

Report of Examination of
American Modern Home Insurance Company
Amelia, Ohio
As of December 31, 2014

Table of Contents

Subject	Page
Salutation.....	1
Description of Company	1
Scope of Examination.....	1
Management and Control:	
Board of Directors.....	2
Officers.....	2
Insurance Holding Company System.....	3
Reinsurance.....	
Ceded.....	3
Inter-Company pooling.....	3
Territory and Plan of Operations.....	4
Financial Statements:	
Statement of Assets, Liabilities, Capital and Surplus.....	5
Summary of Operations	7
Statement of Changes in the Capital and Surplus Account.....	7
Notes to Financial Statements:	
Investments.....	8
Loss and Loss adjustment Expenses	8
Conclusion.....	9
Acknowledgement.....	9

Columbus, Ohio
May 31, 2016

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of;

American Modern Home Insurance Company

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the "Company." The examination was conducted at the Company's home office, located at 7000 Midland Boulevard, Amelia, Ohio.

Scope of Examination

The Department last examined the Company as of December 31, 2009. The Department’s current examination covers the period from and including January 1, 2010 through December 31, 2014.

Representatives of the Department, as the lead state of the American Modern Insurance Group led the multi-state coordinated examination that included representatives from the States of Florida, Oklahoma and Texas.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook.”) The Handbook requires that the Department plan and perform the examination to evaluate the Company’s 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.

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 Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the ORC Section 3901.07 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination reports but separately communicated to other regulators and/or the Company.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

<u>Name</u>	<u>Occupation</u>
Charles A. Bryan	Consulting Actuary, CAB Consulting
James J. Butler	Retired
Rene Gobonya	Senior Vice President and Chief Financial Officer, The Company
Anthony J. Kuczinski	President and Chief Executive Officer, Munich Reinsurance America, Inc.
Murry S. Levy	Senior Vice President and Chief Financial Officer, Munich Reinsurance America, Inc.
Manuel Z. Rios	President and Chief Executive Officer, The Company
George T. VanGlider	Retired
Robin H. Wilcox	Senior Vice President and General Counsel, Munich Reinsurance America, Inc.

Officers:

As of the examination date, the following officers were elected and serving as of the date of the examination.

<u>Name</u>	<u>Title</u>
Anthony J. Kuczinski	Chairman of the Board
Manuel Z. Rios	President and Chief Executive Officer (Resigned August 6, 2015)
James P. Tierney	Senior Vice President
Rene A. Gobonya	Senior Vice President and Chief Financial Officer
James E. Hinkle	Senior Vice President and Treasurer
Charles S. Griffith III	Senior Vice President and Secretary
Kenneth L. Kuhn	Vice President and Controller
Steven J. Mackie	Vice President
Anthony W. Dirksing	Assistant Vice President
Michael D. Hagarty	Assistant Vice President
Michael W. Haines	Assistant Vice President
Anita K. Magnarini	Assistant Vice President

Effective May 1, 2016, Andreas Kleiner was elected President and Chief Executive Officer of the Company.

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the Ohio Revised Code. The ultimate controlling entity is Munich Re a publicly traded insurance holding company. The immediate ownership structure is as follows:

Munich-American Holding Corporation	Delaware
Midland Company	Ohio
American Modern Insurance Group	Ohio
American Modern Home Insurance Company	Ohio
American Modern Lloyds Insurance Company	Texas
American Modern Property & Casualty Company	Ohio
American Western Home Insurance Company	Oklahoma
American Southern Home Insurance Company	Florida
American Modern Insurance Company of Florida, Inc.	Florida
American Modern Select Insurance Company	Ohio
American Modern Family Home Insurance Company	Florida
American Modern Surplus Lines Insurance Company	Ohio

Reinsurance

Ceded Reinsurance

The Company has various property per risk excess of loss agreements that provide coverage of \$20,000,000 above a retention of \$5,000,000. Property catastrophe excess of loss agreements provides coverage of \$305,000,000 above a retention of \$60,000,000 for the first event and \$265,000,000 above a retention of \$100,000,000 for a second event. All agreements provide coverage for all property lines of business.

Inter-company pooling

The American Modern Insurance Group (“Group”) consists of nine property and casualty companies. Under the terms of the pooling arrangement, the pooled companies cede all net premiums, losses, loss expenses and other insurance expenses to the pool. The results of the pool are then retroceded between the companies, based on the pooling percentages. The companies in the pool and the respective share of the pool participation are:

American Modern Home Insurance Company	47.5%
American Family Home Insurance Company	27.0%
American Southern Home Insurance Company	4.0%
American Western Home Insurance Company	9.0%
American Modern Select Insurance Company	5.0%
American Modern Surplus Lines Insurance Company	5.0%
American Modern Insurance Company of Florida	2.0%
American Modern Property & Casualty Insurance Company	0.5%

American Modern Lloyds Insurance Company cedes 100% of its premium and losses to American Modern Home Insurance Company who then retrocedes the business to the pool.

Territory and Plan of Operations

The Company is licensed to operate in all 50 states. The American Modern Group writes specialty products for owners of mobile and manufactured homes; specialty dwellings such as vacant, rental and seasonal homes; watercraft; motorcycles; collector vehicles; travel; pet; and snowmobiles.

On February 22, 2016, the Group announced it was exiting the lender-placed insurance business. This line of business represented about 20% of the group's written premiums.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

- Statement of Assets, Liabilities, Capital and Surplus
- Statement of Income
- Statement of Changes in the Capital and Surplus Account

Statement of Assets
December 31, 2014

Bonds	\$ 279,701,277
Common stocks	163,668,069
Real estate – properties occupied by the company	57,792,193
Cash, cash equivalents and short term investments	41,116,643
Other invested assets	300,000
Receivable from securities	2,845
Subtotal, cash and invested assets	<u>542,581,027</u>
Investment income due and accrued	1,893,862
Uncollected premiums and agents’ balances	164,561,007
Deferred premiums, agents balances and installments	67,087,688
Amounts recoverable from reinsurers	51,281,995
Funds held by or deposited with reinsured companies	386,852,596
Current federal and foreign income tax recoverable	55,984
Net deferred tax asset	37,495,714
Electronic data processing equipment and software	825,019
Receivables from parent, subsidiaries and affiliates	33,536,911
Total admitted assets	<u>\$ 1,286,171,803</u>

Statement of Liabilities, Capital and Surplus
December 31, 2014

Losses	\$ 81,611,634
Reinsurance payable on paid losses and loss adjustment expenses	25,621,994
Loss adjustment expenses	8,241,869
Commissions payable	30,821,195
Other expenses	27,150,953
Taxes, licenses and fees	13,636,017
Unearned premiums	243,009,953
Ceded reinsurance premiums payable	88,863,102
Funds held by company under reinsurance treaties	309,105,167
Provision for reinsurance	320,480
Payable to parent, subsidiaries and affiliates	31,207,579
Aggregate write-ins for liabilities	<u>46,120,757</u>
Total liabilities	905,710,700
Common capital stock	5,000,000
Gross paid in and contributed surplus	103,771,315
Unassigned funds (surplus)	<u>271,689,788</u>
Total capital and surplus	<u>380,461,103</u>
Total liabilities, capital and surplus	<u>\$1,286,171,803</u>

Summary of Operations
As of December 31, 2014

Premiums earned	\$ 458,244,831
Losses incurred	196,096,797
Loss adjustment expenses incurred	25,155,268
Other underwriting expenses incurred	237,027,259
Aggregate write-ins for underwriting deductions	312,178
Total underwriting deductions	458,591,503
Net underwriting loss	(346,672)
Net investment income earned	9,188,305
Net realized capital gains	568,009
Net investment gain	9,756,314
Net gain from agents' or premium balances charged off	22
Finance and service charges not included in premiums	6,129,152
Aggregate write-ins for miscellaneous income	(2,387,861)
Total other income	3,741,313
Net income after dividends to policyholders	13,150,955
Federal and foreign income taxes incurred	5,166,572
Net income	<u>\$ 7,984,383</u>

Statement of Changes in the Capital and Surplus Account
(In thousands)

	2014	2013	2012	2011	2010
Capital and surplus, prior year end	\$373,637	\$389,791	\$357,645	\$350,426	\$315,069
Net income	7,984	5,806	5,597	11,302	37,021
Change in net unrealized capital gains	8,002	8,326	6,715	10,545	10,489
Change in net deferred income tax	382	8,256	10,823	(2,762)	2,377
Change in non-admitted assets	(9,242)	(4,556)	(2,097)	6,501	(596)
Change in provision for reinsurance	(303)	996	(460)	(541)	(5)
Dividends to stockholders		(35,000)	(35,000)	(18,000)	(15,000)
Surplus adjustments			60,666		
Aggregate write-ins		18	(14,099)	175	1,072
Net change in capital and surplus	6,824	(16,154)	32,146	7,220	35,356
Capital and surplus, current year end	<u>\$380,461</u>	<u>\$373,637</u>	<u>\$389,791</u>	<u>\$357,645</u>	<u>\$350,426</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC 3925 and valued in accordance with the relevant Statements of Statutory Accounting Principles ("SSAP") and the NAIC Securities Valuation Office.

Loss and Loss adjustment Expenses

The Company's Board of Directors appointed Jeffrey Scott, FCAS, MAAA, consulting actuary to render the Company's Statement of Actuarial Opinion ("Opinion.") The Department's actuary, Thomas Botsko, CAS, MAAA, reviewed an Actuarial Memorandum supporting the Opinion in connection with the preparation of the Company's December 31, 2014 Annual Statement.

On the basis of the above-mentioned analysis, it was determined that the loss and loss adjustment expense reserves reported in the Annual Statement meet the requirements of the insurance laws and regulations of the State of Ohio.

Conclusion

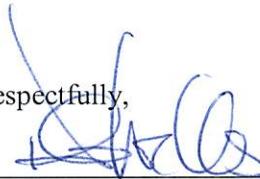
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

Total Assets	<u>\$1,286,171,803</u>
Liabilities	905,710,700
Capital and Surplus	<u>380,461,103</u>
Total Liabilities, Capital and Surplus	<u>\$1,286,171,803</u>

Acknowledgement

In addition to the aforementioned and undersigned, Mohammad Arif, CFE, AES, CISA; Richard Morris, CPA; Bradley Schroer; and Patricia Severs, CPA of the Ohio Department of Insurance participated in this examination.

Respectfully,



Donnie G. Wells, CFE
Examiner-In-Charge
Office of Risk Assessment
Ohio Department of Insurance



David A. Cook, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2014.

[Signature]
Examiner-In-Charge

5/31/16
Date

[Signature]
Assistant Chief Examiner

5/31/16
Date

State of Ohio
County of Franklin

Personally appeared before me the above named Donnie G. Wells personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 31 day of May, 2016.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 31 day of May, 2016.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires