REPORT ON EXAMINATION

OF THE

INSURANCE COMPANY OF THE AMERICAS

BRADENTON, FLORIDA

AS OF

DECEMBER 31, 2003

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida
February 25, 2005

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 (FS), 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, 2003, of the financial condition and corporate affairs of the:

INSURANCE COMPANY OF THE AMERICAS
1310 UTICA STREET
ORISKANY, NEW YORK 13424

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, 2003, through December 31, 2003. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2002. This examination commenced, with planning at the Office, on October 25, 2004 to October 29, 2004. The fieldwork commenced on November 1, 2004 and was suspended as of December 15, 2004. The examination recommenced on February 21, 2005 and concluded on February 25, 2005. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This financial examination represents a statutory financial examination conducted in accordance with the Financial 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 (FAC), with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement assets and the determination of liabilities, as those balances affect the financial solvency of the Company.

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 report, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the amounts of the Company's assets and liabilities as reported by the Company in its annual statement of December 31, 2003. The transactions subsequent to year-end 2003 were reviewed where relevant and deemed significant to the Company's financial condition.

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

Reliance was placed on the work performed by the Company's CPA's after verifying the statutory requirements for the State of Florida.

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, 2002 along with resulting action taken by the Company in connection therewith.

Accounts and Records

The Company did not maintain accurate accounting records as required by Section 607.1601(2), FS.

Resolution: Although there was improvement in this area, the Company's internal control systems remained weak and its accounting systems needed improvement. For example, the general ledger and subsidiary ledgers were not fully integrated at the time of the examination. It was also difficult to trace the proper posting of cash receipts as the money flowed through Monument Agency; however, beginning August 15, 2003, Monument

Agency no longer handled cash receipts and premiums were received by the Company directly from the policyholder. The allocation of expenses between the Company and its affiliate, Oriska Insurance Company, remained arbitrary, as most of the expenses were incurred either at the parent company level, Oriska Corporation, or by Monument Agency. These expenses were then arbitrarily allocated to the two insurance companies. The Company has subsequently replaced its expense allocation agreement with one specifically approved by the Office. The Company amended its 2002 annual statement once and its 2003 annual statement twice. In addition, for the year ended December 31, 2004, the Company's CPA noted four reportable conditions relating to significant deficiencies in the design or operation of the internal control that, in the CPA's judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of Company management in the financial statements.

Bonds and Stocks – Custodial Agreement

The custodial agreement with First Union National Bank of Florida (now known as Wachovia Bank) did not include specific terms as required by Rule 69O-143.042(2)(a) through (l) and (n), FAC.

Resolution: The custodian agreement in existence at December 31, 2003 with AIG – Royal, did not meet the above requirements. In November 2004, the Company again changed custodians and the new agreement complied with the required Statutes.

Controlling Person

The Company had an agency agreement with Monument Agency, Inc. (MAI) who was a controlling person pursuant to Section 625.012 FS. No trust account was in place as required by Section 625.012(5), FS.

Resolution: The Company did not establish a proper trust account. However, effective August 15, 2003, the Company started receiving premiums directly from the policyholders rather than through MAI.

Taxes, Licenses and Fees

The Company did not properly calculate premium taxes due, nor utilize the correct tax form. This was in violation of Section 624.509, FS, which requires the payment of taxes on gross receipts.

Resolution: The Company filed the correct premium tax form for 2003 and calculated the premium taxes correctly.

Other Expenses

The Company did not accurately accrue payroll and other expenses.

Resolution: The Company properly accrued these expenses as of December 31, 2003.

Surplus Notes

The Company should have received the funds collected by its parent as collateral in conjunction with the issuance of the policy; as well as a Surplus Note or preferred stock.

Resolution: The Company has not received all of these funds nor has all of these funds been placed into trust accounts.

Affiliated Agreements – Expense Allocation Agreement

The Company did not comply with the requirements of the expense allocation agreement, Sections 5 and 6, which required Oriska Corporation to bill the Company on a monthly basis after the last day of each month. In addition, all billings between parties should have been settled within 15 days of presentation.

Resolution: This agreement was replaced by an agreement with MAI; and beginning August 15, 2003, the Company started receiving premiums directly from the policyholders.

Affiliated Agreements – Management Services Agreement

There was no evidence that the Company complied with the requirements of the Management Services Agreement in its entirety.

Resolution: This agreement was to be retroactive to January 1, 2003; however, it was not effective until January 1, 2004; notwithstanding its disapproval by the Office on October 10, 2003.

Agents' Balances

The Company reported $18,690 in agents' balances that were in excess of 90 days past due.

Resolution: The Company has non-admitted all balances over 90 days old as of December 31, 2003.

Meeting Minutes

There was no record that the Company complied with the requirements of Section 625.304, FS (approval of investments), Section 624.424(8)(c), FS (appointment of CPA and 3 audit committee members), Section 628.231, FS (appointment of no less than 5 directors) and the NAIC Annual Statement Instructions, page 31 (actuary not appointed by the Board of Directors).

Resolution: The Company has complied with the various above noted Statutes, during the course of the year.

HISTORY

General

The Company was incorporated in Florida on June 28, 1976 and commenced business as FMI Reinsurance Company. On July 23, 1976, the name of the Company was changed to Ormond Reinsurance Company. On May 15, 1992, the name of the Company was changed to Insurance Company of the Americas. On August 12, 2002, the Company was purchased by IPA Acquisitions, Inc. (IPA), a California corporation.

In accordance with Section 624.401(1), FS, the Company was authorized to transact the following insurance coverage in Florida on December 31, 2003:

Workers' Compensation

Surety

The articles of incorporation and the bylaws were not amended during the period covered by this examination.

Capital Stock

As of December 31, 2003, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000
Number of shares issued and outstanding	10,000
Total common capital stock	$1,000,000
Par value per share	$100

Control of the Company was maintained by its parent, IPA, who owned 100 percent of the stock issued by the Company. IPA also owned 82.115 percent of the outstanding common stock and 100 percent of the outstanding preferred stock of Oriska Corporation, (Oriska), which in turn owned 100 percent of Oriska Insurance Company (OIC), domiciled in the State of New York.

Profitability of Company

The Company reported a net underwriting gain of $2.2 million for 2003 (loss of $2.1 million in 2002) and net income of $1.3 million for 2003 (loss of $2 million in 2002).

Dividends to Stockholders

There were no dividends paid during this examination period.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, FS. Directors serving as of December 31, 2003, were as follows:

Directors

Name and Location	Principal Occupation
James M. Kernan Oriskany, New York	President of Company & Chairman
Frederick K. Davis Oriskany, New York	Vice President
Sharon Z. Martin Oriskany, New York	Treasurer
Douglas R. Holmes Glendora, California	Corporate Counsel

Gary R. Buhl Richmondville, New York	Chief Financial Officer

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

Senior Officers

Name	Title
James M. Kernan	President
Frederick K. Davis	Vice President
Sharon Z. Martin	Treasurer
Douglas R. Holmes	Secretary

The Company's Board appointed several internal committees in accordance with Section 607.0825, FS. The following are the principal internal board committees and their members as of December 31, 2003:

Investment Committee

John R. Tenney, Chairperson
James M. Kernan
Gary R. Buhl
Frederick K. Davis
Sharon Z. Martin

Audit Committee

James M. Kernan, Chairperson
Gary R. Buhl
Douglas R. Holmes
Frederick K. Davis
Sharon Z. Martin

The Company's audit committee was comprised of the Board of Directors.

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest, in accordance with Section 607.0832, FS. No exceptions were noted during this examination period.

Corporate Records

The recorded minutes of the meetings by the Shareholder and Board of Directors were reviewed for the period under examination.

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

Other than the transactions noted in the History section of this report, there have been no acquisitions, mergers, disposals, dissolutions nor purchases or sales through reinsurance.

Surplus Debentures

The Company has a total of $10.4 million in outstanding surplus debentures.

AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), FAC. The latest holding company registration filing with the State of Florida, as required by Section 628.801, FS, and Rule 69O-143.046, FAC, was made on October 28, 2004.

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

Expense Allocation Agreement

The Company entered into an agreement with its parent, IPA, and two other affiliated companies, Oriska and OIC, whereby all office supplies and equipment were provided by OIC, and Oriska provided personnel. All expenses (including utilities) were then allocated to each company. The Company had not complied with the timing requirements of the expense allocation agreement, Sections 5 and 6, which required Oriska to bill the Company on a monthly basis and remit payment within 30 days after the last day of each month. On August 25, 2004, a new expense sharing agreement was submitted to the Office and the Office approved the agreement on February 2, 2005.

Management Services Agreement

The Company entered into a management services agreement (MSA) with United Systems Administration, Inc. (United) that was to be retroactive to January 1, 2003, but was effective January 1, 2004. United was an unaffiliated company, but was under common management. United was to provide all necessary services for the management of the Company including management, accounting and administrative services. The Company notified the Office on September 23, 2003 of its intention to enter into the MSA as required by Rule 69O-143.047(4)(d), FAC; however, the Office disapproved the agreement on October 10, 2003. The Company entered into this agreement effective January 1, 2004 notwithstanding the Office's disapproval, in violation of Rule 690-143.047(4), FAC.

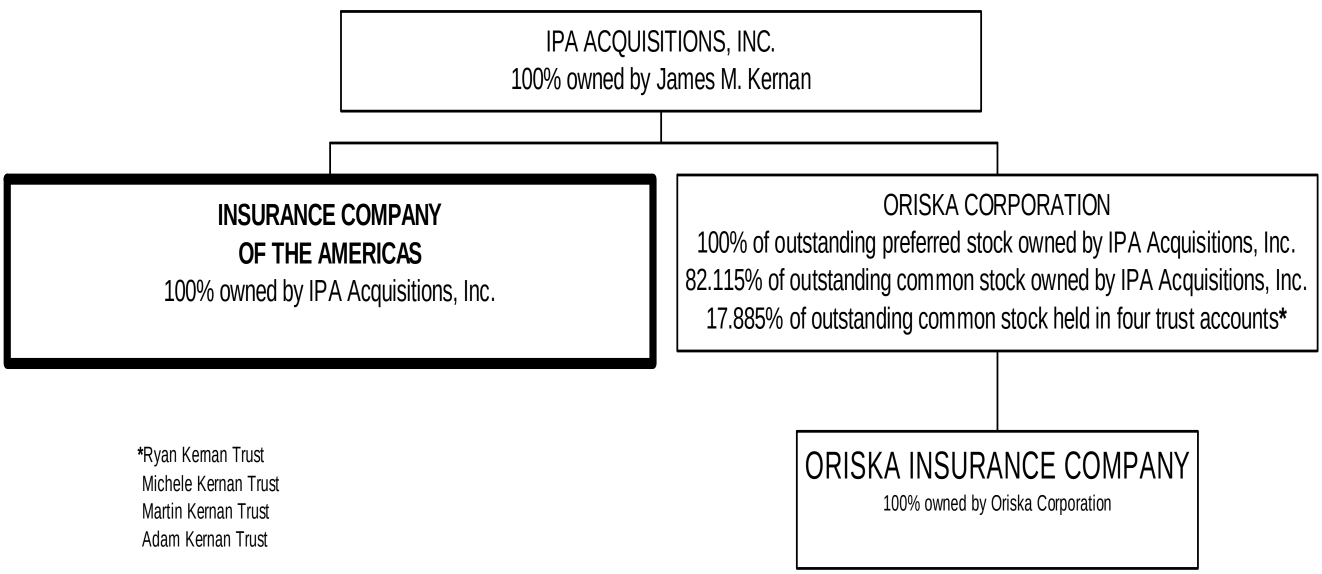
Agency Agreement

The Company entered into an agency agreement with MAI, whereby MAI solicited and received applications and collected premiums.

A simplified organizational chart as of December 31, 2003, reflecting the holding company system, is shown below. Schedule Y of the Company's 2003 annual statement provided a list of all related companies of the holding company group.

INSURANCE COMPANY OF THE AMERICAS

ORGANIZATIONAL CHART
DECEMBER 31, 2003



FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to $500,000 with a deductible of $25,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company did not offer any pension, stock ownership or insurance plans.

STATUTORY DEPOSITS

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

State	Description	Par Value	Market Value
FL	US T Bond 2.375% 08/15/06	$ 300,000	$301,593
FL	US T Bond, 1.625% 09/03/05	300,000	299,907
FL	US T Bond, 3.125% 10/15/08	300,000	299,439
TOTAL FLORIDA DEPOSITS		$ 900,000	$900,939
CA	MM 0.250%,05/02/04	$ 42,139	$ 42,139
CA	US Strip 0.00% 05/15/06	75,000	71,408
DE	US Strip 0.00% 05/15/06	100,000	95,210
GA	US Treas MM 0.40% N/A	100,122	100,122
NM	US Strip 0% 05/15/06	210,000	199,941
OK	WI St. 5% 05/01/06	105,000	112,908
TOTAL OTHER DEPOSITS		$ 632,261	$ 621,728
Total Special Deposits		$1,532,261	$1,522,667

INSURANCE PRODUCTS AND RELATED PRACTICES

Surplus Notes and Sale of IPA Preferred Stock

The parent company, IPA, implemented a procedure whereby Professional Employer Organizations (PEO's) interested in acquiring high-deductible workers' compensation coverage from the Company were required to purchase a surplus note issued by IPA or purchase IPA preferred stock. The amount of the surplus note or preferred stock varied depending on the amount of coverage required by the PEO and the potential impact the additional written premium would have on the Company's ratios. Funds received by IPA from the issuance of surplus notes or sale of preferred stock were maintained by IPA and held in IPA bank accounts. Because IPA received these funds in conjunction with the issuance of high-deductible workers' compensation policies written by the Company, these funds should be held by the Company, in the Company's name. Otherwise, all funds received by any affiliated companies in conjunction with policies issued by the Company should be held in trust accounts for the benefit of the Company.

Commutations

The Company entered into commutation and release agreements in 2003 with two policyholders which ultimately eliminated the deductible from the high deductible policy. The Company increased loss reserves by $7.9 million and $1.6 million to account for the commutations. According to the Office's Bureau of Property & Casualty Product Review, the required policy forms and rates were not filed with the Office for approval.

Territory and Plan of Operation

The Company was authorized to transact insurance in the following states, in accordance with Section 624.401(2), FS:

Delaware	New Jersey	North Dakota	Nebraska
Georgia	New Mexico	Oklahoma	
Florida	Ohio	South Dakota	
Indiana	Oregon	Texas	

Treatment of Policyholders

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

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

The reinsurance agreements reviewed were found to comply 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 risk. However, the Company continued its run-off of an assumed treaty reinsurance book of business originally written from 1977 to 1984, when the Company was known as Ormond Reinsurance Company.

Ceded

The Company ceded risk on a quota share basis to Dallas Fire Insurance Company. The quota share agreement was intended to cover the AMS staff leasing policy only.

The Company also ceded risk on three excess of loss reinsurance agreements to various Lloyds syndicates.

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

ACCOUNTS AND RECORDS

An independent CPA audited the Company for the year 2003 in accordance with Section 624.424(8), FS. Audited statutory financial statements and supporting work papers were prepared by the CPA as required by Rule 69O-137.002, FAC.

The Company's accounting records were maintained on various computerized systems and the Company's balance accounts were verified with the line items of the amended annual statement submitted to the Office. Although there was improvement in maintaining the accounting records of the Company since the prior examination; both the internal control system and the accounting systems require further improvement. For the year ended December 31, 2004, the Company's CPA noted four reportable conditions relating to significant deficiencies in the design or operation of the internal control that, in the CPA's judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of Company management in the financial statements.

The Company maintained its principal operational offices in Oriskany, New York and its claims office in Bradenton, Florida. The examination was conducted in Oriskany, New York, and also in Bradenton, Florida.

The Company paid legal fees approximating $77,000, during the year 2003 either directly to the Company president or his legal firm. These fees are disclosed in the audited financial statements but are not disclosed in the annual statement, as is required by SSAP no. 25, paragraph 17.

The Company and non-affiliates had the following agreement:

Custodial Agreement

The Company maintained a custodial agreement as of December 31, 2003 with AIG/Royal Alliance, which did not meet the requirements of Rule 69O-143.042(2)(a) through (l) and (n), FAC. **<u>Subsequent Event</u>**: The Company entered into an agreement with Wachovia Bank National Association, dated November 22, 2004, which met these requirements.

Risk-Based Capital

The Company did not report its risk-based capital at an adequate level at December 31, 2003. **<u>Subsequent Event</u>**: A $1.3 million capital investment was made on March 29, 2004 and the investment portfolio was adjusted by reducing the Company's holding of common stocks and increasing government bonds. The Company reported its risk-based capital at an adequate level at December 31, 2004. However, with the deficiency in the loss and loss adjustment expense reserves as of December 31, 2004, as discussed in this report, the risk-based capital will not be adequate.

Common Stocks

The Company was not in compliance with Section 625.305, FS, which required holdings in common stocks be limited to 10% of admitted assets. The Company held 25% of its admitted assets in common stocks as at December 31, 2003. **<u>Subsequent Event</u>**: The Company realigned its investment portfolio by June 30, 2004 to come into compliance.

Taxes, Licenses and Fees

The Company did not file a corporate tax return with the State of Florida for the year 2002 or 2003.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2003 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.”

INSURANCE COMPANY OF THE AMERICAS
Assets
DECEMBER 31, 2003

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	$4,740,307		$4,740,307
Stocks:			
Common	7,368,890		7,368,890
Cash:			
On deposit	11,323,899		11,323,899
Agents' Balances:			
Uncollected premium	3,595,399		3,595,399
Interest and dividend income due & accrued	33,481		33,481
Net deferred tax asset	801,000		801,000
Aggregate write-in for other than invested assets	977,709		977,709
Totals	$28,840,685	$0	$28,840,685

INSURANCE COMPANY OF THE AMERICAS
Liabilities, Surplus and Other Funds

DECEMBER 31, 2003

Liabilities	Per Company	Examination Adjustments	Per Examination
Losses	$14,955,895	$4,327,000	$19,282,895
Reinsurance payable on paid losses and LAE	30,944		30,944
Loss adjustment expenses	2,219,930		2,219,930
Current federal and foreign income taxes	1,005,120		1,005,120
Other expenses	52,129		52,129
Taxes, licenses and fees	205,249	2,700,000	2,905,249
Unearned premiums	(1,238,279)		(1,238,279)
Ceded reinsurance premiums payable	3,635,220	1,783,504	5,418,724
Provision for reinsurance	83,000		83,000
Payable to parent, subsidiaries and affiliates	302,673		302,673
Aggregate write-ins for liabilities	99,727		99,727
Total Liabilities	$21,351,608	$8,810,504	$30,162,112
Common capital stock	$1,000,000		$1,000,000
Surplus Notes	10,449,557		10,449,557
Gross paid in and contributed surplus	6,594,929		6,594,929
Unassigned funds (surplus)	(10,555,409)	8,810,504	(19,365,913)
Surplus as regards policyholders	$7,489,077	8,810,504	(1,321,427)
Total liabilities, capital and surplus	$28,840,685		$28,840,685

INSURANCE COMPANY OF THE AMERICAS
Statement of Income

DECEMBER 31, 2003

Underwriting Income

Premiums earned	$27,065,376
DEDUCTIONS:	
Losses incurred	13,603,006
Loss expenses incurred	3,255,952
Other underwriting expenses incurred	7,631,777
Aggregate write-ins for underwriting deductions	335,654
Total underwriting deductions	$24,826,389
Net underwriting gain or (loss)	$2,238,987

Investment Income

Net investment income earned	$94,286
Net realized capital gains or (losses)	0
Net investment gain or (loss)	$94,286

Other Income

Net income before dividends to policyholders and before federal & foreign income taxes	$2,333,274
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$2,333,274
Federal & foreign income taxes	1,005,120
Net Income	$1,328,154

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	$4,547,350

Gains and (Losses) in Surplus

Net Income	$1,328,154
Net unrealized capital gains or losses	499,468
Change in net deferred income tax	801,000
Change in non-admitted assets	(84,201)
Change in provision for reinsurance	397,306
Examination Adjustment	(8,810,504)
Change in surplus as regards policyholders for the year	($5,868,777)
Surplus as regards policyholders, December 31 current year	($1,321,427)

COMMENTS ON FINANCIAL STATEMENTS

Assets

Common Stocks **$7,368,890**

The Company was in violation of Section 625.305, FS, which requires that holdings in common stocks not exceed 10% of admitted assets. The Company held 25% of its admitted assets in common stocks as of December 31, 2003. The portfolio was realigned by June 30, 2004, to bring the Company within the requirements of this statute.

Liabilities

Losses and Loss Adjustment Expenses **$19,282,895**

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, 2003, make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office Actuary reviewed work papers provided by the Company and was not in concurrence with this opinion. Loss and loss adjustment expenses reserves were deficient $7,027,000 of which the Company included an amount of $2,700,000 in its incurred but not reported reserve. The $2,700,000 was reclassified to page 3, line 6 as Taxes, licenses and fees, in the annual statement since it is actually a liability for payment of premium taxes. Therefore, the net adjustment is an increase of $4,327,000 to loss and loss adjustment expenses reserves.

The OIR computed collateral needs for each PEO policyholder of the Company by taking the developed loss up to $1 million for each policyholder, then splitting out the expected losses within the deductible using ratios from the Company's actuary. Those ultimate losses, less what was paid through December 31, 2003 form the collateral needs of the Company. The Company needed approximately $15 million in collateral and held only $3 million (plus $250,000 collateral for unanalyzed small deductibles). Therefore, the Company had approximately $12 million in unfunded collateral needs as of December 31, 2003. The Company is exposed to a material credit risk as a result of this collateral deficiency.

Subsequent event: The Office actuary concluded that loss and loss adjustment expense reserves were deficient $13,800,000 as of December 31, 2004; and the Company had $16,000,000 in unfunded collateral needs as of December 31, 2004. However, the Company reported $9,800,000 as a write-in liability related to unpaid claims associated with a particular policyholder; therefore, the loss and loss adjustment expense reserves were deficient $4,000,000 after considering this write-in liability.

Taxes, Licenses and Fees **$2,905,249**

In addition to the $2,700,000 reclassification discussed in the Losses and Loss Adjustment Expenses section of this report, the Company did not file a corporate tax return for the State of Florida for either of the years 2002 or 2003.

Subsequent event: On June 3, 2005, the corporate tax returns were filed for the years 2002 and 2003.

Ceded Reinsurance Premiums Payable **$5,418,724**

In the September 30, 2004 quarterly statement, the Company had an adjustment to income of $1,783,509. This represented a reinstatement of a liability to a former reinsurer, Dallas Fire Insurance Company. This liability should have been reported as of December 31, 2003.

INSURANCE COMPANY OF THE AMERICAS
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2003

Surplus as at December 31, 2003, Annual Statement				$7,489,077
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:				
No adjustment needed.				
LIABILITIES:				
Losses	$14,955,895	19,282,895	(4,327,000)	
Taxes, Licenses and Fees	205,249	2,905,249	(2,700,000)	
Ceded Reinsurance Premium Payable	3,635,220	5,418,724	(1,783,504)	
Net Change in Surplus:				(8,810,504)
Surplus as at December 31, 2003, per Examination				(1,321,427)

FINDINGS, COMMENTS AND CORRECTIVE ACTION

Compliance with previous directives

The Company did not comply with all of the directives in the prior examination report; specifically, those relating to accurate accounting records, surplus notes and expense allocation agreement. These repeat findings are included below.

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, 2003:

Accounts and Records

Although there was improvement in maintaining the accounting records, the internal control system and accounting systems require further improvement. **It is recommended that the Company strengthen controls in this area; and provide evidence of compliance to the Office within 90 days of the issuance of this report.**

Related Party Transactions

The Company paid legal fees to the Company president and his legal firm which were not disclosed in the annual statement, as required by SSAP No. 25, paragraph 17**.**

We recommend that the Company included such fees paid in future periods in all future annual and quarterly statements filed with the Office.

Audit Committee Minutes

The Company appointed all five of its board of directors as members of the audit committee. Section 624.424(8), FS, requires that the audit committee be comprised solely of members who are free from any relationship that, in the opinion of its board of directors, would interfere with the exercise of independent judgement as a committee member.

We recommend that the Company's board of directors review and insure that the audit committee is independent, as required by Section 624.424(8), FS.

Surplus Notes and Sale of IPA Preferred Stock

IPA received funds in conjunction with issuance of high-deductible policies written by the Company. These funds should be held by the Company, in the Company name.

We recommend that funds received by any affiliated companies in conjunction with policies issued by the Company, whether identified as collateral or not, be either held by the Company or maintained in a trust account for the benefit of the Company; and evidence documenting such be provided to the Office within 90 days of the issuance of this report.

Commutations

The Company entered into commutation and release agreements with two of their policyholders. **It is recommended that the Company cease entering into any such agreements unless approved by the Office.**

Affiliated Agreements – Expense Allocation Agreement and Management Service Agreements

The Company entered into the management services agreement notwithstanding the disapproval from the Office and did not comply with the specific requirement of the expense allocation agreement regarding billing and payment.

We recommend that the Company enter into agreements only if not disapproved by the Office and comply with the terms of the agreements in all future periods.

Losses and Loss Adjustment Expenses

The loss and loss adjustment expense reserves were deficient $7,027,000. **It is recommended that the Company book an additional $7,027,000 in loss and loss adjustment expenses reserves; not withstanding the reclassification of the $2,700,000 from incurred but not reported reserves to taxes, licenses and fees.**

The amount of the Company's collateral held versus required collateral is deficient by approximately $12,000,000. **It is recommended that the Company obtain collateral sufficient to offset the credit risk associated with the large deductible workers' compensation policies issued by the Company, and provide evidence documenting such within 60 days of the issuance of this report.**

Ceded Reinsurance Premiums Payable

In the September 30, 2004 quarterly statement, the Company had an adjustment to income of $1,783,504. This represented a reinstatement of a liability to a former reinsurer, Dallas Fire Insurance Company, and should have been reported as a liability as of December 31, 2003.

We recommend that the Company reflect all liabilities in all future annual and quarterly statements.

Taxes, Licenses and Fees

The Company paid all of the quarterly 2003 Division of Workers' Compensation Assessment Fees late (on April 15, 2004). The Company did not accrue these fees as Taxes, Licenses & Fees, in the annual statement; instead, these fees were included in the incurred but not reported reserve component of the liability for losses.

We recommend that the Company correctly report these fees in all future annual and quarterly statements filed with the Office.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of the **Insurance Company of the Americas** as of December 31, 2003, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was ($1,321,427)) which was not in compliance with Section 624.408, FS; and places the Company in an insolvent financial position. It is recommended that the Company refile the annual statements and risk-based capital reports for 2003 and 2004 reflecting the examination adjustments. It is also recommended that the Company immediately obtain capital infusions to bring surplus as regards policyholders into compliance with Section 624.408, F.S.

In addition to the undersigned, Mary James, CFE, CPM, Financial Examiner/Analyst Supervisor, and Joe Boor, Actuary, participated in the examination.

Respectfully submitted,

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Financial Examiner/Analyst II
Office of Insurance Regulation