

REPORT ON EXAMINATION
OF
HOME POINTE INSURANCE COMPANY
CORAL GABLES, FLORIDA

AS OF
DECEMBER 31, 2007

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

September 11, 2008

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2007, of the financial condition and corporate affairs of:

**HOME POINTE INSURANCE COMPANY
901 PONCE DE LEON BOULEVARD, SUITE 504
CORAL GABLES, FLORIDA 33134**

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

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2007 through December 31, 2007. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2006. This examination commenced, with planning at the Office, on July 2, 2008, to July 3, 2008. The fieldwork commenced on July 7, 2008, and was concluded as of September 11, 2008.

This financial examination was a statutory financial examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (NAIC Handbook), Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2007. Transactions subsequent to year-end 2007 were reviewed where relevant and deemed significant to the Company's financial condition.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the Company's independent audit reports and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

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

Status of Adverse Findings from Prior Examination

The Office's prior examination report as of December 31, 2006, did not contain any findings requiring action by the Company in connection therewith.

HISTORY

General

The Company was incorporated in Florida on April 25, 2005, and commenced business on October 1, 2005, as Home Pointe Insurance Company.

The Company was party to Consent Order No. 81010-05-00 filed April 7, 2005, with the Office regarding the application for the issuance of a Certificate of Authority. The Company was in compliance with the provisions of this consent order.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2007:

Homeowners multi peril
Mobile home multi peril
Other liability

Fire
Allied lines

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

Subsequent event: On January 23, 2008, the Company was sold to American Capital Assurance Corp., a subsidiary of Safe Harbour Holdings, LLC, a Florida domiciled insurance holding company. New bylaws were adopted in March, 2008.

Capital Stock

As of December 31, 2007, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$1,000,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, North Pointe Financial Services, Inc., which owned 100% of the stock issued by the Company, which in turn was 100% owned by North Pointe Holdings Corporation, a Michigan corporation.

Subsequent event: On January 23, 2008, North Pointe Holdings Corporation sold all outstanding shares of the Company to American Capital Assurance Corp., a subsidiary of Safe Harbour Holdings, LLC, a Florida domiciled insurance holding company.

Profitability of Company

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

	2007	2006	2005
Premiums Earned	13,793,296	12,469,203	24,488
Net Underwriting Gain/(Loss)	3,763,091	602,353	(377,648)
Net Income	3,359,293	686,745	(224,975)
Total Assets	17,802,342	14,699,255	7,282,312
Total Liabilities	2,425,279	2,464,485	(50,713)
Surplus As Regards Policyholders	15,377,063	12,234,770	7,333,025

Dividends to Stockholders

The Company did not declare or pay dividends to its stockholder during this examination period.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2007, were:

Directors

Name and Location

Principal Occupation

Barbara Jean Dobb
Commerce Township, Michigan

CPA
Dobb and Sanger, CPA, PLC

Richard John Lindberg
Madison Heights, Michigan

Sales/Marketing
CNI, Inc.

Jorge Jose Morales
Madison Heights, Michigan

CEO
CNI, Inc.

Boris Matthew Petcoff
Southfield, Michigan

Executive Vice President and Secretary
North Pointe Holdings Corporation

James George Petcoff
Southfield, Michigan

President and CEO
North Pointe Holdings Corporation

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

Senior Officers

Name	Title
James George Petcoff	Chairman and CEO
Boris Matthew Petcoff	President and COO
John Henry Berry	Treasurer
Judith Ann Wikman	Secretary
Paul Benjamin Deemer	Vice President and Chief Actuary
Nicholas James Petcoff	Vice President

Subsequent Event: Directors serving after sale of the Company on January 23, 2008, were:

Directors

Name and Location	Principal Occupation
John Franklin Auer St. Petersburg, Florida	American Strategic Insurance Corp. President, Director and CEO
Marc Fasteau New York, New York	Fulcrum Partners, LLC Managing Director
Gregory Scott Hendrick Hamilton, Bermuda	XL Re, Ltd Senior Vice President
Kevin Robert Milkey St. Petersburg, Florida	American Strategic Insurance Corp. Executive Vice President
James Brawner Little, III Birmingham, Alabama	New Capital Partners, Inc. Managing Partner

Officers serving named after sale of the Company on January 23, 2008, were:

Senior Officers

Name	Title
James Brawner Little, III	Chairman
John Franklin Auer	President, CEO, and Treasurer
Marc Fasteau	Secretary

Kevin Robert Milkey

Executive Vice President and Assistant
Secretary

Mary Frances Fournet

Vice President

Antonio Scognamiglio

Vice President

Gregory Edward Stewart

Vice President

Although the parent company's Board of Directors appointed internal committees for the Company, the Company's Board did not appoint internal committees in accordance with Section 607.0825, Florida Statutes. Therefore, the Company was not in compliance with Section 624.424(8), Florida Statutes which states in part that the Board shall establish an audit committee of three or more directors of the insurer or an affiliated company, and that the audit committee shall be responsible for discussing audit findings.

Subsequent event: After the Company was sold in January 2008, the new owners established an audit committee as required by Section 624.424(8), Florida Statutes.

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Handbook. One exception was noted during this examination period. Therefore, the Company was not in compliance with Section 607.0832, Florida Statutes, which requires disclosure of conflicts of interest.

Subsequent event: After the Company was sold in January 2008, all the newly appointed officers and directors signed conflict of interest disclosure forms as required by Section 607.0832, Florida Statutes.

Corporate Records

The recorded minutes of the shareholder and Board of Directors were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes. The Board of Directors did not approve investment transactions. Therefore, the Company was not in compliance with Section 625.304, Florida Statutes, which states that an insurer shall not make any investment or loan, other than a policy loan or annuity contract loan of a life insurer, unless the same was authorized or approved by the insurer's Board of Directors or by a committee authorized by such Board and charged with the supervision or making of such investment or loan.

Subsequent event: At the first Board of Directors meeting of the new owners, the board approved the opening of new bank accounts, a new custodial account, and investment guidelines.

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

During this examination period there were no acquisitions, mergers, disposals, dissolutions, or purchases or sales through reinsurance.

Subsequent event: On January 23, 2008, the Company was acquired by American Capital Assurance Corp., a subsidiary of Safe Harbour Holdings, LLC, a Florida domiciled insurance holding company.

Surplus Debentures

The Company did not have any surplus debentures.

AFFILIATED COMPANIES

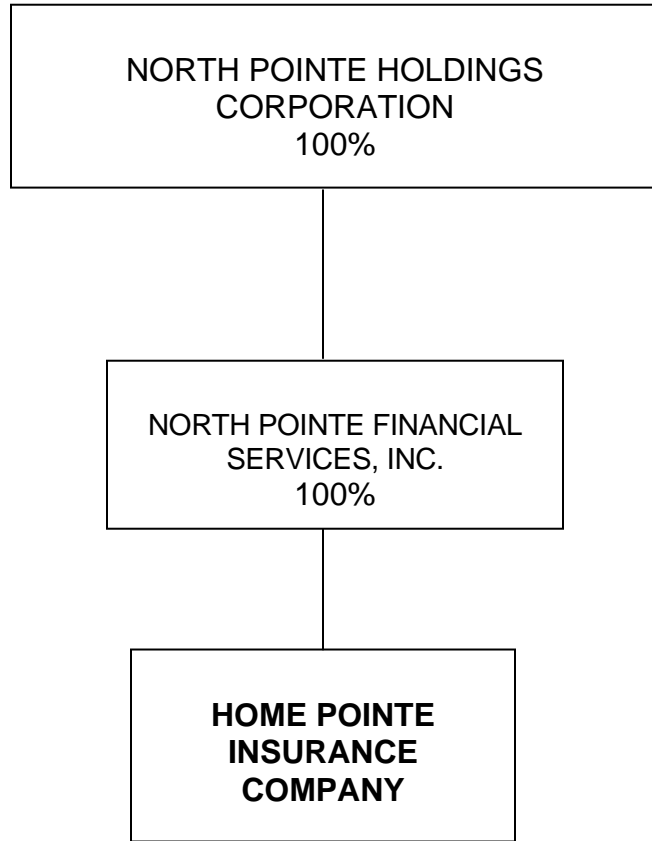
The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on February 29, 2008, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code. The Company filed an updated holding company registration statement to report subsequent changes in affiliates, as required.

A simplified organizational chart as of December 31, 2007, reflecting the holding company system, is shown below. Schedule Y of the Company's 2007 annual statement provided a list of all related companies of the holding company group.

A simplified organization chart as of January 23, 2008, reflecting the holding company system subsequent to the sale of the Company is also shown below.

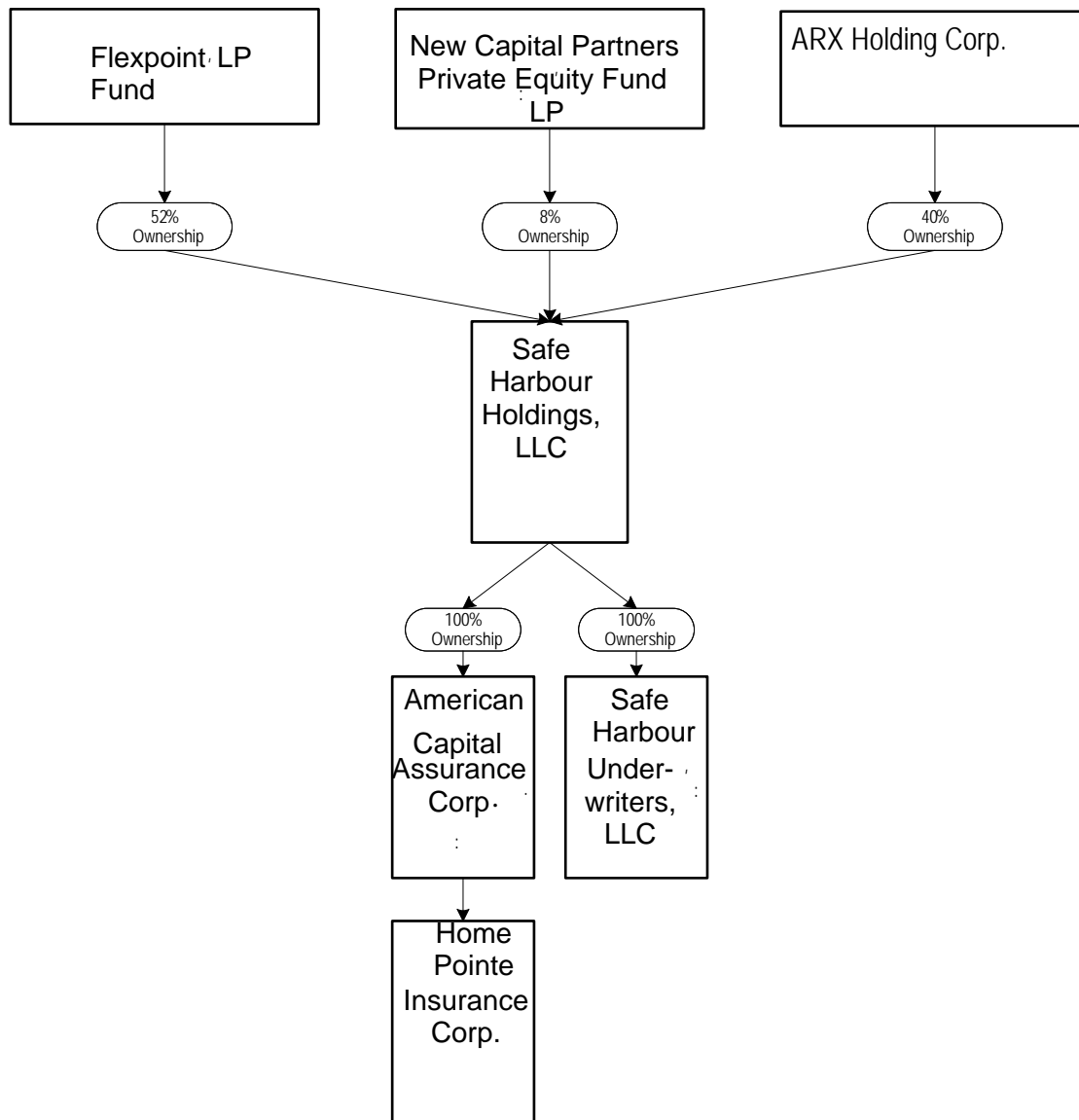
**HOME POINTE INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2007



**HOME POINTE INSURANCE COMPANY
ORGANIZATIONAL CHART (SUBSEQUENT TO SALE)**

JANUARY 23, 2008



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

Tax Allocation Agreement

The Company, along with its parent, filed a consolidated federal income tax return. On December 31, 2007, the method of allocation between the Company and its parent was to compute its separate tax liability as if it had filed a separate tax return.

Personal Property Lease Agreement

The Company had a personal property lease agreement with North Pointe Financial Services, Inc. dated August 29, 2005. The agreement was for the lease of facilities and equipment including information technology equipment, accounting and financial management, and statement preparation, marketing, human resources and other services.

Rent Allocation Agreement

The Company had a rent allocation agreement with North Pointe Financial Services, Inc., an affiliate, dated August 29, 2005.

Managing General Agent Agreement

The Company had a managing general agent (MGA) agreement with South Pointe Financial Services, Inc. dated July 1, 2007, in which the MGA handled all the day-to-day operations, processing, marketing, claims adjustment services, and employment for all of the Company's business. The Company agreed to pay the following fees for all services provided: a \$25 per policy fee for business placed with the Company, 20% of personal lines direct written premiums and 23% of commercial lines direct written premiums. This agreement replaced an earlier MGA agreement

with Home Pointe Managing General Agent which merged into South Pointe Financial Services, Inc.

Subsequent Event: Upon the sale of the Company, the preceding agreements were automatically terminated, and a new MGA agreement between ASI Underwriters (ASIU) became effective. ASIU had the authority to receive and accept proposals for insurance coverage; solicit, underwrite and bind coverage; assemble, issue, and countersign all endorsements and policies; cancel policies, bill and collect premiums; calculate and refund return premiums; and record, reserve, adjust, settle, and pay all claims. The Company paid ASIU a total of \$25 per policy plus 8% of direct written premium, 5% of incurred losses (except catastrophe losses), and 1% of incurred losses from catastrophes.

FIDELITY BOND

At December 31, 2007, the Company maintained fidelity bond coverage with a single loss liability of \$1,500,000, a deductible of \$25,000, and an aggregate liability of \$3,000,000 which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

Subsequent Event: As of the sale of the Company, the preceding coverage was automatically terminated. The Company then became covered under the existing fidelity bond of the new owners. That fidelity bond provided coverage of \$1,000,000 with a deductible of \$25,000 adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	Description	Par Value	Market Value
FL	USTNTS, 4.75%, 11/15/08	<u>\$ 310,000</u>	<u>\$ 313,488</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 310,000</u>	<u>\$ 313,488</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory

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

Treatment of Policyholders

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

The Company maintained a claims procedure that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(i) 3a, Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Assumed

The Company did not assume any insurance risk during this examination period.

Ceded

The Company ceded risk on a property per risk excess of loss \$1,000,000 in excess of \$1,000,000, multiple line excess of loss \$500,000 in excess of \$500,000 and catastrophe excess of loss basis. The Company was also covered by the Florida Hurricane CAT Fund (FHCF) at the 90% reimbursement amount.

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

Subsequent Event: Upon the sale of the Company, the preceding agreements were automatically terminated.

A new 100% quota share agreement with North Pointe Insurance Company became effective. Under this agreement, North Pointe Insurance Company retained all losses incurred by the Company occurring prior to its sale.

As of the sale of the Company, the Company entered into a 100% quota share agreement with American Capital Assurance Corp. covering all policies issued subsequent to the sale of the Company.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Coral Gables, Florida, until the sale of the Company. Subsequent to the sale of the Company, the principal operational offices were in St. Petersburg, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements for the year 2007, in accordance with Section 624.424(8), Florida Statutes. The CPA firm was located in Detroit, Michigan, near the offices of the former parent company. The CPA workpapers were not utilized during this examination.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had a custodial agreement with Fifth Third Bank dated June 17, 2005. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

The Company's Board of Directors hired Deloitte Touche LLP to audit the financial statements for the period of this examination.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2007, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

HOME POINTE INSURANCE COMPANY
Assets

DECEMBER 31, 2007

	Per Company	Examination	Per Examination
	Adjustments		
Bonds	\$12,904,242		\$12,904,242
Cash and short-term investments	4,122,701		4,122,701
Investment income due and accrued	110,690		110,690
Agents' Balances:			
Uncollected premium	(50,857)		(50,857)
Deferred premium	169,761		169,761
Amounts recoverable from reinsurers	445		445
Net deferred tax asset	56,000		56,000
Receivables from parent, subsidiaries, and affiliates	1,976		1,976
Aggregate write-in for other than invested assets	487,384		487,384
Totals	\$17,802,342	\$0	\$17,802,342

HOME POINTE INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2007

	Per Company	Examinaton Adjustment	Per Examination
Losses	\$1,014,847	\$831,000	\$1,845,847
Loss adjustment expenses	260,243		260,243
Other expenses	67,693		67,693
Taxes, licenses and fees	59,083		59,083
Current federal and foreign income taxes	430,000		430,000
Unearned premium	3,390,532		3,390,532
Ceded reinsurance premiums payable	(2,884,946)		(2,884,946)
Amounts withheld	29,645		29,645
Payable to parent, subsidiaries and affiliates	58,182		58,182
Total Liabilities	\$2,425,279	\$831,000	\$3,256,279
Common capital stock	\$1,000,000		\$1,000,000
Gross paid in and contributed surplus	10,500,000		10,500,000
Unassigned funds (surplus)	3,877,063	(\$831,000)	3,046,063
Surplus as regards policyholders	\$15,377,063	(\$831,000)	\$14,546,063
Total liabilities, surplus and other funds	\$17,802,342	\$0	\$17,802,342

HOME POINTE INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2007

Underwriting Income

Premiums earned	\$13,793,296
Deductions:	
Losses incurred	3,027,051
Loss expenses incurred	355,859
Other underwriting expenses incurred	6,647,295
Total underwriting deductions	<u>\$10,030,205</u>
Net underwriting gain or (loss)	\$3,763,091

Investment Income

Net investment income earned	\$967,795
Net realized capital gains or (losses)	19,705
Net investment gain or (loss)	<u>\$987,500</u>

Other Income

Aggregate write-ins for miscellaneous income	<u>\$6,556</u>
Total other income	\$6,556

Net Income, after dividends to policyholders, but before federal and foreign income taxes	\$4,757,147
Federal and foreign income taxes incurred	<u>1,397,854</u>
Net Income	\$3,359,293

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$12,234,770
Net Income	\$3,359,293
Change in net deferred income tax	(200,000)
Change in non-admitted assets	(17,000)
Examination Adjustment	<u>(831,000)</u>
Change in surplus as regards policyholders for the year	\$2,311,293
Surplus as regards policyholders, December 31 current year	<u><u>\$14,546,063</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Assets

Liabilities

Losses and Loss Adjustment Expenses \$2,106,090

The amount reported by the Company was increased by \$831,000. The consulting actuary rendered an opinion that the amounts carried in the balance sheet as of December 31, 2007, should be increased by \$831,000 to make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The consulting actuary reviewed work papers provided by the Company.

Capital and Surplus

The amount reported by the Company of \$14,546,063, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**HOME POINTE INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2007

The following is a reconciliation of Surplus as Regards Policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2007, per Annual Statement	\$15,377,063
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustment needed.			
LIABILITIES:			
Losses	\$1,014,847	\$1,845,847	(\$831,000)
Net Change in Surplus:			(831,000)
Surplus as Regards Policyholders December 31, 2007, Per Examination			\$14,546,063

SUMMARY OF FINDINGS

Compliance with previous directives

There were no items of interest or corrective action to be taken by the Company regarding findings in the examination as of December 31, 2006.

Current examination comments and corrective action

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2007.

Losses and Loss Adjustment Expenses

The Company reported \$1,275,090, which was increased to \$2,106,090 based on the opinion of the consulting actuary. **We recommend the Company report losses and loss adjustment expenses on all future annual and quarterly statement filings as required in Section 625.041, Florida Statutes.**

SUBSEQUENT EVENTS

As noted throughout this report, many changes have been made to the Company subsequent to the examination date due to the purchase on January 23, 2008. As a condition of that purchase, the Company name must be changed within 12 months after closing.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Home Pointe Insurance Company** as of December 31, 2007, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$14,546,063, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Patricia Casey Davis, CFE, CPA, of INS Regulatory Insurance Services, Inc., and Michael W. Morro, ACAS, MAAA, of INS Consultants, Inc., participated in the examination.

Respectfully submitted,

James D. Collins
Reinsurance/Financial Specialist
Florida Office of Insurance Regulation