees or undertakings for the benefit of an affiliate or related party in Note 10 of the annual statement. **We recommend that the Company comply with Section 624.424 (1) (a), and Rule 69O-317.001 (4) (a), Florida Administrative Code and disclose the aforementioned loan, pledging the stock of the Company as collateral, as required in Note 10 of the Notes to Financial Statement of the annual statement until such time as the loans have been repaid or the stock is no longer pledged as collateral.**

Pledged Assets

Assets and revenues of the Company were pledged as collateral for a loan entered into by American Integrity Insurance Group, LLC in 2007.

The Company was not in compliance with the provisions of Section 625.012 (16), Florida Statutes, which describes admitted assets as those "…deemed by the office to be available for the payment of losses and claims." As pledged assets, those assets were not available for the payment of losses and claims.

The Company was not in compliance with Statement of Statutory Accounting Principles 4, Paragraph 2. As pledged assets, the Company is not able to control others' access to those assets.

These assets and revenues do not meet the requirements for admitted assets. **We recommend that the loan be amended to specifically exclude all assets of the Company, in compliance with Section 625.012 (16), Florida Statutes and Statement of Statutory Accounting Principles 4, Paragraph 2.**

Collateralized Money Market Account

Based upon the confirmation received from Compass Bank, $100,000 of the balance of a money market account was identified as collateral against the issuance and use of certain purchase cards utilized by two senior officers for the payment of expenses.

The Company was not in compliance with the provisions of 625.012 (16), Florida Statutes, which describes admitted assets as those "…deemed by the office to be available for the payment of losses and claims." **We recommend that any reported account balance which has been pledged as collateral be non-admitted until such time as it is no longer pledged.**

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American Integrity Insurance Company** as of December 31, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as Regards Policyholders was $26,218,366, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, John V. Normile, CFE, Ins Regulatory Insurance Services, Inc. (InsRis); Patricia Casey Davis, CPA, CFE, Manager; InsRis; Gary Ackerman, Financial Specialist, Office of Insurance Regulation; and Brian Dunn, CFE, INS Consultants, Inc, participated in portions of the examination. Gene Thompson, ACAS, MAAA, INS Consultants, Inc. and James R. Neidermyer, FCAS, MAAA, INS Consultants, Inc. completed the actuarial portion of this examination. We also recognize Claude Granese, CPA, INS Services, Inc. participation in the examination.

Respectfully submitted,

____

James M. Pafford, Jr.
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation