

Report on Examination

of

**MedAmerica Insurance Company
of Florida**

Orlando, Florida

as of

December 31, 2010

By The

Florida Office of Insurance Regulation

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 E. Gaines Street
Tallahassee, Florida 32399-0305

Dear Sir:

In accordance with Section 624.316, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of MedAmerica Insurance Company of Florida as of December 31, 2010. Our report on the examination follows.

Florida Office of Insurance Regulation
October 10, 2011

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SCOPE OF EXAMINATION

We have completed a limited-scope financial condition examination as of December 31, 2010 of MedAmerica Insurance Company of Florida (the "Company"), a single-state insurer domiciled in Florida. The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* and pursuant to Section 624.316(2)(f), Florida Statutes (F.S.), which requires that the Office of Insurance Regulation (the "Office") conduct an examination at least annually of a domestic insurer which has continuously held a certificate of authority for less than three years. The examination was conducted in the Company's Orlando, Florida office.

The objective of the examination was to determine the extent to which the Company's most significant assets and liabilities as reported in its 2010 annual statement, and its agreements and 2010 transactions with affiliates, were reported in accordance with Chapter 625, F.S., and applicable NAIC Statements of Statutory Accounting Principles and rules of the Florida Administrative Code.

This report is on a limited-scope examination. As such, it is not intended to communicate all matters of importance for an understanding of the Company's financial condition. The purposes of limited-scope examinations are to review specific aspects of financial or operational processes, perform specific procedures with respect to those aspects, and report as to the examiners' findings thereon. By definition, limited-scope examinations are less comprehensive than full-scope examinations and generally focus on areas identified by the Office to be problem areas or potential problem areas.

BACKGROUND

The Company was incorporated in Florida on March 29, 2007. It was licensed by the Office as an insurer on June 14, 2007 and commenced business on October 1, 2007. The Company was authorized by the State of Florida to operate as an accident and health insurer in accordance with Section 624.401, F.S. The Office conducted full-scope financial condition examinations of the Company as of December 31, 2008 and December 31, 2009.

SUMMARY OF PROCEDURES, FINDINGS AND RECOMMENDATIONS

Bonds **\$12,168,803**

We reviewed relevant records and supporting documents, verified that certain bond purchases and sales were properly accounted for, and confirmed securities held by financial institutions. No significant adverse findings resulted.

Cash, Cash Equivalents and Short-Term Investments **\$1,503,027**

We reviewed relevant records and supporting documents, confirmed bank balances with financial institutions, and tested the accuracy of cash and investment reconciliations. No significant adverse findings resulted.

Investment Income Due and Accrued **\$180,548**

We reviewed relevant records and supporting documents and analyzed collections subsequent to December 31, 2010. No significant adverse findings resulted.

Aggregate Reserve For Accident and Health Contracts **\$10,259,470**

We reviewed relevant records and supporting documents, claims data, and actuarial calculations, and tested the accuracy of claims data. No significant adverse findings resulted.

All Other Liabilities **\$448,607**

We reviewed relevant records and supporting documents in order to obtain examination evidence that the Company's liabilities as of December 31, 2010 were fully reported in its 2010 annual statement. No significant adverse findings resulted.

Agreements and Transactions With Affiliates

We reviewed agreements and 2010 transactions between the Company and its affiliates. No significant adverse findings resulted.

MedAmerica Insurance Company of Florida
Assets
December 31, 2010

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 12,168,803	\$ -	\$ 12,168,803
Cash, cash equivalents and short-term investments	1,503,027	-	1,503,027
	13,671,830	-	13,671,830
Investment income due and accrued	180,548	-	180,548
Uncollected premiums and agents' balances	53,396	-	53,396
Net deferred tax asset	141,138	-	141,138
Total assets	\$ 14,046,912	\$ -	\$ 14,046,912

MedAmerica Insurance Company of Florida
Liabilities, Surplus and Other Funds
December 31, 2010

Liabilities	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for accident and health contracts	\$ 10,259,470	\$ -	\$ 10,259,470
Contract claims - accident and health	44,165	-	44,165
Premiums received in advance	51,378	-	51,378
Interest maintenance reserve	112,388	-	112,388
Commissions to agents	1,670	-	1,670
General expenses	39,507	-	39,507
Taxes, licenses and fees	27,487	-	27,487
Current federal and foreign income taxes	66,675	-	66,675
Asset valuation reserve	34,804	-	34,804
Payable to parent, subsidiaries and affiliates	33,050	-	33,050
Aggregate write-ins for liabilities	37,483	-	37,483
Total liabilities	10,708,077	-	10,708,077
Capital and Surplus			
Common capital stock	15,000	-	15,000
Gross paid in and contributed surplus	4,485,000	-	4,485,000
Aggregate write-ins for special surplus funds	85,931	-	85,931
Unassigned funds (deficit)	(1,247,096)	-	(1,247,096)
Total capital and surplus	3,338,835	-	3,338,835
Total liabilities, capital and surplus	\$ 14,046,912	\$ -	\$ 14,046,912

MedAmerica Insurance Company of Florida
Summary of Operations
(As reported by the Company)
For The Year Ended December 31, 2010

Premiums and annuity considerations	\$ 2,829,212
Net investment income	677,216
Amortization of interest maintenance reserve	1,357
Total revenues	3,507,785
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Disability benefits under accident and health contracts	322,263
Increase in reserves for accident and health contracts	2,383,618
Commissions on premiums	620,776
General insurance expenses	655,597
Insurance taxes, licenses and fees	66,655
	4,048,909
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Income (loss) before income tax and capital losses	(541,124)
Federal income tax benefit	159,188
Net realized capital losses	1,487
Net income (loss)	\$ (383,423)

MedAmerica Insurance Company of Florida
Statement of Changes in Capital and Surplus
For The Year Ended December 31, 2010

Capital and surplus - December 31, 2009	\$ 3,755,258
Net income (loss)	(383,423)
Change in net deferred income tax	(50,207)
Change in nonadmitted assets	(47,660)
Change in asset valuation reserve	(21,063)
Aggregate write-ins for gains and losses in surplus	85,930
	<hr/> 3,338,835
Examination adjustments	-
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Capital and surplus - December 31, 2010	\$ 3,338,835
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**MedAmerica Insurance Company of Florida
Comparative Analysis of Changes in Capital and Surplus
December 31, 2010**

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital and surplus, December 31, 2010 - per annual statement				\$ 3,338,835
	Per Company	Per Examination	Increase (Decrease) In Capital & Surplus	
Total assets	\$ 14,046,912	\$ 14,046,912	\$ -	
Total liabilities	\$ 10,708,077	\$ 10,708,077	\$ -	
Net change in capital and surplus				-
Capital and surplus, December 31, 2010 - per examination				\$ 3,338,835

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been applied to the specific areas described in this report of limited-scope examination of MedAmerica Insurance Company of Florida, consistent with the insurance laws of the State of Florida.

The Company's total capital and surplus at December 31, 2010 was determined to be \$3,338,835, which was in compliance with Section 624.408, F.S. Its required minimum capital and surplus was \$1,500,000.

In addition to the undersigned, the following individuals participated in this examination: Stephen Feliu, CFE (Fraud), Financial Examiner/Analyst; Cathy S. Jones, CPA, AFE, Financial Examiner/Analyst Supervisor; and Kerry A. Krantz, Actuary.

Respectfully submitted,

Robert Y. Meszaros
Financial Specialist
Florida Office of Insurance Regulation