

REPORT ON LIMITED SCOPE EXAMINATION
OF
LIBERTY AMERICAN INSURANCE
COMPANY
PINELLAS PARK, FLORIDA

AS OF
DECEMBER 31, 2008

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

May 7, 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 a limited scope examination as of December 31, 2008, of the financial condition and corporate affairs of:

**LIBERTY AMERICAN INSURANCE COMPANY
7785 66TH STREET NORTH
PINELLAS PARK, FLORIDA 33781**

Hereinafter referred to as, the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2005, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2004. This examination commenced with planning at the Office on November 30, 2009 to December 4, 2009. The fieldwork commenced on January 4, 2010, and concluded as of May 7, 2010.

The scope of the examination was limited to confirming cash, investments and reinsurance balances. Additional procedures were performed to verify subsequent receipt of premiums receivables and payment of premium taxes as well as the disposition of unearned premiums. As such, it is not intended to communicate all matters of importance for an understanding of the company's financial condition.

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 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.

Status of Adverse Findings from Prior Examination

There were no findings, exceptions or corrective action to be taken by the company for the examination as of December 31, 2004.

HISTORY

General

The Company was incorporated in Florida on October 28, 1997, and commenced business on December 31, 1998, as Mobile United Property and Casualty Insurance Company, Inc. The name was subsequently changed to Liberty American Insurance Company on December 17, 1999.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2008:

Allied Lines – Reinsurance Only (RO)
Mobile Home Multi Peril
Fire - RO
Other Liability - RO

Home Owners Multi-Peril
Inland Marine
Mobile Home Physical Damage - RO
Accident and Health - RO

On February 29, 2008, the Company received approval from the Office to non-renew all of its policies, other than policies issued pursuant to the National Flood Insurance Program.

The Articles of Incorporation were amended on December 17, 1999, to change the name of the Company from Mobile United Property and Casualty Insurance Company, Inc. to Liberty American Insurance Company.

Capital Stock

As of December 31, 2008, the Company's capitalization was as follows:

Number of authorized common capital shares	3,000,000
Number of shares issued and outstanding	2,000,000
Total common capital stock	\$2,000,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, Liberty American Insurance Group, Inc., a Delaware Insurance holding company, who owned 100% of the stock issued by the Company, and who in turn was 100% owned by Philadelphia Consolidated Holding Corp., a Delaware corporation.

Profitability of Company

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

	2008	2007	2006	2005
Premiums Earned	5,149,534	7,739,682	14,519,895	22,886,498
Net Underwriting Gain/(Loss)	(986,398)	(1,349,472)	58,435	(2,751,321)
Net Income	504,735	1,543,180	1,938,467	(648,282)
Total Assets	33,117,714	35,068,546	50,593,628	64,957,086
Total Liabilities	6,485,841	8,740,322	22,565,058	39,481,577
Surplus As Regards Policyholders	26,631,873	26,328,224	28,028,569	25,475,508

Dividends to Stockholders

There were no dividends paid to stockholders during the period of examination.

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, 2008, were:

Directors

Name and Location

James Joseph Maguire Jr.
Bala-Cynwyd, Pennsylvania

Principal Occupation

President and CEO
Philadelphia Consolidated Holding Corp.

Craig Phillip Keller
Bala-Cynwyd, Pennsylvania

Executive Vice President & CFO
Philadelphia Consolidated Holding Corp.

Sean Stephen Sweeney
Bala-Cynwyd, Pennsylvania

Executive Vice President & Chief Marketing
Officer
Philadelphia Consolidated Holding Corp.

Thomas Bruce Meyer
Pinellas Park, Florida

President and CEO
Liberty American Insurance Group, Inc.

Kenneth Alan Meyer
Altamonte Springs, Florida

Regional Vice President
Philadelphia Consolidated Holding Corp.

Subsequent Event: In 2010, Mr. Maguire was named Chairman of the Board and Mr. Sweeney was named Co-president & Chief Marketing Officer for Philadelphia Consolidated Holding Corp.

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

Senior Officers

Name	Title
Thomas Bruce Meyer	President and CEO
Craig Phillip Keller	Executive V P, Secretary & Treasurer
Kenneth Alan Meyer	Senior VP and COO

The Company's Board appointed the members of the audit committee in accordance with Section 607.0825, Florida Statutes. The following are the members as of December 31, 2008:

Audit Committee

James Joseph Maguire Jr¹

Craig Phillip Keller

Sean Stephen Sweeney

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 of Directors, and Audit Committee 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

On October 31, 2008, the Office approved the indirect acquisition of the Company by Tokio Marine Holdings, Inc., a holding company based in Japan. The acquisition was completed on December 1, 2008.

Surplus Debentures

The Company had no surplus debentures at December 31, 2008.

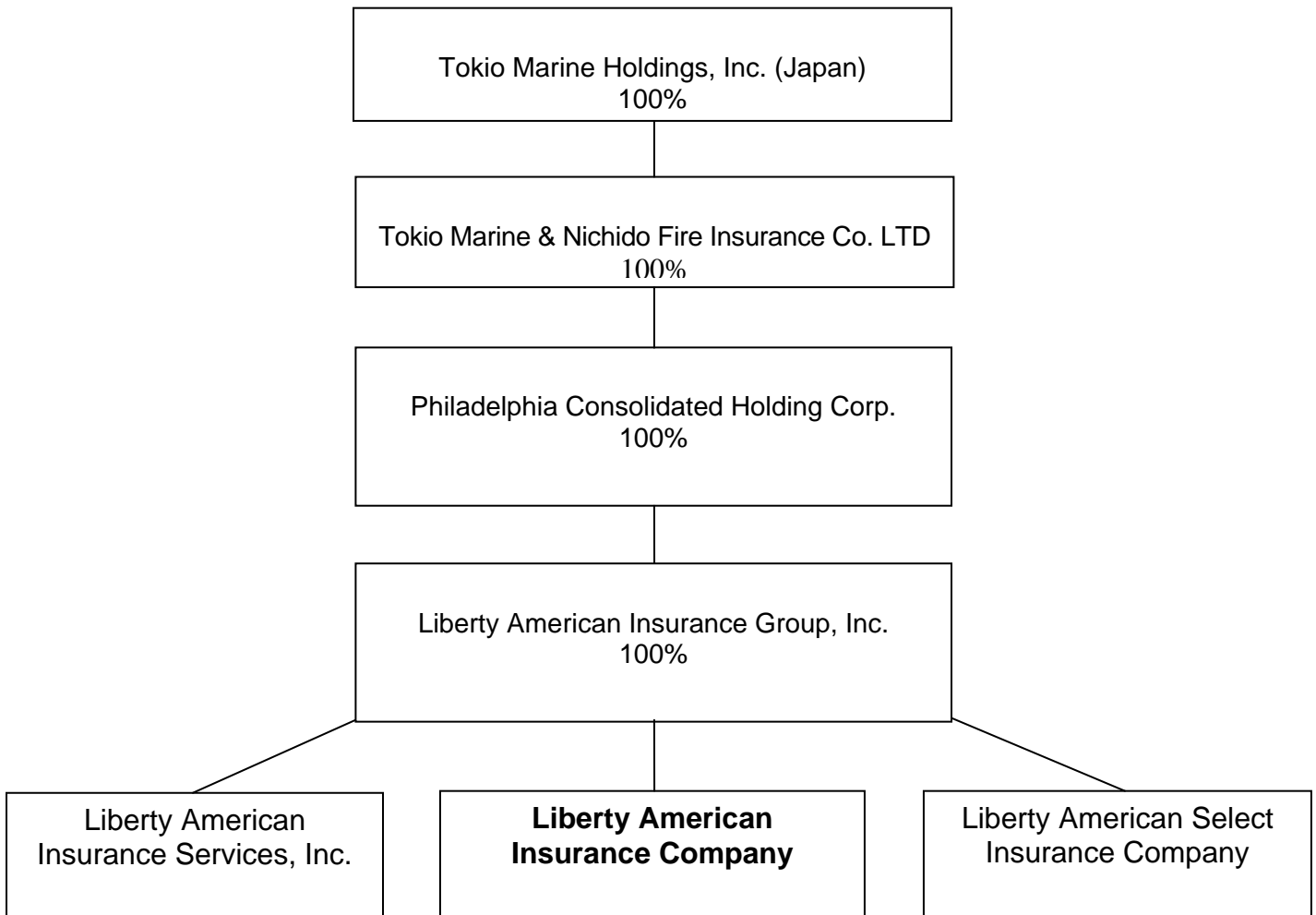
AFFILIATED COMPANIES

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 June 16, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2008, reflecting the holding company system, is shown below. Schedule Y of the Company's 2008 annual statement provided a list of all related companies of the holding company group.

**LIBERTY AMERICAN INSURANCE COMPANY
ORGANIZATIONAL CHART
DECEMBER 31, 2008**



Pending Class Action Suit

On February 26, 2008, the Company, Liberty American Insurance Group, Philadelphia Consolidated Holding Corp., and Liberty American Select Insurance Company were sued by a group of seven individual Florida mobile home owners alleging the Company, among other things, failed to pay them the true replacement cost of their mobile homes which were damaged by Florida hurricanes. In the Complaint, the Plaintiffs requested class action status, and alleged damages in excess of five million dollars. In December of 2008, the Plaintiffs added Liberty American Insurance Services, the Company's affiliated MGA, as an additional defendant. Currently this litigation has been stayed by the trial court pending the determination of an appeal to the Federal Circuit Court filed by the Defendants.

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

Tax Allocation Agreement

The Company, along with its parent and subsidiaries, entered an agreement, effective July 16, 1999, to file consolidated federal income tax returns. The method of allocation between the Company and its parent was based upon a separate return calculation with current credit for net losses. Inter-company tax balances were settled within thirty days of filing estimated or final consolidated federal income tax return.

Managing General Agent Agreement

The Company had a MGA Agreement with Mobile Homeowners Insurance Agencies Inc. (MHIA), an affiliate. The agreement, approved on October 24, 2003, has been continuous since January 1, 2004. On August 8, 2005, MHIA changed its name to Liberty American Insurance Services, Inc.

The Company, in consideration for the services rendered, agreed to pay a \$25.00 per policy managing general agent fee plus a percentage of premium based on the line of business written.

Pooling Agreement

The Company entered in an agreement with Liberty American Select Insurance Company (LASIC) effective October 1, 2004 whereby the Company assumed 100% of LASIC net outstanding losses and loss expenses then ceded to LASIC 50% of its net outstanding business.

FIDELITY BOND

The Company was part of a group fidelity bond coverage up to \$2,000,000 with a deductible of \$25,000.

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	U.S. Treasury Note 5.0%. 2/15/2011	\$ 400,000	\$ 428,920
FL	U.S. Treasury Note 4.0%. 4/31/2011	<u>50,000</u>	<u>51,555</u>
TOTAL FLORIDA SPECIAL DEPOSITS		<u>\$450,000</u>	<u>\$480,475</u>

INSURANCE PRODUCTS

Territory

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

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Pinellas Park, Florida, however the examination was conducted at the Department of Financial Services Office located in Orlando, Florida.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2005, 2006, 2007 and 2008, 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 and non-affiliates had the following agreements:

Custodial Agreement

Effective August 21, 2008, the Company entered in a custodial agreement with Bank of New York. The review of the Custody Agreement revealed that the insurer was not in compliance with Rule 69O-143.042 (2) (o) Florida Administrative Code, which states that the custodian shall provide written notification to the Office if the custodial agreement with the insurer has been terminated or if 100% of the account assets in any one custody account have been withdrawn. This notification shall be remitted to the Office within three (3) business days of the receipt by the custodian of the insurer's written notice of termination or within three (3) business days of the withdrawal of 100% of the account assets. **Subsequent Event:** On May 21, 2010, the Company submitted an amended custodial agreement that was in compliance with Rule 69O-143.042 (2) (o), Florida Administrative Code.

Investment Management Agreement

Effective July 1, 1999 the Company entered into an Investment Management Agreement with General RE-New England Asset Management, Inc. to supervise and direct the composition of the company's investment portfolio.

Independent Auditor Agreement

On February 26, 2008, the Company's parent company Board of Directors hired PricewaterhouseCoopers, LLP to audit the financial statements for the period of examination.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, and the results of its operations for the year then ended as determined by this examination.

LIBERTY AMERICAN INSURANCE COMPANY
Assets
DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$29,379,785		\$29,379,785
Cash:	2,817,260		\$2,817,260
Receivable for Securities	0		0
Investment Income Due and Accrued	293,878		293,878
Uncollected premiums and Agents' Balances:			
Uncollected premium	(1,026,578)		(1,026,578)
Deferred premium	24,989		24,989
Reinsurance recoverable	1,145,912		1,145,912
Current Federal and Foreign Income Tax	171,687		171,687
Net deferred tax asset	173,798		173,798
Receivable from parents, subsidiaries	3,477		3,477
Aggregate Write-in for other than invested assets	133,505		133,505
rounding	1		1
Totals	\$33,117,714	\$0	\$33,117,714

LIBERTY AMERICAN INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	\$3,511,575		\$3,511,575
Reinsurance Payable on paid losses	906,019		906,019
Loss adjustment expenses	922,563		922,563
Other expenses	7,213		7,213
Taxes, licenses and fees	101,992		101,992
Unearned premium	1,566,856		1,566,856
Advance premiums	2,876		2,876
Ceded reinsurance premiums payable	(695,756)		(695,756)
Payable to parent, subsidiaries and affiliates	432		432
Payable for Securities	42		42
Aggregate write-ins for liabilities rounding	162,027 2		162,027 2
Total Liabilities	\$6,485,841		\$6,485,841
Common capital stock	\$2,000,000		\$2,000,000
Gross paid in and contributed surplus	14,300,000		14,300,000
Unassigned funds (surplus)	10,331,873		10,331,873
Surplus as regards policyholders	\$26,631,873		\$26,631,873
Total liabilities, surplus and other funds	\$33,117,714		\$33,117,714

LIBERTY AMERICAN INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income		
Premiums earned		\$5,149,534
	Deductions:	
Losses incurred		3,866,912
Loss expenses incurred		675,286
Other underwriting expenses incurred		1,593,734
Total underwriting deductions		<u>\$6,135,932</u>
Net underwriting gain or (loss)		(\$986,398)
Investment Income		
Net investment gain or (loss)		\$1,272,753
Other Income		
Total other income		\$31,345
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$317,700
Federal & foreign income taxes		<u>(187,034)</u>
Net Income		\$504,735
Capital and Surplus Account		
Surplus as regards policyholders, December 31 prior year		\$26,328,224
Net Income		\$504,735
Change in net deferred income tax		(189,509)
Change in non-admitted assets		(11,577)
Change in provision for reinsurance		0
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>\$303,649</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$26,631,873</u></u>

SUMMARY OF FINDINGS

Compliance with previous directives

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2004.

Current examination comments and corrective action

There were no findings in the December 31, 2008 examination.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Liberty American Insurance Company** as of December 31, 2008, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$26,631,873 in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Kethessa Carpenter, CPA, Financial Examiner/Analyst Supervisor, participated in the examination.

Respectfully submitted,

Fidel S. Gonzalez
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation