EXAMINATION REPORT

OF

AMERICAN STRATEGIC INSURANCE CORP.

NAIC Company Code: 10872

St. Petersburg, Florida
as of
December 31, 2017

BY THE

FLORIDA

OFFICE OF INSURANCE REGULATION

TABLE OF CONTENTS

April 10, 2019

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 69O-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, 2017, of the financial condition and corporate affairs of

American Strategic Insurance Corp.
1 ASI Way
St. Petersburg, Florida 33702

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, 2016 through December 31, 2017 and commenced with planning at the Florida Office of Insurance Regulation ("Office") on April 24, 2018 to April 26, 2018. The fieldwork commenced on April 24, 2018, and concluded as of April 10, 2019. The Company's last full scope examination by representatives of the Office covered the period January 1, 2012 through December 31, 2015.

The examination was a coordinated multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook ("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 lead state for this examination was Ohio. States that participated in this examination are as follows: California, Delaware, 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 Statements of Statutory Accounting Principles ("SSAP").

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes, and general information about the insurer and its financial condition. 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

The following is a summary of material adverse findings, significant non-compliance findings or material changes in the financial statements.

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.

Letters of Credit

As of December 31, 2017, the Company reproted 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.

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.

Previous Examination Findings

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

Enterprise Risk Report

The Company did not file their 2014 Form F (Enterprise Risk Report) timely in compliance with Section 628.801 (2), Florida Statutes.

Resolution: The Company timely filed their Form F during the examination period in compliance with Florida Statutes.

COMPANY HISTORY

General

The Company is a Florida domiciled property-casualty insurer licensed to write homeowners' multi-peril, fire and allied lines, commercial multi-peril, inland marine and other liability insurance. 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 business written by the Company. The Company ceased writing commercial multi-peril in 2014.

On April 1, 2015, the Company's parent, ARX Holding Corp. ("ARX"), entered into a Stock Purchase Agreement with The Progressive Corporation ("Progressive"). Per the terms of the agreement, Progressive acquired approximately sixty-three & two tenths percent (63.2%) of the outstanding capital stock of ARX through the purchase of the common and preferred stock of XL Re Ltd., Flexpoint Fund, LP and other non-management individuals and entities. Subsequently, in 2015, Progressive purchased additional ARX stock from certain employee shareholders and option holders, bringing its ownership of ARX stock from certain employee shareholders and option holders, bringing its ownership of ARX to sixty-nine and one hundredth percent (69.01%).

The Company was incorporated in Florida on August 18, 1997, and commenced business on December 18, 1997.

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, 2017, 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’s parent contributed cash as follows:

Year	Amount
2017	$45,000,000
2016	$20,000,000

Surplus Notes

The Company did not have any surplus notes during the period of this examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company and three subsidiaries formed ASI RE, LLC (“ASI RE”), a limited liability company, organized –under the laws of the state of Florida. ASI RE was formed to facilitate the purchase of land for construction and operation of new headquarters to be occupied by its members. On May 31, 2016, the subsidiaries sold their membership interest in ASI RE to the Company, giving 100% ownership to the Company. On December 31, 2017, ASI RE was liquidated and all of its assets and liabilities were transferred to the Company.

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, 2017, are shown below:

Directors

Name	City, State	Principal Occupation, Company Name
John Franklin Auer (a)	St. Petersburg, Florida	President & Treasurer, American Strategic Insurance Corp.
Patrick Kevin Callahan (b)	Chardon, Ohio	Insurance Executive, The Progressive Corporation
Brian Charles Domeck[1]	Hunting Valley, Ohio	Former Chief Financial Officer, The Progressive Corporation
Marc Steven Fasteau (b)	New York, New York	Investment Banker, Fulcrum Partners, LLC
Glenn Morris Renwick (b)	Chagrin Falls, Ohio	Executive Chairman of the Board, The Progressive Corporation

[1] Chairman

(a) Retired on April 1, 2018 and was replaced by David Pratt as President on April 1, 2018.
(b) As of April 3, 2018, Patrick Callahan, Marc Fasteau and Glenn Renwick were no longer on the Board. They were replaced by David Pratt, Kevin Milkey and Tanya Fjare.

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Senior Officers:

Senior Officers

Name	City, State	Title
John Franklin Auer (a)	St. Petersburg, Florida	President and Treasurer
Angel Dawn Conlin (d)	Tampa, Florida	Vice President, Secretary and General Counsel
Kevin Robert Milkey	St. Petersburg, Florida	Executive Vice President
Philip Loren Brubaker (b)	St. Petersburg, Florida	Vice President
Tanya Judith Fjare	St. Petersburg, Florida	Vice President
Mary Frances Fournet (e)	St. Petersburg, Florida	Vice President
Jeffrey William Hannon (c)	St. Petersburg, Florida	Vice President
Trevor Clark Hillier (d)	St. Petersburg, Florida	Vice President
Patrick Thomas McCrink	Tampa, Florida	Vice President

(a) Retired in April 2018 and was replaced by David Pratt as President effective April 3, 2018.
(b) Philip Brubaker left the Company effective August 17, 2018.
(c) Jeffrey Hannon was removed as an officer effective April 3, 2018.

(d) No longer with the Company effective February 15, 2019.
(e) No longer with the Company effective April 3, 2018.

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

The Company uses Progressive's audit committee. The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Audit Committee

Name	**City, State**	**Title, Company Name**
Patrick Henly Nettles, Ph.D. [(1)]	Hanover, MD	Executive Chairman, CIENA Corporation
Stuart Brian Burgdoerfer	Columbus, OH	Executive Vice President and Chief Financial Officer, L Brands
Jeffrey David Kelly	Mooresville, NC	Retired
Barbara Rook Snyder	Cleveland, OH	President, Case Western Reserve University

[1] Chairman

Holding Company System

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

Agreement to File Consolidated Federal Income Tax Returns

Effective July 1, 2012, the Company entered into an agreement to file consolidated federal income tax returns with its parent, ARX, and its affiliates. The agreement provides that ARX and its subsidiaries file consolidated federal income tax returns for such periods of time during which ARX and the subsidiaries are qualified to file. ARX and the subsidiaries agree to make all computations and settlements of the respective federal income tax liabilities of each company that is a party to the agreement. The method of allocation between the companies is subject to written agreement and approved by the Board whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Receivable (payable) tax balances are to be settled within 90 days of tax payment.

Joint Servicing (Cost Allocation) Agreement

Effective January 1, 2016, the Company along with its parent, ARX, and its affiliates entered into a Joint Servicing (Cost Allocation) Agreement with Progressive Casualty Insurance Company ("PCIC"). The agreement provides that PCIC may provide services and facilities that will complement the operations and provide quality services and products to the Company's customers. Additionally, the Company may have the capacity to provide, from time to time, services to PCIC and its affiliates. The initial term of the agreement was one year, which automatically renews for consecutive one-year terms. Effective June 1, 2016, the agreement was amended to include Progressive Property Insurance Company ("PPIC").

Intercompany Settlement Agreement

Effective May 31, 2013, the Company entered into an Intercompany Settlement Agreement with its parent, ARX and its affiliates. The agreement states that the companies are related parties through common ownership with ARX and that in the ordinary course of business it may become feasible for one company to pay expenses on behalf of another company. The companies mutually agree to submit a bill once a month for any expenses incurred on behalf of another and shall remit payment in full no later than 90 days after receipt. The agreement was amended on June 1, 2016 to add PPIC and Ark Royal Underwriters, LLC ("ARU").

Investment Management Agreement

The Company, ARX and its affiliates 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.

Managing General Agent Agreement

Effective September 10, 2000, the Company entered into an MGA Agreement with its affiliate, ASIU. The agreement provides services for underwriting, claims processing, and premium collection. The Company granted authority to the ASIU to receive and accept proposals for and sell and issue polices of, commercial and resident property and casualty insurance. The Company also designated ASIU as the Company's claims representative for business written under the MGA agreement. The agreement was originally for a one-year term and automatically renews each successive year, unless otherwise terminated within the guidelines of the agreement. The agreement has been amended from time to time to update and revise certain sections of the agreement to reflect current conditions. The agreement complied with Section 626.7451, Florida Statutes.

For underwriting and premium processing, the Company paid an eight percent (8%) commission on written premium on all lines of business. The Company also paid ASIU a $25 policy fee on all new and renewal business. Commission costs incurred under this agreement for 2016 and 2017 amounted to $45,606,128; and $35,037,020, respectively and MGA fees incurred under this agreement for 2016 and 2017 amounted to $2,548,325; and $2,418,625, respectively.

The Company paid a monthly commission based on five percent (5%) of non-catastrophe paid losses and one percent (1%) for catastrophe paid losses for claims processing. Claim processing costs incurred under this agreement 2016 and 2017 amounted to $7,994,816 and $7,155,851, respectively.

ASIU in turn, had an agreement with e-Ins, LLC ("E-INS"), an affiliate to the Company and ASIU, to provide policy issuance, premium billing, return premiums, commission payments and collection services for the Company's flood business. The Company paid E-INS a monthly commission equal to five percent (5%) of premiums written. E-INS also receives zero and seventy-five hundredths percent (0.75%) of incurred losses and zero and forty-five hundredths percent (0.45%) of premiums written for unallocated loss adjustment expenses. Commission costs incurred under this agreement for 2016 and 2017 amounted to $4,237,881 and $3,578,522, respectively.

The Company collects premium on behalf of various affiliates. There was no written agreement to support the premium balances due to the various affiliates.

ACCOUNTS AND RECORDS

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

The Company and non-affiliates had the following agreements:

Custodial Agreements

The Company maintained a custodial agreement with Citibank N.A. executed on December 31, 2015. The Company also maintained a custodial agreement with State Street Bank and Trust Company ("State Street") executed on January 27, 2016. The agreements complied with Rule 69O-143.042, Florida Administrative Code.

Investment Management Agreement

Effective December 30, 2016, the Company entered into an Investment Management Agreement with State Street. The agreement provides that State Street will have full discretionary authority to invest, reinvest and manage assets in accordance with the investment guidelines. Management fees are assessed based upon a set fee schedule based upon the total value of the equity investment portfolio.

Willis Re Reinsurance Intermediary Authorization Agreement

Effective January 9, 2014, the Company and its affiliates entered into a Reinsurance Intermediary Authorization Agreement with Willis Re Inc. ("Willis Re"). The agreement provides that Willis Re will provide reinsurance brokering services to the Company and comply with supplemental authorization agreement provisions as required by specific state code. Willis Re is to render periodic accounts to the Company detailing all material transactions, including information necessary to support all commissions, charges, and other fees received by or owing to Willis Re. Willis Re is also to remit all funds due to the Company within thirty (30) days of receipt. The agreement was in compliance with Section 626.7492, Florida Statutes.

Aon Reinsurance Intermediary-Broker Agreement

Effective June 1, 2014, the Company and its affiliates entered into a Reinsurance Intermediary Authorization Agreement with Aon Benfield, Inc. ("Aon"). The agreement provides that Aon will provide reinsurance brokering services to the Company and comply with all written standards established by the Company. Aon will render accounts at least quarterly to the Company accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing to, Aon from the Company. Aon will remit all funds due the Company in accordance with applicable reinsurance agreements, but in no event later than thirty (30) days after receipt. The agreement was found to be in compliance with Section 626.7492, Florida Statutes.

Independent Auditor Agreement

An independent CPA, PricewaterhouseCoopers LLP, audited the Company's statutory basis financial statements annually for the years 2016 and 2017, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

Corporate Records Review

The recorded minutes of the Shareholders, Board and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

Conflict of Interest

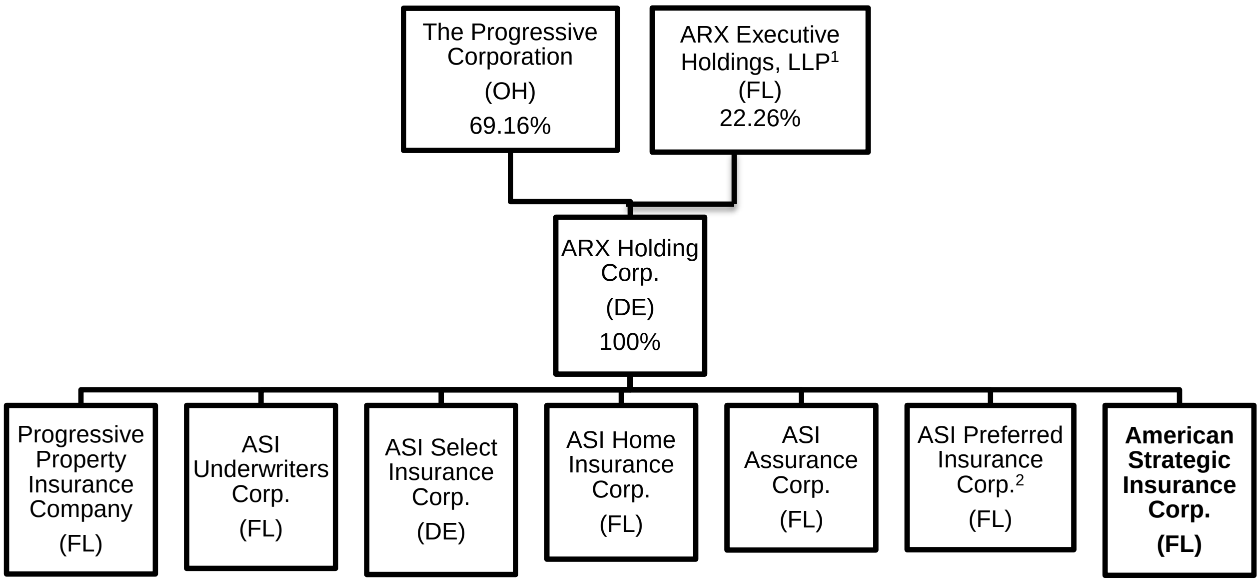
The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

A simplified organizational chart as of December 31, 2017, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2017 annual statement provided a list of all related companies of the holding company group.

American Strategic Insurance Corp.

Simplified Organizational Chart

December 31, 2017



[1] John F. Auer was a General Partner of ARX Executive Holdings, LLP at December 31, 2017.
[2] ASI Preferred Insurance Corp. was 60% owned by ARX Holding Corp. and 40% owned by American Strategic Insurance Corp. at December 31, 2017.

TERRITORY AND PLAN OF OPERATIONS

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

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

The Company was authorized to transact insurance in Florida on December 18, 1997 and was authorized for the following coverages as of December 31, 2017:

Fire	Inland Marine
Allied Lines	Other Liability
Homeowners Multi-Peril	Commercial Multi-Peril

Subsequent Event: The Company withdrew the commercial multi-peril from their certificate of authority. This was approved by the Office on January 10, 2019.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)(3)(a), 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)(j), Florida Statutes.

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 affiliated insurers on a quota share basis through several affiliated quota share reinsurance contracts.

Reinsurance Ceded

The Company's reinsurance program covers the Company and its insurer affiliates as the companies are multi-cedents on all reinsurance contracts. The Company and its affiliates ceded risk on an excess of loss basis, excess per risk, aggregate shared limit and aggregate stop loss. The excess of loss treaty is supplemented by a catastrophe bond and the Florida Hurricane Catastrophe Fund.

On June 1, 2016, the Company and its insurer affiliates entered into several multiple-layer property catastrophe excess of loss reinsurance contracts with various reinsurers with terms ranging from one to three years. The Company's minimum commitment under these contracts was $23,000,000 as of December 31, 2017.

INFORMATION TECHNOLOGY REPORT

Mohammad Arif, CFE, AES, CISA, CIDM, CISSP and Barbara Chairez, CPA, CISA, both from the Ohio Department of Insurance, the Lead State, performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

State	Book/Adjusting Carrying Value	Fair Value
FL	$ 2,656,765	$ 2,535,036
TOTAL FLORIDA DEPOSITS	$ 2,656,765	$ 2,535,036
GA	$ 46,429	$ 44,302
MA	139,287	132,905
NE	139,287	132,905
NV	273,415	260,887
NM	330,161	315,034
NC	345,637	329,801
VA	288,891	275,654
TOTAL OTHER DEPOSITS	$ 1,563,107	$ 1,491,488
TOTAL SPECIAL DEPOSITS	$ 4,219,872	$ 4,026,524

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Office, are reflected on the following pages.

American Strategic Insurance Corp.

Assets

December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Bonds	$876,179,315		$876,179,315
Stocks:			
Common stocks	70,791,941		70,791,941
Real Estate:			
Properties occupied by Company	45,613,366		45,613,366
Cash and Short-Term Investments	147,095,312		147,095,312
Receivables for securities	654,799		654,799
Agents' Balances:			
Uncollected premium	10,704,644		10,704,644
Deferred premium	24,264,657		24,264,657
Reinsurance recoverable	7,631,714		7,631,714
EDP Equipment	26,384		26,384
Interest and dividend income due & accrued	5,031,414		5,031,414
Receivable from parents, subsidiaries and affiliates	108,808		108,808
Current federal income tax recoverable	10,977,383		10,977,383
Net deferred tax asset	17,224,495		17,224,495
Aggregate write-in for other than invested assets	6,786,553		6,786,553
Totals	$1,223,090,785	$0	$1,223,090,785

American Strategic Insurance Corp.

Liabilities, Surplus and Other Funds

December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Losses	$145,746,231		$145,746,231
Reinsurance payable on paid losses and loss adjustment expenses	10,446,425		10,446,425
Loss adjustment expenses	16,617,126		16,617,126
Commissions payable	12,309,067		12,309,067
Other expenses	2,215,763		2,215,763
Taxes, licenses and fees	6,791,976		6,791,976
Unearned premium	468,491,121		468,491,121
Advance premium	12,157,339		12,157,339
Ceded reinsurance premiums payable	5,027,163		5,027,163
Funds held by company under reinsurance	16,636,897		16,636,897
Amounts withheld	183		183
Provision for reinsurance	36,000		36,000
Payable to parent, subsidiaries and affiliates	11,213,121		11,213,121
Aggregate write-ins for liabilities	7,254,616		7,254,616
Total Liabilities	$714,943,028	$0	$714,943,028
Common capital stock	$5,000,000		$5,000,000
Gross paid in and contributed surplus	332,000,001		332,000,001
Unassigned funds (surplus)	171,147,756		171,147,756
Surplus as regards policyholders	$508,147,757	$0	$508,147,757
Total liabilities, surplus and other funds	$1,223,090,785	$0	$1,223,090,785

American Strategic Insurance Corp.

Statement of Income

December 31, 2017

Underwriting Income	
Premiums earned	$681,827,848
Deductions:	
Losses incurred	$422,556,948
Loss adjustment expenses incurred	61,299,031
Other underwriting expenses incurred	246,985,571
Total underwriting deductions	$730,841,550
Net underwriting gain or (loss)	($49,013,703)
Investment Income	
Net investment income earned	$19,641,615
Net realized capital gains or (losses)	1,127,327
Net investment gain or (loss)	$20,768,942
Other Income	
Net gain or (loss) from agents' or premium balances charged off	($429,564)
Finance and service charges not included in premiums	743,276
Aggregate write-ins for miscellaneous income	75,174
Total other income	$388,886
Net income before dividends to policyholders and before federal & foreign income taxes	($27,855,875)
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	($27,855,875)
Federal & foreign income taxes	(5,144,023)
Net Income	($22,711,852)
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$489,359,254
Net Income	($22,711,852)
Change in net unrealized capital gains or (losses)	4,210,463
Change in net deferred income tax	(5,721,021)
Change in non-admitted assets	(465,394)
Change in provision for reinsurance	(12,000)
Surplus adjustments: Paid in	45,000,000
Aggregate write-ins for gains and losses in surplus	(1,511,692)
Change in surplus as regards policyholders for the year	$18,788,504
Surplus as regards policyholders, December 31 current year	$508,147,757

American Strategic Insurance Corp.

Reconciliation of Capital and Surplus

December 31, 2017

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

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders December 31, 2015 per Examination			$441,832,984
Net Income (loss)		$2,916,526	
Change in net unrealized capital gain (loss)	$9,344,639		
Change in net deferred income tax		$136,255	
Change in non-admitted assets		$3,444,729	
Change in provision for reinsurance		$15,000	
Change in paid in surplus	$65,000,000		
Aggregate write-ins for gains and losses in surplus		$1,517,355	
Rounding		$1	
Total Gains and Losses	$74,344,639	$8,029,866	
Net Increase/(Decrease) in surplus as regards policyholders			$66,314,773
Surplus as regards policyholders December 31, 2017 per Examination			$508,147,757

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Gary S. Traicoff, FCAS, MAAA of the Progressive Insurance Group, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2017, 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 consulting actuary Brent M. Sallay, FCAS, MAAA, of Taylor-Walker Consulting, LLC, 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 $508,147,757, exceeded the minimum of $67,738,576 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

The Company withdrew the commercial multi-peril line of business from their Certificate of Authority. This was approved by the Office on January 10, 2019.

During 2018, Progressive increased its ownership of the outstanding ARX equity to eighty-six and eight-tenths (86.8%) from sixty-nine and one hundredth percent (69.01%) at December 31, 2017 through the purchase of additional stock.

Effective April 3, 2018, the Company became a party to Affiliate Agreement – Allocation of Federal Income Taxes with Progressive and participating affiliates.

Effective June 1, 2018, the Company increased its Quota Share agreement with ASI Preferred Insurance Corp. ("ASIP") from sixty percent (60%) to seventy percent (70%). Per the terms of the agreement, the Company assumes seventy percent (70%) of the net base written premium and gross losses incurred by ASIP as defined in the agreement. The ceding commission rate increased from twenty-seven percent (27%) to thirty-three percent (33%). Effective January 1, 2019, the cession rate for premium and losses increased to ninety percent (90%) and the ceding commission changed to ninety percent (90%) of net operating expenses.

Effective June 1, 2018, the Company decreased its Quota Share agreement with ASI Lloyds, Inc. ("ASIL") from sixty percent (60%) to fifty-five percent (55%). Per the terms of the agreement, the Company assumes fifty-five percent (55%) of the net base written premium and gross losses incurred by ASIL as defined in the agreement. The ceding commission changed from thirty percent (30%) to twenty-eight percent (28%).

Effective June 1, 2018, the Company decreased its Quota Share agreement with ASI Select Insurance Corp. ("ASISL") from seventy-five percent (75%) to sixty-five percent (65%). Per the terms of the agreement, the Company assumed sixty-five percent (65%) of the net base written premium and gross losses incurred by ASISL as defined in the agreement. The ceding commission rate changed from thirty-five percent (35%) to twenty percent (20%).

Effective January 1, 2019, the Company, ASIL, ASI Assurance Corp., ASIP, ASI Home Insurance Corp., ASISL and PPIC ("the Companies") entered into an intercompany expense allocation agreement. The purpose of the agreement is to fairly distribute the costs associated with the overhead of the ASI Insurance Group across the Companies. The overhead services include, but are not limited to, administration, actuarial, finance and accounting, legal and human resources.

Effective January 1, 2019, the Company and five of its property and casualty insurance company affiliates participated in an intercompany pooling arrangement pursuant to which each company's property/casualty business, net of external reinsurance, is pooled and retroceded to participating affiliates in accordance with the following predetermined pool percentages:

Entity		Pooling Percentage
American Strategic Insurance Corp. (pool manager)		76.50%
ASI Lloyds, Inc.		17.00%
ASI Home Insurance Corp.		2.00%
ASI Select Insurance Corp.		2.00%
Progressive Property Insurance Company		2.00%
ASI Assurance Corp.		0.50%
	Total	100.00%

The Company's parent contributed cash in the amount of $169,500,000 in December 2018.

SUMMARY OF RECOMMENDATIONS

Notice of Change in Director or Officer

We recommend the Company 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.

Letters of Credit

We recommend the Company amend and file with the Office letters of credit, in compliance with Rule 69O-144.005(6), Florida Administrative Code.

Related Party Agreement

We recommend the Company draft a formal, written agreement to support premium collection on behalf of various affiliates, in compliance with SSAP No. 25 Affiliates and Other Related Parties.

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, 2017, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards to policyholders was $508,147,757, which exceeded the minimum of $67,738,576 required by Section 624.408, Florida Statutes.

Susan Carroll, CFE	Examiner-in-Charge	Examination Resources, LLC
Marie Stuhlmuller	Examination Manager	Office
Wytonia Dennis	Participating Examiner	Office
Brent Sallay, FCAS, MAAA	Exam Actuary	Taylor-Walker Consulting, LLC
Solomon Frazier, FCAS, MAAA, FSA	Exam Actuary	Taylor-Walker Consulting, LLC
Mohammad Arif, CFE, AES, CISA, CIDM, CISSP	IT Specialist	Ohio Department of Insurance
Barbara Chairez, CPA, CISA	IT Specialist	Ohio Department of Insurance

Respectfully submitted,

Brian Sewell

Brian Sewell, CFE, MCM
Chief Examiner
Florida Office of Insurance Regulation