

**COPY**

**IN THE CIRCUIT COURT OF THE  
SECOND JUDICIAL CIRCUIT IN AND  
FOR LEON COUNTY, FLORIDA**

STATE OF FLORIDA, ex. rel., the  
DEPARTMENT OF FINANCIAL  
SERVICES OF THE STATE OF FLORIDA,

Relator,

vs.

CASE NO.: 2009- 3955

AMERICAN KEYSTONE INSURANCE  
COMPANY, a Florida corporation authorized  
to transact an insurance business in Florida,

Respondent.

09 OCT -8 PM 2:11  
CLERK OF CIRCUIT COURT  
LEON COUNTY, FLORIDA

**PETITION FOR ORDER APPOINTING THE FLORIDA DEPARTMENT OF  
FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF LIQUIDATATION,  
INJUNCTION, AND NOTICE OF AUTOMATIC STAY**

The Florida Department of Financial Services (hereinafter the "Department") hereby petitions this Court pursuant to Sections 631.031 and 631.061, Florida Statutes, for a consent order of liquidation of AMERICAN KEYSTONE INSURANCE COMPANY (hereinafter referred to as "Respondent" or "AKIC"). In support of its petition, the Department states:

1. This Court has jurisdiction pursuant to Section 631.021, Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a domestic property and casualty insurer. Respondent was formed in October 2006.

3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving an insurer.

4. Pursuant to Section 631.031, Florida Statutes, the Department is empowered to apply to this Court for a consent order of liquidation.

5. On August 10, 2009, the Office of Insurance Regulation (OIR) entered a Consent Order for Administrative Supervision concerning Respondent. This action was predicated on AKIC's inability to secure adequate catastrophe reinsurance for the 2009 hurricane season, which rendered the continuance of its business hazardous to the public or its insureds. The purpose of the Administrative Supervision Order was to facilitate the removal by assumption or otherwise of the policies currently in force. AKIC agreed that its Certificate of Authority would be revoked as of December 31, 2009.

6. On September 15, 2009, OIR received cash flow projections from AKIC to determine if it would have sufficient cash in order to meet its obligations. The cash flow projections included a schedule of payments due to private reinsurers and the Florida Hurricane Catastrophe Fund. Payments totaling \$8,789,425 and \$7,210,674 were due to the Florida Hurricane Catastrophe Fund and Private reinsurers, respectively. If the future payments due to the reinsurers were recognized as earned on the August 30, 2009 Monthly Financial Statement, the surplus as regards to policyholders would be approximately \$(12,335,248). AKIC will not have the ability to meet its financial obligations as they will come due over the coming months.

7. Additionally, the cash flow projections submitted on September 15, 2009, show AKIC will exhaust its cash and investments to fund expenses and other outflows leaving just \$1,591,000 in cash and investments by December 31, 2009. However, the calculation includes October and November 2009 renewal premium cash inflows of \$3,709,000, which will not

occur. When adjusted to remove the renewal premium, AKIC is then projected to exhaust all cash and investments by December 1, 2009 and be short \$2,118,000 to make necessary payments to the private reinsurers and Florida Hurricane Catastrophe Fund which are due December 1, 2009. Also, AKIC will not have any cash or investments to use to fund the return of unearned premium to the policyholders who elect to cancel their policies after December 1, 2009. The unearned premium is expected to be \$6,251,000 (adjusted for the removal of October and November renewals) on December 1, 2009.

8. Pursuant to Section 631.031(1), Florida Statutes, Kevin McCarty, the Commissioner of the Office of Insurance Regulation, has written a letter to the Chief Financial Officer Alex Sink stating grounds for the initiation of delinquency proceedings against Respondent. A copy of the letter is incorporated herein as Attachment "A".

9. On August 26, 2009, AKIC executed a Consent to the Appointment of the Department of Financial Services as Receiver for Purposes of Rehabilitation or Liquidation. A copy of the Consent is incorporated herein as Attachment "B". In its Consent, AKIC waived all rights to contest the Receiver's Petition for Liquidation and any other proceeding concerning same. The OIR executed the Consent to the Appointment of the Department of Financial Services as Receiver for Purposes of Rehabilitation or Liquidation on October 7, 2009.

10. Section 631.061, Florida Statutes, and Section 631.051(11), Florida Statutes, authorize the Department to apply to this Court for an order directing it to rehabilitate or liquidate a domestic insurer upon the ground that the insurer has consented to such an order through the majority of its directors, stockholders, members or subscribers.

11. The Department should be appointed Receiver for purposes of liquidation without further delay to protect the remaining assets of Respondent for the benefit of its policyholders,

creditors and the public. Accordingly, it is in the best interests of Respondent and its creditors and insureds that the relief requested in the petition be granted.

12. Respondent should be placed into liquidation effective immediately.

**WHEREFORE**, The Florida Department of Financial Services respectfully petitions this Court for entry of its order of liquidation attached to this Petition as Attachment "C".

**SUBMITTED** on this 8<sup>th</sup> day of October, 2009.

A handwritten signature in black ink, appearing to read 'Robert V. Elias', is written over a horizontal line.

ROBERT V. ELIAS, Deputy Chief Attorney  
Florida Bar No. 530107  
ERIC S. SCOTT,  
SENIOR ATTORNEY  
Florida Bar No. 0911496  
Florida Department of Financial Services  
Division of Rehabilitation and Liquidation  
Post Office Box 110  
Tallahassee, Florida 32302-0110  
(850) 413-4513 – Telephone  
(850) 488-1510 – Facsimile



## OFFICE OF INSURANCE REGULATION

**KEVIN M. McCARTY**  
COMMISSIONER

FINANCIAL SERVICES  
COMMISSION

CHARLIE CRIST  
GOVERNOR

ALEX SINK  
CHIEF FINANCIAL OFFICER

BILL McCOLLUM  
ATTORNEY GENERAL

CHARLES BRONSON  
COMMISSIONER OF  
AGRICULTURE

October 7, 2009

The Honorable Alex Sink  
Chief Financial Officer  
Department of Financial Services  
The Capitol, PL-11  
Tallahassee, FL 32399

VIA EMAIL

Re: American Keystone Insurance Company

Dear Chief Financial Officer Sink:

Please be advised that the Office of Insurance Regulation (hereinafter referred to as the "Office") has determined that one or more grounds exist for the initiation of delinquency proceedings, pursuant to Chapter 631, Florida Statutes, against American Keystone Insurance Company (hereinafter referred to as "American Keystone"). American Keystone is a Florida corporation licensed to do property and casualty insurance business in Florida. As specified in Section 631.051 Florida Statutes, among the grounds that allow a petition for an order to rehabilitate a domestic insurer include:

(1) Is impaired or insolvent.

- (a) On September 21, 2009, American Keystone submitted its August 2009 financial statement (attached as Exhibit "A") to the Office. In that financial statement, American Keystone's surplus as regards policyholders was listed as three million, six hundred sixty four thousand, eight hundred and fifty one U.S. Dollars (\$3,664,851), which is three hundred thirty five thousand, one hundred and forty nine U.S. Dollars (\$335,149) below the minimum required surplus of four million U.S. Dollars (\$4,000,000), as prescribed by Section 624.408(1)(a)5., Florida Statutes, which results in the finding that AKIC is in an impaired state.
- (b) On September 15, 2009, the Office received cash flow projections from American Keystone (attached as exhibit "B") to determine if they would have

...

KEVIN M. McCARTY • COMMISSIONER  
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0305 • (850) 413-5914 • FAX (850) 488-3334  
WEBSITE: WWW.FLOIR.COM • EMAIL: KEVIN.McCARTY@FLOIR.COM

Affirmative Action / Equal Opportunity Employer

ATTACHMENT "A"

sufficient cash in order to meet its obligations. Accompanying the cash flow projections, were the schedule of payments due to private reinsurers and the Florida Hurricane Catastrophe Fund. Payments totaling eight million, seven hundred eighty nine thousand U.S. Dollars (\$8,789,000) and seven million, two hundred and eleven thousand U.S. Dollars (\$7,211,000), were due to the Florida Hurricane Catastrophe Fund and Private reinsurers, respectively, which are not recognized as earned on the August 30, 2009 Monthly Financial Statement noted in paragraph 12 above. If the future payments due to the reinsurers were recognized as earned on the August 30, 2009 Monthly Financial Statement, the surplus as regards to policyholders would be approximately negative twelve million, three hundred thirty five thousand, one hundred and forty nine U.S. Dollars \$(12,335,149), which is the reported surplus as regards to policyholder of three million, six hundred sixty four thousand, eight hundred and fifty one U.S. Dollars (\$3,664,851), less sixteen million U.S. Dollars (\$16,000,000), in payments due to reinsurers. This reflects the situation that American Keystone will not have the ability to meet its financial obligations as they will come due over the coming months, which results in a finding that American Keystone is insolvent as defined by Chapter 631, Florida Statutes.

- (2) Is found by the Office to be in such condition or is using or has been subject to such methods or practices in the conduct of its business, as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, creditors, stockholders, or the public.

With an estimated impairment of three hundred thirty five thousand, one hundred and forty nine U.S. Dollars (\$335,149), as indicated by American Keystone's August 2009 financial statement and further inquiry by the Office, its further transaction of insurance would be hazardous to policyholders, creditors, stockholders, or the public.

American Keystone has executed a Consent to the Appointment of the Department of Financial Services as Receiver (attached as exhibit "C") for Purposes of Rehabilitation or Liquidation, and a Board Resolution was passed approving this Consent.

As such, I am advising you of that determination so that delinquency proceedings can be initiated by the Division of Rehabilitation and Liquidation. The following documents are attached in support of such determination:

Exhibit A – American Keystone Insurance Company's August 2009 Financial Statement

Exhibit B – September 15, 2009 cash flow projections from American Keystone

Exhibit C – Consent to the Appointment of the Department of Financial Services as Receiver for Purposes of Rehabilitation or Liquidation

Exhibit D – Affidavit from Office of Insurance Regulation

As fully explained in Exhibit D, the Office has been closely monitoring this company since the beginning of 2009, and has required the company to infuse additional assets to secure its financial position. However, upon a review of American Keystone's reinsurance program, the Office determined the program to be inadequate to fully protect policyholders. As a result, the Office placed American Keystone into Administrative Supervision to help facilitate a transfer of the book of business to other insurers and oversee a solvent runoff of the company's business. It became apparent through the further probing in Administrative Supervision that American Keystone would not be able to meet its financial obligations nor were there viable options to transfer the company's book of business.

As always, the Office stands ready to provide any additional information or assistance the Department needs in order for this matter to proceed as expeditiously as possible. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kevin M. McCarty', written over a horizontal line.

Kevin M. McCarty

cc: Ben Diamond, General Counsel  
Department of Financial Services

Wayne Johnson, Division Director  
Division of Rehabilitation and Liquidation  
Department of Financial Services

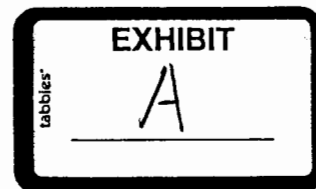
MONTHLY STATEMENT  
OF THE  
American Keystone Insurance Company

OF  
PONTE VEDRA BEACH  
IN THE STATE OF  
Florida  
TO THE  
INSURANCE DEPARTMENT  
OF THE  
STATE OF Florida  
AS OF  
AUGUST 31, 2009

2009

PROPERTY AND CASUALTY

2009





# MONTHLY STATEMENT

AS OF AUGUST 31, 2009  
OF THE CONDITION AND AFFAIRS OF THE

## American Keystone Insurance Company

NAIC Group Code	0000	0000	NAIC Company Code	12894	Employer's ID Number	20-5935917
	(Current Period)	(Prior Period)				
Organized under the Laws of	Florida		State of Domicile or Port of Entry	Florida		
Country of Domicile	United States					
Incorporated/Organized	10/25/2006		Commenced Business	02/08/2007		
Statutory Home Office	816 A1A N STE 301		PONTE VEDRA BEACH, FL 32082-3219			
	(Street and Number)		(City or Town, State and Zip Code)			
Main Administrative Office	816 A1A NORTH, SUITE 301		PONTE VEDRA BEACH, FL 32082-3219		904-273-9777	
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)	
Mail Address	816 A1A NORTH, SUITE 301		PONTE VEDRA BEACH, FL 32082-3219			
	(Street and Number or P.O. Box)		(City or Town, State and Zip Code)			
Primary Location of Books and Records	816 A1A NORTH, SUITE 301		PONTE VEDRA BEACH, FL 32082-3219		904-273-9777-110	
	(Street and Number)		(City or Town, State and Zip Code)		(Area Code) (Telephone Number)	
Internet Web Site Address	www.akicinsurance.com					
Statutory Statement Contact	Kathy Wood		904-273-9777-110			
	(Name)		(Area Code) (Telephone Number) (Extension)			
	kwood@kingsbayins.com		904-273-5888			
	(E-Mail Address)		(Fax Number)			

### OFFICERS

Name	Title	Name	Title
Bruce Kenneth Howson	President	Kathleen Wood	Treasurer
Bennett G. Troxler, Jr.	Chief Financial Officer		

### OTHER OFFICERS

### DIRECTORS OR TRUSTEES

Bruce Kenneth Howson	Trudo Theodorus Letschert	Robert Mark Taylor	Edward Waller Buttner IV, Jr.
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State of Florida

County of St. Johns

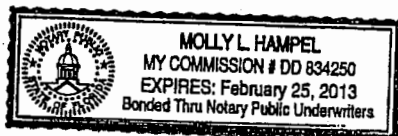
The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Bruce K. Howson Kathleen Wood Bennett G. Troxler  
Bruce Kenneth Howson Kathleen Wood Bennett G. Troxler  
President Treasurer Chief Financial Officer

Subscribed and sworn to before me this  
18<sup>th</sup> day of September, 2009

Molly L. Hampel

a. Is this an original filing? Yes ☒ No ☐  
b. If no,  
1. State the amendment number 0  
2. Date filed 09/21/2009  
3. Number of pages attached 0



## MONTHLY STATEMENT

AS OF AUGUST 31, 2009  
OF THE CONDITION AND AFFAIRS OF THE

## American Keystone Insurance Company

NAIC Group Code	0000	0000	NAIC Company Code	12894	Employer's ID Number	20-5935917
	(Current Period)	(Prior Period)				
Organized under the Laws of	Florida		State of Domicile or Port of Entry	Florida		
Country of Domicile	United States					
Incorporated/Organized	10/25/2006		Commenced Business	02/08/2007		
Statutory Home Office	816 A1A N STE 301 (Street and Number)		PONTE VEDRA BEACH, FL 32082-3219 (City or Town, State and Zip Code)			
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Internet Web Site Address	www.akicinsurance.com					
Statutory Statement Contact	Kathy Wood (Name)		904-273-9777-110 (Area Code) (Telephone Number) (Extension)			
	kwood@kingsbayins.com (E-Mail Address)		904-273-5886 (Fax Number)			

## OFFICERS

Name	Title	Name	Title
Bruce Kenneth Howson	President	Kathleen Wood	Treasurer
Bennett G. Troxler #	Chief Financial Officer		

## OTHER OFFICERS

## DIRECTORS OR TRUSTEES

Bruce Kenneth Howson	Michael Reyad Cramer	Trudo Theodorus Lelschert	Robert Mark Taylor
Edward Walter Buttnar IV #			

State of Florida  
County of St. Johns

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Bruce K. Howson Kathleen Wood Bennett G. Troxler  
Bruce Kenneth Howson Kathleen Wood Bennett G. Troxler  
President Treasurer Chief Financial Officer

Subscribed and sworn to before me this  
18<sup>th</sup> day of September, 2009

Molly L. Hampel

a. Is this an original filing?

Yes | 1 | No | 0 |

b. If no,

1. State the amendment number

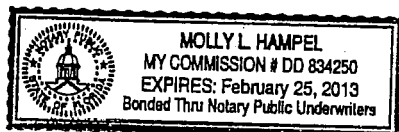
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2. Date filed

09/21/2009

3. Number of pages attached

0



## STATEMENT AS OF AUGUST 31, 2009 OF THE American Keystone Insurance Company

## ASSETS

	Current Statement Date			December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	6,259,459	0	6,259,459	5,509,018
2. Stocks:				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	0	0	0	0
3. Mortgage loans on real estate:				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less \$ 0 encumbrances)	1,329,154	0	1,329,154	1,338,872
4.3 Properties held for sale (less \$ 0 encumbrances)	0	0	0	0
5. Cash (\$ (327,005) ), cash equivalents (\$ 0 ) and short-term investments (\$ 4,348,819 )	4,019,814	0	4,019,814	6,625,977
6. Contract loans (including \$ 0 premium notes)	0	0	0	0
7. Other invested assets	0	0	0	0
8. Receivables for securities	0	0	0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	11,608,427	0	11,608,427	13,473,868
11. Title plants less \$ 0 charged off (for Title Insurers only)	0	0	0	0
12. Investment income due and accrued	57,182	0	57,182	58,722
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	238,828	32,023	206,805	5,577,992
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	775,603	0	775,603	822,951
13.3 Accrued retrospective premiums	0	0	0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	1,092,533	0	1,092,533	250,232
14.2 Funds held by or deposited with reinsured companies	0	0	0	0
14.3 Other amounts receivable under reinsurance contracts	262,995	0	262,995	0
15. Amounts receivable relating to uninsured plans	0	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0	0
16.2 Net deferred tax asset	1,978,811	1,507,003	471,808	483,560
17. Guaranty funds receivable or on deposit	0	0	0	0
18. Electronic data processing equipment and software	0	0	0	0
19. Furniture and equipment, including health care delivery assets (\$ 0 )	0	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
21. Receivables from parent, subsidiaries and affiliates	21,060	0	21,060	605,537
22. Health care (\$ 0 ) and other amounts receivable	0	0	0	0
23. Aggregate write-ins for other than invested assets	340,929	340,929	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	16,376,367	1,879,955	14,496,413	21,282,862
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
26. Total (Lines 24 and 25)	16,376,367	1,879,955	14,496,413	21,282,862
DETAILS OF WRITE-INS				
0901.	0	0	0	0
0902.	0	0	0	0
0903.	0	0	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Prepaid Expenses	340,929	340,929	0	0
2302.	0	0	0	0
2303.	0	0	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	340,929	340,929	0	0

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ 677,797 )	754,528	612,868
2. Reinsurance payable on paid losses and loss adjustment expenses	0	0
3. Loss adjustment expenses	228,471	133,607
4. Commissions payable, contingent commissions and other similar charges	29,697	966,854
5. Other expenses (excluding taxes, licenses and fees)	436,060	281,874
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	62,691	574,929
7.1 Current federal and foreign income taxes (Including \$ 0 on realized capital gains (losses))	0	0
7.2 Net deferred tax liability	0	0
8. Borrowed money \$ 0 and interest thereon \$ 0	0	0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ 0 and including warranty reserves of \$ 0 )	15,015,475	9,372,100
10. Advance premium	221,687	269,175
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions)	(5,958,101)	3,325,310
13. Funds held by company under reinsurance treaties	0	0
14. Amounts withheld or retained by company for account of others	0	0
15. Remittances and items not allocated	0	35,208
16. Provision for reinsurance	1,069	1,069
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	0	0
20. Payable for securities	0	0
21. Liability for amounts held under uninsured plans	0	0
22. Capital notes \$ 0 and interest thereon \$ 0	0	0
23. Aggregate write-ins for liabilities	39,985	508,231
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	10,831,561	16,081,226
25. Protected cell liabilities	0	0
26. Total liabilities (Lines 24 and 25)	10,831,561	16,081,226
27. Aggregate write-ins for special surplus funds	0	0
28. Common capital stock	1,000	1,000
29. Preferred capital stock	0	0
30. Aggregate write-ins for other than special surplus funds	0	0
31. Surplus notes	0	0
32. Gross paid in and contributed surplus	10,728,015	10,728,015
33. Unassigned funds (surplus)	(7,064,164)	(5,527,379)
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0 )	0	0
34.2 0 shares preferred (value included in Line 29 \$ 0 )	0	0
35. Surplus as regards policyholders (Lines 27 to 33, less 34)	3,664,851	5,201,636
36. TOTALS	14,496,413	21,282,862
DETAILS OF WRITE-INS		
2301. Refunds Payable	86,504	136,868
2302. Citizens Payable	(63,697)	371,364
2303. Tenant Deposit	17,178	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	39,985	508,231
2701.	0	0
2702.	0	0
2703.	0	0
2798. Summary of remaining write-ins for Line 27 from overflow page	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above)	0	0
3001.	0	0
3002.	0	0
3003.	0	0
3098. Summary of remaining write-ins for Line 30 from overflow page	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above)	0	0

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ 22,427,345 )	24,779,645	3,703,584	8,340,718
1.2 Assumed (written \$ (73,323) )	1,298,060	1,670,817	4,548,502
1.3 Ceded (written \$ 8,247,559 )	17,614,618	4,545,766	10,450,299
1.4 Net (written \$ 14,106,463 )	8,463,088	828,635	2,438,921
<b>DEDUCTIONS:</b>			
2. Losses incurred (current accident year \$ 1,149,526 ):			
2.1 Direct	1,461,780	833,675	2,041,344
2.2 Assumed	(111,500)	0	151,354
2.3 Ceded	224,044	328,036	1,128,877
2.4 Net	1,126,236	305,639	1,063,820
3. Loss adjustment expenses incurred	375,537	85,510	323,957
4. Other underwriting expenses incurred	8,776,880	2,113,630	4,847,829
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	10,278,653	2,504,778	6,235,607
7. Net income of protected cells	0	0	0
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(1,815,566)	(1,676,143)	(3,796,686)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	331,713	168,166	267,518
10. Net realized capital gains (losses) less capital gains tax of \$ 0	159,624	0	32,838
11. Net investment gain (loss) (Lines 9 + 10)	491,337	168,166	300,356
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0 )	0	0	0
13. Finance and service charges not included in premiums	7,722	5,816	5,816
14. Aggregate write-ins for miscellaneous income	4,413	0	102,125
15. Total other income (Lines 12 through 14)	12,135	5,816	107,941
16. Net income before dividends to policyholders after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(1,312,093)	(1,502,161)	(3,388,389)
17. Dividends to policyholders	0	0	0
18. Net income, after dividends to policyholders after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(1,312,093)	(1,502,161)	(3,388,389)
19. Federal and foreign income taxes incurred	0	0	0
20. Net income (Line 18 minus Line 19)(to Line 22)	(1,312,093)	(1,502,161)	(3,388,389)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	5,201,636	5,394,070	5,394,070
22. Net income (from Line 20)	(1,312,093)	(1,502,161)	(3,388,389)
23. Net transfers (to) from Protected Cell accounts	0	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ 0	0	0	0
25. Change in net unrealized foreign exchange capital gain (loss)	0	0	0
26. Change in net deferred income tax	(93,406)	211,647	1,130,438
27. Change in nonadmitted assets	(131,285)	238,570	(432,551)
28. Change in provision for reinsurance	0	0	1,388
29. Change in surplus notes	0	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0	0
31. Cumulative effect of changes in accounting principles	0	0	0
32. Capital changes:			
32.1 Paid in	0	0	(98,000)
32.2 Transferred from surplus (Stock Dividend)	0	0	0
32.3 Transferred to surplus	0	0	0
33. Surplus adjustments:			
33.1 Paid in	0	0	2,828,015
33.2 Transferred to capital (Stock Dividend)	0	0	0
33.3 Transferred from capital	0	0	0
34. Net remittances from or (to) Home Office	0	0	0
35. Dividends to stockholders	0	0	0
36. Change in treasury stock	0	0	0
37. Aggregate write-ins for gains and losses in surplus	0	0	(232,335)
38. Change in surplus as regards policyholders (Lines 22 through 37)	(1,536,784)	(1,051,944)	(192,433)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	3,664,852	4,342,126	5,201,636
<b>DETAILS OF WRITE-INS</b>			
0501.	0	0	0
0502.	0	0	0
0503.	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Audit Adjustments to Prior Year	4,413	0	102,125
1402.	0	0	0
1403.	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	4,413	0	102,125
3701. Audit Adjustments to Prior Year	0	0	(232,335)
3702.	0	0	0
3703.	0	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	0	(232,335)

## STATEMENT AS OF AUGUST 31, 2009 OF THE American Keystone Insurance Company

## CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	9,472,409	8,044,825
2. Net investment income	335,990	226,013
3. Miscellaneous income	12,135	107,941
4. Total (Lines 1 to 3)	9,820,534	8,378,779
5. Benefit and loss related payments	1,826,877	766,616
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	10,309,748	3,903,729
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	12,136,625	4,670,345
11. Net cash from operations (Line 4 minus Line 10)	(2,316,091)	3,708,434
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	4,265,921	6,271,427
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	7,391	0
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	4,273,312	6,271,427
13. Cost of investments acquired (long-term only):		
13.1 Bonds	4,847,147	8,757,026
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	1,338,872
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	4,847,147	10,095,898
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(573,835)	(3,824,471)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	2,729,015
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	283,765	(66,958)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	283,765	2,662,057
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(2,606,161)	2,546,019
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	6,625,977	4,079,957
19.2 End of period (Line 18 plus Line 19.1)	4,019,816	6,625,977

## STATEMENT AS OF AUGUST 31, 2009 OF THE American Keystone Insurance Company

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories							
States, etc.	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama	AL	0	0	0	0	0	0
2. Alaska	AK	0	0	0	0	0	0
3. Arizona	AZ	0	0	0	0	0	0
4. Arkansas	AR	0	0	0	0	0	0
5. California	CA	0	0	0	0	0	0
6. Colorado	CO	0	0	0	0	0	0
7. Connecticut	CT	0	0	0	0	0	0
8. Delaware	DE	0	0	0	0	0	0
9. District of Columbia	DC	0	0	0	0	0	0
10. Florida	FL	22,427,345	7,406,135	1,904,110	369,416	771,358	633,675
11. Georgia	GA	0	0	0	0	0	0
12. Hawaii	HI	0	0	0	0	0	0
13. Idaho	ID	0	0	0	0	0	0
14. Illinois	IL	0	0	0	0	0	0
15. Indiana	IN	0	0	0	0	0	0
16. Iowa	IA	0	0	0	0	0	0
17. Kansas	KS	0	0	0	0	0	0
18. Kentucky	KY	0	0	0	0	0	0
19. Louisiana	LA	0	0	0	0	0	0
20. Maine	ME	0	0	0	0	0	0
21. Maryland	MD	0	0	0	0	0	0
22. Massachusetts	MA	0	0	0	0	0	0
23. Michigan	MI	0	0	0	0	0	0
24. Minnesota	MN	0	0	0	0	0	0
25. Mississippi	MS	0	0	0	0	0	0
26. Missouri	MO	0	0	0	0	0	0
27. Montana	MT	0	0	0	0	0	0
28. Nebraska	NE	0	0	0	0	0	0
29. Nevada	NV	0	0	0	0	0	0
30. New Hampshire	NH	0	0	0	0	0	0
31. New Jersey	NJ	0	0	0	0	0	0
32. New Mexico	NM	0	0	0	0	0	0
33. New York	NY	0	0	0	0	0	0
34. North Carolina	NC	0	0	0	0	0	0
35. North Dakota	ND	0	0	0	0	0	0
36. Ohio	OH	0	0	0	0	0	0
37. Oklahoma	OK	0	0	0	0	0	0
38. Oregon	OR	0	0	0	0	0	0
39. Pennsylvania	PA	0	0	0	0	0	0
40. Rhode Island	RI	0	0	0	0	0	0
41. South Carolina	SC	0	0	0	0	0	0
42. South Dakota	SD	0	0	0	0	0	0
43. Tennessee	TN	0	0	0	0	0	0
44. Texas	TX	0	0	0	0	0	0
45. Utah	UT	0	0	0	0	0	0
46. Vermont	VT	0	0	0	0	0	0
47. Virginia	VA	0	0	0	0	0	0
48. Washington	WA	0	0	0	0	0	0
49. West Virginia	WV	0	0	0	0	0	0
50. Wisconsin	WI	0	0	0	0	0	0
51. Wyoming	WY	0	0	0	0	0	0
52. American Samoa	AS	0	0	0	0	0	0
53. Guam	GU	0	0	0	0	0	0
54. Puerto Rico	PR	0	0	0	0	0	0
55. U.S. Virgin Islands	VI	0	0	0	0	0	0
56. Northern Mariana Islands	MP	0	0	0	0	0	0
57. Canada	CN	0	0	0	0	0	0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0
59. Totals	(a) 1	22,427,345	7,406,135	1,904,110	369,416	771,358	633,675
DETAILS OF WRITE-INS							
5801.	XXX	0	0	0	0	0	0
5802.	XXX	0	0	0	0	0	0
5803.	XXX	0	0	0	0	0	0
5898. Summary of remaining write-ins for Line 58 from overflow page.	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0

(a) Insert the number of L responses except for Canada and Other Alien.

## PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire	6,405,177	181,927	2.8	19.3
2. Allied Lines	11,402,874	(180,743)	(1.6)	0.0
3. Farmowners multiple peril	0	0	0.0	0.0
4. Homeowners multiple peril	6,822,241	1,414,887	20.7	17.5
5. Commercial multiple peril	0	0	0.0	0.0
6. Mortgage guaranty	0	0	0.0	0.0
8. Ocean marine	0	0	0.0	0.0
9. Inland marine	149,353	45,709	30.6	0.0
10. Financial guaranty	0	0	0.0	0.0
11.1 Medical professional liability - occurrence	0	0	0.0	0.0
11.2 Medical professional liability - claims-made	0	0	0.0	0.0
12. Earthquake	0	0	0.0	0.0
13. Group accident and health	0	0	0.0	0.0
14. Credit accident and health	0	0	0.0	0.0
15. Other accident and health	0	0	0.0	0.0
16. Workers' compensation	0	0	0.0	0.0
17.1 Other liability - occurrence	0	0	0.0	0.0
17.2 Other liability - claims-made	0	0	0.0	0.0
18.1 Products liability - occurrence	0	0	0.0	0.0
18.2 Products liability - claims-made	0	0	0.0	0.0
19.1,19.2 Private passenger auto liability	0	0	0.0	0.0
19.3,19.4 Commercial auto liability	0	0	0.0	0.0
21. Auto physical damage	0	0	0.0	0.0
22. Aircraft (all perils)	0	0	0.0	0.0
23. Fidelity	0	0	0.0	0.0
24. Surety	0	0	0.0	0.0
26. Burglary and theft	0	0	0.0	0.0
27. Boiler and machinery	0	0	0.0	0.0
28. Credit	0	0	0.0	0.0
29. International	0	0	0.0	0.0
30. Warranty	0	0	0.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
35. TOTALS	24,779,645	1,461,780	5.9	17.1
DETAILS OF WRITE-INS				
3401.	0	0	0.0	0.0
3402.	0	0	0.0	0.0
3403.	0	0	0.0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0.0	0.0

## PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	126,390	5,727,188	185,253
2. Allied Lines	198,742	9,620,054	318,796
3. Farmowners multiple peril	0	0	0
4. Homeowners multiple peril	1,221,865	6,916,345	6,819,451
5. Commercial multiple peril	0	0	0
6. Mortgage guaranty	0	0	0
8. Ocean marine	0	0	0
9. Inland marine	32,644	163,758	82,635
10. Financial guaranty	0	0	0
11.1 Medical professional liability - occurrence	0	0	0
11.2 Medical professional liability - claims-made	0	0	0
12. Earthquake	0	0	0
13. Group accident and health	0	0	0
14. Credit accident and health	0	0	0
15. Other accident and health	0	0	0
16. Workers' compensation	0	0	0
17.1 Other liability - occurrence	0	0	0
17.2 Other liability - claims-made	0	0	0
18.1 Products liability - occurrence	0	0	0
18.2 Products liability - claims-made	0	0	0
19.1,19.2 Private passenger auto liability	0	0	0
19.3,19.4 Commercial auto liability	0	0	0
21. Auto physical damage	0	0	0
22. Aircraft (all perils)	0	0	0
23. Fidelity	0	0	0
24. Surety	0	0	0
26. Burglary and theft	0	0	0
27. Boiler and machinery	0	0	0
28. Credit	0	0	0
29. International	0	0	0
30. Warranty	0	0	0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. TOTALS	1,579,641	22,427,345	7,406,135
DETAILS OF WRITE-INS			
3401.	0	0	0
3402.	0	0	0
3403.	0	0	0
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above)	0	0	0



STATEMENT AS OF AUGUST 31, 2009 OF THE American Keystone Insurance Company

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1	2	3	4	5	6	7	8	9	10	11	12	13
	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2009 Loss and LAE Payments on Claims Reported as of Prior Year-End	2009 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2009 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves (Savings) Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves (Savings) Deficiency (Cols. 5 + 8 + 9 minus Col. 1)	Prior Year-End Total Loss and LAE Reserve Developed (Savings) Deficiency (Cols. 11 + 12)
1. 2006 + Prior	0	0	0	0	0	0	0	0	0	0	0	0	0
2. 2007	0	22	22	0	0	0	0	0	5	5	0	(17)	(17)
3. Subtotals 2007 + Prior	0	22	22	0	0	0	0	0	5	5	0	(17)	(17)
4. 2008	332	393	725	456	123	579	54	(36)	99	117	178	(206)	(29)
5. Subtotals 2008 + Prior	332	414	746	456	123	579	54	(36)	104	122	178	(223)	(46)
6. 2009	XXX	XXX	XXX	XXX	686	686	XXX	308	553	861	XXX	XXX	XXX
7. Totals	332	414	746	456	809	1,265	54	272	657	983	178	(223)	(46)
8. Prior Year-End's Surplus As Regards Policyholders	5,202												
											Col. 11, Line 7 As % of Col. 1 Line 7	Col. 12, Line 7 As % of Col. 2 Line 7	Col. 13, Line 7 As % of Col. 3 Line 7
											1. 53.5	2. (53.9)	3. (6.1)
													Col. 13, Line 7 As a % of Col. 1 Line 8
													4. (0.9)

# DRAFT

American Keystone Insurance Company  
Analysis of Wind Down Scenario  
Cash Flow Basis

9/15/2009 13:35

For Internal Discussion Only  
Strictly Confidential  
In thousands

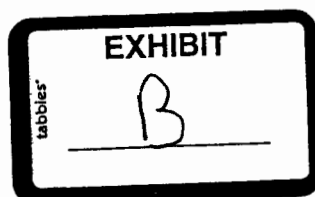
	Sept 2009	Oct 2009	Nov 2009	Dec 2009	Total Sept-Dec 2009
<b>CASH INFLOWS</b>					
Premium Renewals	\$429	\$1,732	\$1,977	\$0	\$4,137
Quota Share Commutation	\$4,285				\$4,285
Investment Income	\$10	\$10	\$8	\$9	\$37
<b>Total Inflows</b>	<b>\$4,724</b>	<b>\$1,742</b>	<b>\$1,985</b>	<b>\$9</b>	<b>\$8,459</b>
<b>CASH OUTFLOWS</b>					
Payment of Claims	\$382	\$382	\$382	\$382	\$1,530
Private Reinsurance (70% mins.)	\$2,404			\$2,404	\$4,808
State Reinsurance (100%)		\$2,398		\$6,391	\$8,789
Agent Commissions and renewal costs (20%)	\$86	\$346	\$395	\$0	\$827
Vendor payments	\$220	\$145	\$135	\$125	\$625
Operating Expenses (non-vendors)	\$181	\$146	\$122	\$99	\$549
<b>Total Outflows</b>	<b>\$3,274</b>	<b>\$3,418</b>	<b>\$1,035</b>	<b>\$9,402</b>	<b>\$17,128</b>
<b>Net Cash Flow for Period</b>	<b>\$1,450</b>	<b>(\$1,676)</b>	<b>\$950</b>	<b>(\$9,393)</b>	<b>(\$8,669)</b>
Cash & Investments beginning of period	\$10,260	\$11,710	\$10,034	\$10,984	\$10,260
<b>CASH &amp; INVESTMENTS END OF PERIOD</b>	<b>\$11,710</b>	<b>\$10,034</b>	<b>\$10,984</b>	<b>\$1,591</b>	<b>\$1,591</b>

	8/31/2009	9/30/2009	10/31/2009	11/30/2009	12/31/2009
Unearned Premiums	\$15,015	\$12,143	\$10,622	\$9,506	\$6,910
Loss & LAE Reserves	\$1,002	\$959	\$907	\$839	\$729
<b>Unearned Premiums and Loss &amp; LAE Reserves</b>	<b>\$16,017</b>	<b>\$13,102</b>	<b>\$11,529</b>	<b>\$10,345</b>	<b>\$7,638</b>

## KEY ASSUMPTIONS

1. ANALYSIS DOES NOT INCLUDE CANCELLATIONS AND RELATED REFUND OF UNEARNED PREMIUMS TO POLICYHOLDERS. AKIC has not completed sufficient analysis of cancellation to be able to make a reasonable assumption as to future cancellations. It is anticipated that inclusion of future cancellations may have a significant effect on AKIC's projected cash flow.
2. Premium Renewal Rate For September-November-50%. No Renewals after 12/1/09. Realization of a premium renewal rate of less than 50% may also have a significant effect on AKIC's projected cash flow.
3. Claim payments for Sept-Dec 2009 are average monthly paid per month for 2009. Paid Losses & LAE Jan-June 2009-\$2,294 /6=\$382
4. Loss & LAE Reserves increased for Incurred Losses = Earned premium for month X loss ratio (personal 22%, Commercial 6%) and decreased for Paid losses described in 3.

THIS IS A PRELIMINARY ANALYSIS THAT WILL BE UPDATED AND MODIFIED AS ADDITIONAL INFORMATION BECOMES AVAILABLE



American Keystone Insurance Company  
Reinsurance Premiums Payable  
June 2009--May 2010  
(In thousands of dollars)

	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10
First Cat XOL	\$135	\$0	\$0	\$135	\$0	\$0	\$135	\$0	\$0
Second Cat XOL	\$608	\$0	\$0	\$608	\$0	\$0	\$608	\$0	\$0
Third Cat XOL	\$495	\$0	\$0	\$495	\$0	\$0	\$495	\$0	\$0
FourthCat XOL	\$589	\$0	\$0	\$589	\$0	\$0	\$589	\$0	\$0
Fifth Cat XOL	\$45	\$0	\$0	\$45	\$0	\$0	\$45	\$0	\$0
	\$1,871	\$0	\$0	\$1,871	\$0	\$0	\$1,871	\$0	\$0

**Private Reinsurers**

Catastrophe Excess Of Loss Reinsurance

First Cat XOL	\$135	\$0	\$0	\$135	\$0	\$0	\$135	\$0	\$0
Second Cat XOL	\$608	\$0	\$0	\$608	\$0	\$0	\$608	\$0	\$0
Third Cat XOL	\$495	\$0	\$0	\$495	\$0	\$0	\$495	\$0	\$0
FourthCat XOL	\$589	\$0	\$0	\$589	\$0	\$0	\$589	\$0	\$0
Fifth Cat XOL	\$45	\$0	\$0	\$45	\$0	\$0	\$45	\$0	\$0
	\$1,871	\$0	\$0	\$1,871	\$0	\$0	\$1,871	\$0	\$0
Per Risk Excess Of Loss Reinsurance									
First Per Risk Excess	\$210	\$0	\$0	\$210	\$0	\$0	\$210	\$0	\$0
Second Per Risk Excess	\$285	\$0	\$0	\$285	\$0	\$0	\$285	\$0	\$0
Third Per Risk Excess	\$38	\$0	\$0	\$38	\$0	\$0	\$38	\$0	\$0
	\$533	\$0	\$0	\$533	\$0	\$0	\$533	\$0	\$0
Total Private Reinsurers	\$2,404	\$0	\$0	\$2,404	\$0	\$0	\$2,404	\$0	\$0

Florida Hurricane Catastrophe Fund

Mandatory FHCF

LAC

TICL

	\$2,398		\$6,391						
Total	\$2,404	\$2,398	\$0	\$8,795	\$0	\$0	\$2,404	\$0	\$0

# DRAFT

Analysis of Wind Down Scenario  
Cash Flow Basis

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Strictly Confidential

## Operating Expenses

	<u>sep</u>	<u>oct</u>	<u>nov</u>	<u>dec</u>
Payroll and related	\$66	\$66	\$57	\$34
Consulting (BH only)	\$45	\$25	\$25	\$25
Legal	\$40	\$30	\$20	\$20
Accounting - outside				
Office rent and occupancy	\$10	\$10	\$10	\$10
other	\$20	\$15	\$10	\$10
total operating	\$181	\$146	\$122	\$99

# DRAFT

American Keystone Insurance Company  
Analysis of Wind Down Scenario  
Cash Flow Basis

For Internal Discussion  
Strictly Confidential  
in thousands

## Payroll and Consulting Fees

	<u>sep</u>	<u>oct</u>	<u>nov</u>	<u>dec</u>
Payroll				
Howson	\$25	\$25	\$25	\$25
Wood	\$9	\$9	\$9	\$9
Gruber	\$4	\$4		
Solano	\$8	\$8	\$8	
Thomas	\$9	\$9	\$9	
Bridges	\$6	\$6	\$6	
Goeddel	\$6	\$6		
subtotal payroll	\$66	\$66	\$57	\$34
Consulting				
Compass	\$45	\$40	\$35	\$30
RSF (paid by Kbre)	\$0	\$0	\$0	\$0
ADG (paid by Kbre)	\$0	\$0	\$0	\$0
subtotal consulting	\$45	\$40	\$35	\$30
total payroll and cons	\$111	\$106	\$92	\$64

# DRAFT

American Keystone Insurance Company  
Analysis of Wind Down Scenario  
Cash Flow Basis

For Internal Discussion  
Strictly Confidential  
in thousands

## Vendor Payments

	<u>sep</u>	<u>oct</u>	<u>nov</u>	<u>dec</u>
CSC	\$150	\$75	\$75	\$75
BIPT	\$40	\$40	\$30	\$30
Catmando	\$30	\$30	\$30	\$20
total	\$220	\$145	\$135	\$125

# DRAFT

American Keystone Insurance Company  
Analysis of Wind Down Scenario  
Cash Flow Basis

For Internal Discussion Only  
Strictly Confidential  
in thousands

## Premium Analysis

	<u>sep</u>	<u>oct</u>	<u>nov</u>	<u>dec</u>
<b>Premiums Written</b>				
Original expectations				
Personal	\$581	\$794	\$810	\$835
Commercial	\$276	\$2,670	\$3,143	\$5,170
total	\$857	\$3,464	\$3,953	\$6,005
 <b>Revised expectations</b>				
new assumed renewal %	50%	50%	50%	0%
 Personal	\$291	\$397	\$405	\$0
Commercial	\$138	\$1,335	\$1,572	\$0
total premium renewals	\$429	\$1,732	\$1,977	\$0

# DRAFT

American Keystone Insurance Company Updated:

Analysis of Wind Down Scenario

For Internal Discussion Only

Cash Flow Basis

Strictly Confidential

Loss & LAE Paid

Loss & LAE Reserves

	8/31/2009	<u>Sept 2009</u>	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>
Loss & LAE Reserves 8/31/09	\$1,002				

## Premiums Earned

Personal	\$886	\$845	\$808	\$725
Commercial	\$2,415	\$2,408	\$2,285	\$1,871
	<u>\$3,300</u>	<u>\$3,253</u>	<u>\$3,093</u>	<u>\$2,596</u>

## Incurred Losses

Personal	22%	\$195	\$186	\$178	\$160
Commercial	6%	\$145	\$144	\$137	\$112
		<u>\$340</u>	<u>\$330</u>	<u>\$315</u>	<u>\$272</u>

## Losses & LAE Paid Jan-June 2009

Losses	\$1,823
LAE	\$472
	<u>\$2,295</u>

Monthly Average Paid Losses & LAE \$382

	<u>Sept 2009</u>	<u>Oct 2009</u>	<u>Nov 2009</u>	<u>Dec 2009</u>
Loss & LAE Reserves-Beginning	\$1,002	\$959	\$907	\$839
Loss & LAE Incurred	\$340	\$330	\$315	\$272
Loss & LAE Paid	<u>(\$382)</u>	<u>(\$382)</u>	<u>(\$382)</u>	<u>(\$382)</u>
Loss & LAE Reserves-Ending	<u>\$959</u>	<u>\$907</u>	<u>\$839</u>	<u>\$729</u>



# DRAFT

American Keystone Insurance Con Updated:  
 Analysis of Wind Down Scenario For Internal Discussion Only  
 Cash Flow Basis Strictly Confidential  
 Unearned Premiums

8/31/2009 9/30/2009 10/31/2009 11/30/2009 12/31/2009

## Unearned Premiums -Premiums Written Prior to 9/1/09

Personal	\$5,156	\$4,295	\$3,507	\$2,790	\$2,156
Commercial	\$9,859	\$7,456	\$5,171	\$3,139	\$1,522
Total	\$15,015	\$11,750	\$8,678	\$5,929	\$3,678
		\$3,265	\$3,073	\$2,748	\$2,251

## Premiums Written-After 9/1/09

Personal	\$291	\$397	\$405	\$0
Commercial	\$138	\$1,335	\$1,572	\$0
	\$429	\$1,732	\$1,977	\$0

## Premiums Earned on Premiums Written after 9/1/09

Personal	\$24	\$57	\$91	\$91
Commercial	\$12	\$123	\$254	\$254
	\$36	\$180	\$345	\$345

Unearned Premium	\$15,015	\$12,143	\$10,622	\$9,506	\$6,910
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## EARNED PREMIUM

Personal	\$886	\$845	\$808	\$725
Commercial	\$2,415	\$2,408	\$2,285	\$1,871
	\$3,300	\$3,253	\$3,093	\$2,596

## INCURRED LOSSES & LAE

Personal	22%	\$195	\$186	\$178	\$160
Commercial	6%	\$145	\$144	\$137	\$112
		\$340	\$330	\$315	\$272

# State of Florida



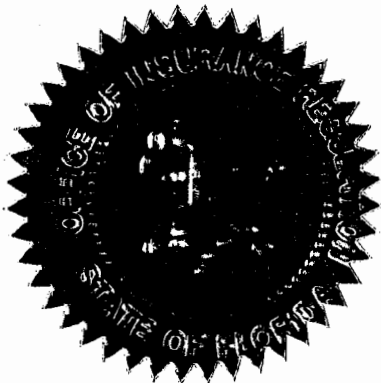
## Office of Insurance Regulation Tallahassee, Florida

October 7, 2009

I, the undersigned, Commissioner of the Office of Insurance Regulation, do hereby certify that the attached documents are true and correct copies of documents on file with the Office of Insurance Regulation.

Pursuant to Section 624.303, F.S., I further certify that said records were maintained in the regular course of business of the State of Florida Office of Insurance Regulation.

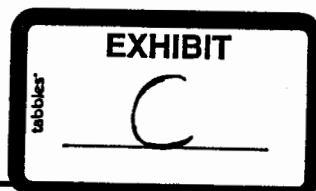
American Keystone Insurance Company, Case No.: 105648-09, Consent Order filed October 7, 2009.



IN TESTIMONY WHEREOF, I hereto  
subscribe my name, and affix the Seal of  
my Office, at Tallahassee, the day and year  
first above written.

A handwritten signature in black ink, appearing to read "Kenneth M. McCarty".

Commissioner, Office of Insurance Regulation



**FILED****OCT 7 2009****OFFICE OF  
INSURANCE REGULATION**Docketed by: **OFFICE OF INSURANCE REGULATION**KEVIN M. MCCARTY  
COMMISSIONER

IN THE MATTER OF:

Case No.: 105648-09

AMERICAN KEYSTONE INSURANCE COMPANY  
/**CONSENT TO THE APPOINTMENT OF THE DEPARTMENT OF FINANCIAL  
SERVICES AS RECEIVER FOR PURPOSES OF REHABILITATION OR  
LIQUIDATION**

THIS CAUSE came on for consideration as the result of an agreement between AMERICAN KEYSTONE INSURANCE COMPANY (hereinafter referred to as "AMERICAN KEYSTONE"), and the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE"). Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and parties to this proceeding.
2. AMERICAN KEYSTONE is a Florida domestic property and casualty insurer licensed under Chapter 624, Florida Statutes, and subject to regulation by the OFFICE, pursuant to the Florida Insurance Code.
3. On August 10, 2009, the OFFICE and AMERICAN KEYSTONE entered into a Consent Order for Administrative Supervision, which placed AMERICAN KEYSTONE in administrative supervision until December 31, 2009. This action was predicated on AMERICAN KEYSTONE's inability to secure adequate catastrophe reinsurance for the 2009

hurricane season, which rendered the continuance of its business hazardous to the public or its insureds.

4. Pursuant to Section 624.408(1)(a)5., Florida Statutes, AMERICAN KEYSTONE is required to maintain surplus as to policyholders of at least \$4 million. On AMERICAN KEYSTONE's June 30, 2009 Quarterly Financial Statement, it reported surplus as to policyholders of \$4,609,284. The Notes to Financial Statements #21 in the June 30, 2009 Financial Statement disclose that effective July 1, 2009, AMERICAN KEYSTONE terminated a 50% quota share reinsurance agreement on a cut-off basis and that based upon proformas as if the commutation had occurred on June 30, 2009, surplus as to policyholders is \$2,372,284. Surplus as to policyholders of \$2,372,284 places AMERICAN KEYSTONE in an impaired state.

5. In order to protect the assets of AMERICAN KEYSTONE and to protect the interests of AMERICAN KEYSTONE's policyholders, the parties agree that:

(a) AMERICAN KEYSTONE's certificate of authority is hereby suspended as of the date of this Consent Order;

(b) AMERICAN KEYSTONE voluntarily consents to the appointment of the Department of Financial Services as Receiver for purposes of rehabilitation or liquidation, at the sole discretion of the Department of Financial Services.

6. AMERICAN KEYSTONE expressly waives a hearing in this matter, the making of Findings of Fact and Conclusions of Law by the OFFICE and all further and other proceedings herein to which it may be entitled by law or rules of the OFFICE.

7. AMERICAN KEYSTONE hereby knowingly and voluntarily waives all rights to challenge or to contest this Consent Order, in any forum now or in the future available to it,

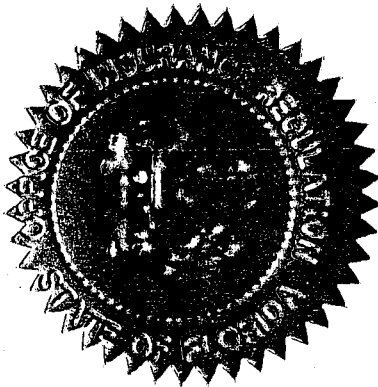
including the right to any administrative proceeding, circuit or federal court action, or any appeal.

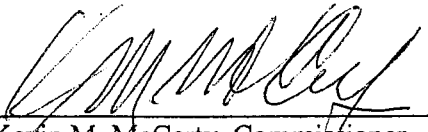
8. The parties agree that this Consent Order will be deemed to be executed when the OFFICE has executed a copy of this Consent Order bearing the signature of AMERICAN KEYSTONE and/or its authorized representative, notwithstanding the fact that the copy was transmitted to the OFFICE electronically or via facsimile machine. Further, AMERICAN KEYSTONE agrees that its signature as affixed to this Consent Order shall be under the seal of a Notary Public.

WHEREFORE, the agreement between AMERICAN KEYSTONE INSURANCE COMPANY and the OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is APPROVED.

FURTHER, all terms and conditions above are hereby ORDERED.

DONE AND ORDERED this 7<sup>th</sup> day of October, 2009.



  
\_\_\_\_\_  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

By execution hereof, AMERICAN KEYSTONE INSURANCE COMPANY, consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents he/she has the authority to bind AMERICAN KEYSTONE INSURANCE COMPANY, to the terms and conditions of this Consent Order.

AMERICAN KEYSTONE INSURANCE COMPANY

By: Bruce K. Howson

Corporate Seal

Print Name: BRUCE K. HOWSON

Title: PRESIDENT

Date: 8/26/2009

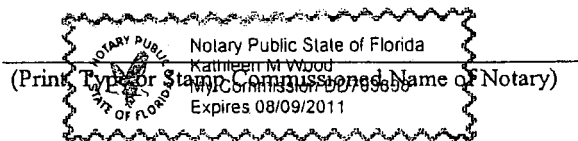
STATE OF Florida  
COUNTY OF St. Johns

The foregoing instrument was acknowledged before me this 26<sup>th</sup> day of August 2009,

by Bruce K. Howson as Officer  
(name of person) (type of authority ..... e.g. officer, trustee attorney in fact)

for American Keystone Insurance Company.  
(company name)

Kathleen M. Wood  
(Signature of the Notary)



Personally Known ☒ OR Produced Identification ☐

Type of Identification Produced \_\_\_\_\_

COPIES FURNISHED TO:

Bruce Howson, President  
American Keystone Insurance Company  
816 A1A North, Suite 301  
Ponte Vedra Beach, Florida 32082

Billy Galloway, Esq.  
Galloway, Brennan, & Billmeier P.A.  
240 East 5th Avenue  
Tallahassee, Florida 32303

Robin Westcott, Director  
Property & Casualty Financial Oversight  
Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399-4206

Amanda Parnell, Assistant General Counsel  
Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399-4206  
Amanda.Parnell@flor.com

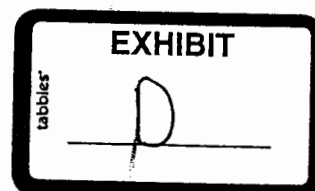
Affidavit of Robin S. Westcott

State of Florida

County of Leon

BEFORE ME, the undersigned authority appeared Robin S. Westcott, who after being sworn, deposes and says:

1. I, Robin S. Westcott, currently hold the position of Director of Property and Casualty Financial Oversight for the Florida Office of Insurance Regulation (Office). I graduated from Florida State University in 1990 with a Bachelor of Science degree in Political Science. I received a Juris Doctor degree from the Florida State University College of Law in 1993. I was admitted to the Florida Bar in 1993.
2. I have served as the Director of Property and Casualty Financial Oversight for the Office since December 2007. I served as the Deputy Director of Property and Casualty Financial Oversight for the Office from October 2006 until December 2007. I served as an Assistant General Counsel with the Office from 2004 until 2006. My prior work experience also includes serving as Senior Attorney for the Division of Rehabilitation and Liquidation, Florida Department of Insurance, from 1993 until 2002.
3. As the Director of Property and Casualty Financial Oversight for the Office, I have obtained knowledge both directly and indirectly through employees of the





Office and firms retained by the Office, regarding all records maintained by the Office concerning American Keystone Insurance Company ("AKIC").

4. AKIC is a Florida domestic insurer authorized to transact insurance business in Florida pursuant to the Florida Insurance Code. AKIC was incorporated under the laws of Florida on October 25, 2006 and is 100% owned by Sarasota Investors Group, Inc. (IPA), a Florida corporation which is 81% owned by Greenstreet of Florida, Inc., whose shares are held in trust by Greenstreet Trust whose stock is held in trust by Greenstreet Trust whose trustees are Bruce K. Howson, Robert M. Taylor and Trudo T. Letschert. The remaining 19% ownership in Sarasota Investors Group, are Bruce K Howson (8%), Robert M. Taylor (3%), Trudo T. Letschert (3%), Philip Cawley (2%) and Griffin children trust (3%).
5. AKIC has been authorized to write insurance in the homeowners line of business in the State of Florida since February 8, 2007.
6. On November 17, 2008, AKIC submitted its September 30, 2008 Quarterly Statement filing which reported surplus as regards policyholders of four million, three hundred and forty eight thousand, nine hundred and nineteen U.S. Dollars (\$4,348,919), only three hundred forty eight thousand, nine hundred and nineteen U.S. Dollars (\$348,919) above the minimum requirement. On January 30, 2009 Bruce Howson, Clyde Galloway and Lee Roddenberry met with the Office and discussed a capital contribution of real estate with a net value of one million, three hundred thirty eight thousand, eight hundred and seventy two U.S. Dollars (\$1,338,872), which the company received on December 31, 2008.

7. On February 25, 2009, AKIC submitted a request for SSAP No. 72 treatment of capital contributions of eight hundred thousand U.S. Dollars (\$800,000) from Kings Bay Insurance Services and three hundred forty three thousand, one hundred and seventy three U.S. Dollars (\$343,173) from Kings Bay Reinsurance Intermediaries, Inc. Both Kings Bay Insurance Services and Kings Bay Reinsurance Intermediaries, Inc. are affiliated with AKIC. The Office approved SSAP No. 72 treatment of these contributions on February 27, 2009.
8. On March 2, 2009, AKIC submitted its 12/31/2008 Annual Statement filing reporting surplus as regards to policyholders of five million, two hundred eight thousand and two U.S. Dollars (\$5,208,002), which included the real estate of one million, three hundred thirty eight thousand, eight hundred and seventy two U.S. Dollars (\$1,338,872), received on 12/31/08 and the one million, one hundred forty three thousand, one hundred and seventy three U.S. Dollars (\$1,143,173) SSAP No. 72 capital contribution noted in the aforementioned paragraphs. The Office continued to monitor the company, specifically any variance in the surplus and the actual value that the newly contributed assets held.
9. The Office routinely requires insurers writing homeowners coverage in Florida to submit data regarding the reinsurance programs secured. The material regarding the reinsurance is due to the Office in June of each year. AKIC submitted reinsurance data and the Office undertook review of the adequacy of the company's reinsurance program.

10. After review, the Office determined that AKIC did not secure adequate catastrophe reinsurance for the 2009 hurricane season, which rendered the continuance of its business hazardous to the public or its insured's.
11. On August 10, 2009, AKIC entered into a Consent Order for Administrative Supervision effective until December 31, 2009. The purpose of the Administrative Supervision Order was to facilitate the removal by assumption or otherwise of the policies currently in force. AKIC agreed that its Certificate of Authority would be revoked as of December 31, 2009.
12. August 17, 2009, AKIC submitted its June 30, 2009 Quarterly Statement filing which reported surplus as regards to policyholders of four million, six hundred and nine thousand, two hundred and eighty four U.S. Dollars (\$4,609,284). Also, included in the Notes to Financial Statements of the June 30, 2009 Quarterly Statement was the effect of the termination of a 50% quota share reinsurance agreement effective July 1, 2009, which would decrease AKIC's surplus as regards to policyholders two million, two hundred and thirty seven thousand U.S. Dollars (\$2,237,000). This adjustment would decrease surplus as regards to policyholders below the minimum required surplus of four million U.S. Dollars (\$4,000,000), pursuant to Section 624.408, Florida Statutes, which results in the finding that AKIC is in an impaired state.
13. Terms of the Administrative Supervision required the company to begin monthly reporting of financial data. As a result, on August 28, 2009, AKIC submitted its July 31, 2009 Monthly Financial Statement which reported surplus as regards to policyholders of three million, eleven thousand, three hundred and ninety U.S.

Dollars (\$3,011,390), which is nine hundred eighty eight thousand, six hundred and ten U.S. Dollars (\$988,610) below the minimum requirement of four million U.S. Dollars (\$4,000,000), pursuant to Section 624.408, Florida Statutes, which still left AKIC in an impaired state. The Office continued with the administrative supervision based upon representations from the company that there was pending negotiations with reinsurers that would have a positive net effect on surplus to the company. Also, the Office had been in contact with several other companies that were undertaking due diligence on the company's book of business to effectuate a transfer of the business with minimal disruption to policyholders of AKIC.

14. On September 21, 2009, AKIC submitted its August 30, 2009 Monthly Financial Statement which reported surplus as regards to policyholders of three million, six hundred sixty four thousand, eight hundred and fifty one U.S. Dollars (\$3,664,851), which is three hundred thirty five thousand, one hundred and forty nine U.S. Dollars (\$335,149) below the minimum requirement of four million U.S. Dollars (\$4,000,000), pursuant to Section 624.408, Florida Statutes, which still leaves AKIC in an impaired state.
15. On September 15, 2009, the Office received cash flow projections from AKIC to determine if they would have sufficient cash in order to meet its obligations. Accompanying the cash flow projections, were the schedule of payments due to private reinsurers and the Florida Hurricane Catastrophe Fund. Payments totaling eight million, seven hundred and eighty nine thousand U.S. Dollars (\$8,789,000) and seven million, two hundred and eleven thousand U.S. Dollars (\$7,211,000), were due to the Florida Hurricane Catastrophe Fund and Private reinsurers,

respectively, which are not recognized as earned on the August 30, 2009 Monthly Financial Statement noted in paragraph 12 above. If the future payments due to the reinsurers were recognized as earned on the August 30, 2009 Monthly Financial Statement, the surplus as regards to policyholders would be approximately negative twelve million, three hundred thirty five thousand, one hundred and forty nine U.S. Dollars \$(12,335,149), which is the reported surplus as regards to policyholder of three million, six hundred sixty four thousand, eight hundred and fifty one U.S. Dollars (\$3,664,851), less sixteen million U.S. Dollars (\$16,000,000), in payments due to reinsurers. This reflects the situation that American Keystone will not have the ability to meet its financial obligations as they will come due over the coming months, which results in a finding that American Keystone is insolvent as defined by Chapter 631, Florida Statutes.

16. Additionally, the cash flow projections submitted on September 15, 2009, show AKIC will use up its cash and investments to fund expenses and other outflows leaving just one million, five hundred and ninety one thousand U.S. Dollars (\$1,591,000) in cash and investments by December 31, 2009. However, this presentation includes October and November 2009 renewal premium cash inflows of three million, seven hundred and nine thousand U.S. Dollars (\$3,709,000), which will not occur. When adjusted to remove the renewal premium, AKIC is then projected to exhaust all cash and investments by December 1, 2009 and be short two million, one hundred and eighteen thousand U.S. Dollars (\$2,118,000) to make necessary payments to the private reinsurers and Florida Hurricane Catastrophe Fund which are due December 1, 2009. AKIC will not have any cash

or investments to utilize to return the unearned premium to the policyholders who elect to cancel their policies after December 1, 2009, which the unearned premium is expected to be six million, two hundred and fifty one thousand U.S. Dollars (\$6,251,000) (adjusted for the removal of October and November renewals) on December 1, 2009.

17. Therefore based on the foregoing, AKIC is impaired and insolvent as defined by Chapter 631, Florida Statutes, and the grounds exist for the appointment of a receiver pursuant to Section 631.051 and 631.061, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Robin S. Westcott

Robin S. Westcott

Subscribed and sworn before me this 2<sup>nd</sup> day of October, 2009

Vicky H. Fletcher  
Notary Public



# State of Florida



## Office of Insurance Regulation Tallahassee, Florida

October 7, 2009

I, the undersigned, Commissioner of the Office of Insurance Regulation, do hereby certify that the attached documents are true and correct copies of documents on file with the Office of Insurance Regulation.

Pursuant to Section 624.303, F.S., I further certify that said records were maintained in the regular course of business of the State of Florida Office of Insurance Regulation.

American Keystone Insurance Company, Case No.: 105648-09, Consent Order filed October 7, 2009.



IN TESTIMONY WHEREOF, I hereto  
subscribe my name, and affix the Seal of  
my Office, at Tallahassee, the day and year  
first above written.

A handwritten signature in black ink, appearing to read "Kenneth M. McEarty".

Commissioner, Office of Insurance Regulation



**FILED**

OCT 7 2009

OFFICE OF  
INSURANCE REGULATION

Docketed by: [Signature]

OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY  
COMMISSIONER

IN THE MATTER OF:

Case No.: 105648-09

AMERICAN KEYSTONE INSURANCE COMPANY  
\_\_\_\_\_ /

**CONSENT TO THE APPOINTMENT OF THE DEPARTMENT OF FINANCIAL  
SERVICES AS RECEIVER FOR PURPOSES OF REHABILITATION OR  
LIQUIDATION**

THIS CAUSE came on for consideration as the result of an agreement between AMERICAN KEYSTONE INSURANCE COMPANY (hereinafter referred to as "AMERICAN KEYSTONE"), and the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE"). Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and parties to this proceeding.
2. AMERICAN KEYSTONE is a Florida domestic property and casualty insurer licensed under Chapter 624, Florida Statutes, and subject to regulation by the OFFICE, pursuant to the Florida Insurance Code.
3. On August 10, 2009, the OFFICE and AMERICAN KEYSTONE entered into a Consent Order for Administrative Supervision, which placed AMERICAN KEYSTONE in administrative supervision until December 31, 2009. This action was predicated on AMERICAN KEYSTONE's inability to secure adequate catastrophe reinsurance for the 2009



hurricane season, which rendered the continuance of its business hazardous to the public or its insureds.

4. Pursuant to Section 624.408(1)(a)5., Florida Statutes, AMERICAN KEYSTONE is required to maintain surplus as to policyholders of at least \$4 million. On AMERICAN KEYSTONE's June 30, 2009 Quarterly Financial Statement, it reported surplus as to policyholders of \$4,609,284. The Notes to Financial Statements #21 in the June 30, 2009 Financial Statement disclose that effective July 1, 2009, AMERICAN KEYSTONE terminated a 50% quota share reinsurance agreement on a cut-off basis and that based upon proformas as if the commutation had occurred on June 30, 2009, surplus as to policyholders is \$2,372,284. Surplus as to policyholders of \$2,372,284 places AMERICAN KEYSTONE in an impaired state.

5. In order to protect the assets of AMERICAN KEYSTONE and to protect the interests of AMERICAN KEYSTONE's policyholders, the parties agree that:

(a) AMERICAN KEYSTONE's certificate of authority is hereby suspended as of the date of this Consent Order;

(b) AMERICAN KEYSTONE voluntarily consents to the appointment of the Department of Financial Services as Receiver for purposes of rehabilitation or liquidation, at the sole discretion of the Department of Financial Services.

6. AMERICAN KEYSTONE expressly waives a hearing in this matter, the making of Findings of Fact and Conclusions of Law by the OFFICE and all further and other proceedings herein to which it may be entitled by law or rules of the OFFICE.

7. AMERICAN KEYSTONE hereby knowingly and voluntarily waives all rights to challenge or to contest this Consent Order, in any forum now or in the future available to it,

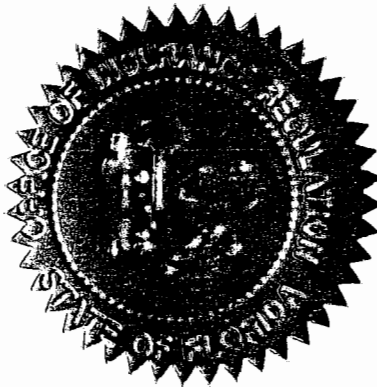
including the right to any administrative proceeding, circuit or federal court action, or any appeal.

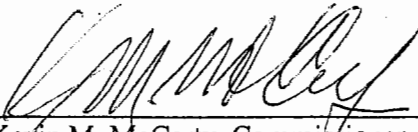
8. The parties agree that this Consent Order will be deemed to be executed when the OFFICE has executed a copy of this Consent Order bearing the signature of AMERICAN KEYSTONE and/or its authorized representative, notwithstanding the fact that the copy was transmitted to the OFFICE electronically or via facsimile machine. Further, AMERICAN KEYSTONE agrees that its signature as affixed to this Consent Order shall be under the seal of a Notary Public.

WHEREFORE, the agreement between AMERICAN KEYSTONE INSURANCE COMPANY and the OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is APPROVED.

FURTHER, all terms and conditions above are hereby ORDERED.

DONE AND ORDERED this 7<sup>th</sup> day of October, 2009.



  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

By execution hereof, AMERICAN KEYSTONE INSURANCE COMPANY, consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents he/she has the authority to bind AMERICAN KEYSTONE INSURANCE COMPANY, to the terms and conditions of this Consent Order.

AMERICAN KEYSTONE INSURANCE COMPANY

By: Bruce K. Howson

Corporate Seal

Print Name: BRUCE K. HOWSON

Title: PRESIDENT

Date: 8/26/2009

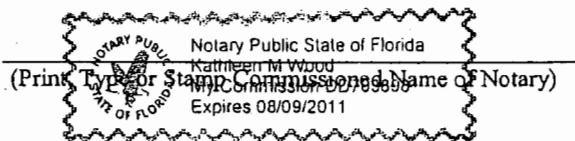
STATE OF Florida  
COUNTY OF St. Johns

The foregoing instrument was acknowledged before me this 26<sup>th</sup> day of August 2009,

by Bruce K. Howson as Officer  
(name of person) (type of authority ..... e.g. officer, trustee attorney in fact)

for American Keystone Insurance Company  
(company name)

Kathleen M. Wood  
(Signature of the Notary)



Personally Known ☒ OR Produced Identification ☐

Type of Identification Produced \_\_\_\_\_

COPIES FURNISHED TO:

Bruce Howson, President  
American Keystone Insurance Company  
816 A1A North, Suite 301  
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IN THE CIRCUIT COURT OF THE  
SECOND JUDICIAL CIRCUIT IN AND  
FOR LEON COUNTY, FLORIDA

IN RE: The Receivership of  
AMERICAN KEYSTONE INSURANCE  
COMPANY, a Florida corporation authorized  
to transact an insurance business in Florida

CASE NO.: 2009-

**ORDER APPOINTING THE FLORIDA DEPARTMENT OF  
FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF LIQUIDATION,  
INJUNCTION AND NOTICE OF AUTOMATIC STAY**

**THIS CAUSE** was considered on the Department of Financial Services' (hereinafter the "Department") Petition for an Order appointing the Department as Receiver for purposes of Liquidation of AMERICAN KEYSTONE INSURANCE COMPANY (hereinafter the "Respondent"). The Court, having reviewed the pleadings of record, and otherwise being fully informed in the premises finds that:

1. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a domestic property and casualty insurer. Respondent's principal place of business is 816 A1A North, Suite 301, Ponte Vedra Beach, Florida 32082.

2. Section 631.061, Florida Statutes, authorizes the Department to apply to this Court for an Order directing it to liquidate a domestic insurer upon the existence of any grounds specified in Section 631.051, Florida Statutes.

3. On October 7, 2009, Kevin McCarty, Commissioner of the Florida Office of Insurance Regulation, sent a letter pursuant to Section 631.031(1), Florida Statutes, to the Honorable Alex Sink, Chief Financial Officer of the State of Florida, advising that grounds exist for the initiation of delinquency proceedings pursuant to Chapter 631,

Florida Statutes, against Respondent.

4. On August 10, 2009, the Office of Insurance Regulation (hereinafter “OIR”) entered a Consent Order for Administrative Supervision (Consent Order) concerning Respondent.

5. On August 26, 2009, Respondent executed a Consent to the Appointment of the Department of Financial Services as Receiver for Purposes of Rehabilitation or Liquidation. In its consent, Respondent waived all rights to contest the Receiver’s Petition for Liquidation and any other proceeding concerning same. OIR executed the Consent to the Appointment of the Department of Financial Services as Receiver for Purposes of Rehabilitation or Liquidation on October 7, 2009.

6. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida-domestic insurance company. Further, Section 631.025(2), Florida Statutes, authorizes the Department to initiate delinquency proceedings against any insurer if the statutory grounds are present as to that insurer.

7. Respondent is insolvent as that term is defined in Section 631.011(14), Florida Statutes.

8. Respondent must be liquidated to protect the remaining assets of Respondent for the benefit of its policyholders, creditors and the public.

9. In light of the Respondent’s Consent to liquidation, pursuant to Sections 631.051(11) and 631.061, Florida Statutes, the Court finds that it is in the best interests of Respondent, its creditors, and its beneficiaries that the relief requested in the petition be

granted. The Court further finds that Respondent is insolvent within the meaning of Section 631.051(1), Florida Statutes.

**THEREFORE, IT IS ORDERED AND ADJUDGED** as follows:

10. The Department of Financial Services of the State of Florida shall be appointed Receiver of Respondent for purposes of liquidation, effective immediately.

11. The Receiver shall be authorized and directed to:

A. Take immediate possession of all the property, assets, and estate, and all other property of every kind whatsoever and wherever located belonging to Respondent pursuant to Sections 631.111 and 631.141, Florida Statutes, including but not limited to: offices maintained by Respondent, rights of action, books, papers, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, wherever situate and however titled, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates and all real property of Respondent, wherever situate, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates.

B. Liquidate the assets of Respondent, including but not limited to, funds held by Respondent's agents, subagents, producing agents, brokers, solicitors, service representatives or others under agency contracts or otherwise which are due and unpaid to Respondent, including premiums, unearned commissions, agents' balances, agents' reserve funds, and subrogation recoveries.

C. Employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as it deems necessary, purchase or lease personal or real property as it deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of the Respondent in the possession of the Receiver or coming into its possession.

D. Reimburse such employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.

E. Not defend or accept service of process on legal actions wherein Respondent, the Receiver, or the insured is a party defendant, commenced either prior to or subsequent to the order, without authorization of this Court; except, however, in actions where Respondent is a nominal party, as in certain foreclosure actions, and the action does not affect a claim against or adversely affect the assets of Respondent, the Receiver may file appropriate pleadings in its discretion.

F. Commence and maintain all legal actions necessary, wherever necessary, for the proper administration of this receivership proceeding.

G. Collect all debts which are economically feasible to collect which are due and owing to Respondent.

H. Deposit funds and maintain bank accounts in accordance with Section 631.221, Florida Statutes.

I. Take possession of all of Respondent's securities and certificates



of deposit on deposit with the Treasurer of Florida or any similar official of any other state, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership.

J. Publish notice specifying the time and place fixed for the filing of claims with the Receiver once each week for three consecutive weeks in the Florida Administrative Weekly published by the Secretary of State, and at least once in the Florida Bar News and to publish notice by similar methods in all states where Respondents may have issued insurance policies.

K. Negotiate and settle subrogation claims and Final Judgments up to and including the sum of Twenty Thousand Dollars (\$20,000.00) without further order of this Court.

L. Sell any salvage recovered property having value of not more than Twenty Thousand Dollars (\$20,000.00) without further order of this Court.

M. Coordinate the operation of the Receivership with the Florida Insurance Guaranty Association ("FIGA") and any other applicable guaranty association pursuant to Part II, Chapter 631, Florida Statutes. The Receiver may, in its discretion, contract with the appropriate guaranty association to provide services as necessary to carry out the purposes of Chapter 631, Florida Statutes.

N. Give notice of this proceeding to Respondent's agents pursuant to Section 631.341, Florida Statutes, if any.

O. All officers, directors, trustees, administrators, agents and employees and all other persons representing Respondent or currently employed or utilized by Respondent in connection with the conduct of its business are

discharged forthwith; provided, however, the Receiver may retain such persons in the Receiver's discretion.

12. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs or the affairs of its affiliates shall be required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes, notwithstanding the provisions of the above paragraph.

13. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, is vested in the Receiver pursuant to Sections 631.111 and 631.141, Florida Statutes.

14. All attorneys employed by Respondent as of the date of the Order, within 10 days notice of the Order, are required to report to the Receiver on the name, company claim number and status of each file they are handling on behalf of the Respondent. Said report shall also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent shall be discharged as of the date of the Order unless their services are retained by the Receiver. All attorneys employed by Respondent shall be advised that pursuant to Section 631.011(21), Florida Statutes, a claim based on mere possession does not create a secured claim and all attorneys employed by Respondent, pursuant to In Re the Receivership of Syndicate Two, Inc., 538 So.2d 945 (Fla. 1<sup>st</sup> DCA 1989), who are in possession of litigation files or other material, documents or records belonging to or relating to work performed by the attorney on

behalf of Respondent shall be required to deliver such litigation files, material, documents or records intact and without purging to the Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, shall not be extinguished by the delivery of these documents.

15. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the Respondent shall account for and pay all premiums and commissions unearned due to cancellation of policies by this Order or in the normal course of business owed to the Respondent directly to the Receiver within 30 days of demand by the Receiver or appear before this Court to show cause, if any they may have, as to why they should not be required to account to the Receiver or be held in contempt of Court for violation of the provisions of this Order. No agent, broker or other person shall use premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

16. Any premium finance company, which has entered into a contract to finance a premium for a policy, which has been issued by Respondent, shall pay any premium owed to Respondent directly to the Receiver.

17. Reinsurance premiums due to or payable by Respondent shall be remitted to, or disbursed by, the Receiver. Reinsurance losses recoverable or payable by Respondent shall be handled by the Receiver. All correspondence concerning reinsurance shall be between the Receiver and the reinsuring company or intermediary.

18. Upon request by the Receiver, any company providing telephonic services to Respondent shall be required to provide a reference of calls from the number presently assigned to Respondent to any such number designated by the Receiver or perform any

other services or changes necessary to the conduct of the receivership.

19. Any bank, savings and loan association, or other financial institution which has on deposit, in its possession, custody or control any funds, accounts and any other assets of Respondent, shall be required to immediately transfer title, custody and control of all such funds, accounts and other assets to the Receiver. The Receiver shall be authorized to change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of this receivership. No bank, savings and loan association or other financial institution shall be permitted to exercise any form of set-off, alleged set-off, lien, any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without the permission of this Court.

20. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to Respondent shall be required to maintain such service and transfer any such accounts to the Receiver as of the date of the Order, unless instructed to the contrary by the Receiver.

21. Any data processing service which has custody or control of any data processing information or records including but not limited to source documents, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information relating to Respondent shall be required to transfer custody and control of such records to the Receiver. The Receiver shall be authorized to compensate any such entity for the actual use of hardware and software which the Receiver finds to be necessary to this proceeding. Compensation shall be based upon the monthly rate provided for in contracts or leases with Respondent which was in effect when this

proceeding was instituted, or based upon such contract as may be negotiated by the Receiver, for the actual time such equipment and software is used by the Receiver.

22. The United States Postal Service shall be directed to provide any information requested by the Receiver regarding Respondent and to handle future deliveries of Respondent's mail as directed by the Receiver.

23. All claims shall be filed with the Receiver on or before 11:59 p.m. on October 8, 2010 or be forever barred, and all such claims shall be filed on proof of claim forms prepared by the Receiver.

24. Except for contracts of insurance, if the Receiver does not assume or reject an executory contract, in whole or in part, to which Respondent was a party within ninety (90) days of the date of this Order or from the date of Receiver's actual knowledge of such contract, whichever is later, then such contract shall be deemed rejected. "Actual Knowledge" means the Receiver has in its possession the original of a written contract to which the Respondent is a party, and the Receiver has notified the vendor in writing acknowledging the existence of the contract. Further, the Receiver shall have the authority to do the following:

A) Pay for services provided by any of Respondent's vendors, in the ninety (90) day period prior to assuming or rejecting the contract, which are necessary to administer the Receivership estate;

B) Once the Receiver determines Respondent's vendor is necessary in the continued administration of the Receivership estate for a period to exceed the ninety (90) days from the date of this order, or from the date of Receiver's actual knowledge of such contract, whichever is later, the Receiver may make minimal modifications to the terms

of the contract, including, but not limited to, the expiration date of the agreement, the scope of the services to be provided, and /or the compensation to be paid to Respondent's vendor pursuant to the contract. "Minimal Modifications" shall mean any minimum alteration made to the contract in order to adapt to the new circumstances of the Receivership estate. In no event will any minimal modification be construed as the Receiver entering into a new contract with Respondent's vendor.

**Any vendor, including but not limited to, any and all employees / contractors of insurer, claiming the existence of a contractual relationship with the insurer shall provide notice to the Receiver of such relationship.** This notice shall include any and all documents and information regarding the terms and conditions of the contract, including a copy of the written contract between the vendor and the insurer, if any, what services or goods were provided pursuant to the contract, any current, future and/or past due amounts owing under the contract, and any supporting documentation for third party services or goods provided. Failure to provide the required information may result in vendors' contractual rights not being recognized by the Receiver. The rights of the parties to any such contracts are fixed as of the date of the Order and any cancellation under this provision shall not be treated as an anticipatory breach of such contracts.

25. All affiliated companies and associations shall be directed to make their books and records available to the Receiver, to include all records located in any premises occupied by said affiliate, whether corporate records or not, and to provide copies of any records requested by the Receiver whether or not such records are related to Respondent. The Receiver shall have title to all policy files and other records of, and relating to Respondent, whether such documents are kept in offices occupied by an

affiliate company or any other person, corporation, or association. The Receiver shall be authorized to take possession of any such records, files, and documents, and to remove them to any location in the Receiver's discretion. Any disputed records shall not be withheld from the Receiver's review, but shall be safeguarded and presented to this Court for review prior to copying by the Receiver.

26. The Receiver shall have complete access to and control of all computer records of Respondent, including administrative rights. The Receiver shall have full power to administer the computer network and hardware used by Respondent, including administrative rights.

27. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms shall be directed to appear before this Court to show good cause, if any they may have, as to why they shall not be held in contempt of Court for violation of the provisions of this Order.

28. Pursuant to the provisions of Section 631.252, Florida Statutes, all policies of insurance or similar contracts of coverage that have not expired are canceled effective at 11:59 p.m. on the date 30 days after the entry of this liquidation order. Policies or contracts of coverage with normal expiration dates prior to the dates otherwise applicable under this paragraph, or which are terminated by insureds or lawfully canceled by the Receiver or insurer before such date, shall stand canceled as of the earlier date.

29. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with AKIC having any interest in the building located at 816 A1A North, Suite 301, Ponte Vedra, Florida 32082; or any other facility in which AKIC may operate, shall make available, at that location and at no

charge to the Receiver or to AKIC, office space, and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

30. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with AKIC having any interest in the computer equipment and software currently used by or for AKIC shall make such computer equipment and software available to the Receiver at no charge to the Receiver or AKIC to the extent deemed necessary by the Receiver in its sole discretion.

#### **CONTINUATION OF INVESTIGATION**

31. The Receiver shall be authorized to conduct an investigation as authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent and its affiliates shall be required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to Respondent, available for full, free and unhindered inspection and examination by the Receiver during normal business hours (9:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order. Respondent and the above specified entities shall be required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation shall include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and



individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

32. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of the affairs of Respondent or its affiliates shall be required to fully cooperate with the Receiver as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph. Upon receipt of a certified copy of the Order, any bank or financial institution shall be required to immediately disclose to the Receiver the existence of any accounts of Respondent and any funds contained therein and any and all documents in its possession relating to Respondent for the Receiver's inspection and copying.

#### **NOTICE OF AUTOMATIC STAY**

33. Notice is hereby given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all persons and entities, other than the Receiver, which shall be permanent and survive the entry of this order, and which prohibits:

A. The commencement or continuation of judicial, administrative or other action or proceeding against the insurer or against its assets or any part thereof;

B. The enforcement of judgment against the insurer or an affiliate, provided that such affiliate is owned by or constitutes an asset of Respondent, obtained either before or after the commencement of the delinquency proceeding;

C. Any act to obtain possession of property of the insurer;

D. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes;

E. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631;

F. The set-off or offset of any debt owing to the insurer except offsets as provided in Section 631.281, Florida Statutes.

34. All Sheriffs and all law enforcement officials of the state shall cooperate with and assist the Receiver in the implementation of this Order.

35. This Court retains jurisdiction of this cause for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

**DONE and ORDERED** in Chambers at the Leon County Courthouse in  
Tallahassee, Leon County, Florida this \_\_\_\_ day of October, 2009.

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CIRCUIT JUDGE

**COPIES FURNISHED TO:**

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