21ST CENTURY HOLDING CO
Form 10-K
March 26, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

x Annual Report under Section 13 or 15(d) of the Securities Act of 1934
For the fiscal year ended December 31, 2009
or
¨ Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period of _____________to_______________

Commission file number: 0-2500111
21st Century Holding Company
(Exact name of registrant as specified in its Charter)

| | |
|---|---|
| Florida | 65-0248866 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No) |

3661 West Oakland Park Boulevard, Suite 300, Lauderdale Lakes, Florida 33311
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code (954) 581-9993

Securities registered pursuant to Section 12(b) of the Exchange Act:

| Title of Each Class | Name of Each Exchange on Which Registered |
|---|---|
| Common Stock, par value $0.01 per share | NASDAQ Global Market, LLC |

Securities registered pursuant to Section 12(g) of the Exchange Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yesx No ¨

Indicate by check mark whether the registrant has electronically submitted and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company x

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the Registrant’s common stock held by non-affiliates was $21,916,901 on June 30, 2009, computed on the basis of the closing sale price of the Registrant’s common stock on that date.

As of March 26, 2010, the total number of common shares outstanding of Registrant's common stock was 7,946,384.

DOCUMENTS INCORPORATED BY REFERENCE

None.

21st Century Holding Company

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21st Century Holding Company

PART I

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely resu expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section entitled "Risk Factors" in Part I, Item 1A of this Annual Report. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1 BUSINESS

GENERAL

21st Century Holding Company ("21st Century", "Company", "we", "us") is an insurance holding company, which, through our subsidiaries and our contractual relationships with our independent agents and general agents, controls substantially all aspects of the insurance underwriting, distribution and claims processes. We are authorized to underwrite homeowners' multi-peril, commercial general liability, personal and commercial automobile, fire, allied lines, surety, commercial multi-peril and inland marine in various states on behalf of our wholly owned subsidiaries, Federated National Insurance Company ("Federated National") and American Vehicle Insurance Company ("American Vehicle") and other insurance carriers. We market and distribute our own and third-party insurers' products and our other services through contractual relationships with a network of approximately 4,200 independent agents, of which approximately 300 actively sell and service our products. We also utilize a select number of general agents for the same purpose.

The insurable events during 2009, 2008 and 2007 did not include any weather related catastrophic events such as the well publicized series of hurricanes that occurred in Florida during 2005 and 2004. During 2009, 2008 and 2007 we processed property and liability claims stemming from our homeowners', commercial general liability and private passenger automobile lines of business. Our reinsurance strategy serves to smooth the liquidity requirements imposed by most severe insurable events and for all other insurable events we manage, at a micro and macro perspective, in the normal course of business.

We are not certain how hurricanes and other insurable events will affect our future results of operations and liquidity. Loss and loss adjustment expenses ("LAE") are affected by a number of factors including:

- the quality of the insurable risks underwritten;
- the nature and severity of the loss;
- weather-related patterns;
- the availability, cost and terms of reinsurance;
- underlying settlement costs, including medical and legal costs;

- legal and political factors such as legislative initiatives and public opinion;
- macroeconomic issues.

We continue to manage the foregoing to the extent within our control. Many of the foregoing are partially, or entirely, outside our control.

Federated National is licensed as an admitted carrier in Florida. Through contractual relationships with a network of approximately 4,200 independent agents, of which approximately 300 actively sell and service our products, Federated National is authorized to underwrite homeowners' multi-peril, fire, allied lines and personal automobile insurance in Florida.

American Vehicle is licensed as an admitted carrier in Florida, and underwrites commercial general liability, and personal and commercial automobile insurance. American Vehicle is also licensed as an admitted carrier in Alabama, Louisiana and Texas, and underwrites commercial general liability insurance in those states. American Vehicle operates as a non-admitted carrier in Arkansas, California, Georgia, Kentucky, Maryland, Missouri, Nevada, Oklahoma, South Carolina, Tennessee, and Virginia, and can underwrite commercial general liability insurance in all of these states.

An admitted carrier is an insurance company that has received a license from the state department of insurance giving the company the authority to write specific lines of insurance in that state. These companies are also bound by rate and form regulations, and are strictly regulated to protect policyholders from a variety of illegal and unethical practices, including fraud. Admitted carriers are also required to financially contribute to the state guarantee fund, which is used to pay for losses if an insurance carrier becomes insolvent or unable to pay the losses due their policyholders.

A non-admitted carrier is not licensed by the state, but is allowed to do business in that state and is strictly regulated to protect policyholders from a variety of illegal and unethical practices, including fraud. Sometimes, non-admitted carriers are referred to as “excess and surplus” lines carriers. Non-admitted carriers are subject to considerably less regulation with respect to policy rates and forms. Non-admitted carriers are not required to financially contribute to and benefit from the state guarantee fund, which is used to pay for losses if an insurance carrier becomes insolvent or unable to pay the losses due their policyholders.

During 2009, 81.2%, 14.6%, 3.4% and 0.8% of the premiums we underwrote were for homeowners’ property and casualty insurance, commercial general liability insurance, federal flood, and personal automobile insurance, respectively. During the year ended December 31, 2008, 68.7%, 27.0%, 3.7% and 0.6% of the premiums we underwrote were for homeowners’ property and casualty insurance, commercial general liability insurance, federal flood, and personal automobile insurance, respectively.

Despite the effects of Florida’s mandated homeowners’ rate reductions and wind mitigation discounts, the Company’s sale of homeowners’ policies increased $24.0 million, or 39.5%, to $84.7 million in 2009, compared with $60.7 million in 2008. Included in our sale of homeowners’ policies during 2009, is $17.9 million from policies we assumed from Citizens Property Insurance Corporation (“Citizens”). The primary factor for the decrease in commercial general liability production is a slowdown in the economy which has a dramatic impact on the artisan contractor portfolio written by American Vehicle.

Our business, results of operations and financial condition are subject to fluctuations due to a variety of factors. Abnormally high severity or frequency of claims in any period could have a material adverse effect on our business, results of operations and financial condition. In addition, if our estimated liabilities for unpaid losses and LAE are less than actual losses and LAE, we will be required to increase reserves with a corresponding reduction in our net income in the period in which the deficiency is identified. We internally process claims made by our insureds through our wholly owned claims adjusting company, Superior Adjusting, Inc. (“Superior”).

Our executive offices are located at 3661 West Oakland Park Boulevard, Suite 300, Lauderdale Lakes, Florida and our telephone number is (954) 581-9993.

Our internet web site is www.21stcenturyholding.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available, free of charge, through our website as soon as reasonably practicable after we electronically file or furnish such material to the Securities and Exchange Commission (“SEC”). Further, a copy of this annual report on Form 10-K is located at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov.

## RECENT DEVELOPMENTS

### Proposed Florida Legislation

Throughout 2009, industry leaders and lawmakers have met to discuss legislative options including a significant reduction of capacity in the Florida Hurricane Catastrophe Fund (“FHCF”), substantially increasing members’ co-insurance participation and the reorganization of the FHCF under the Florida Cabinet. Efforts by the Governor and Commissioner of Insurance at the federal level to secure post catastrophic event liquidity commitments remain ongoing.

Additionally, the Board of Directors of the Florida Insurance Guaranty Association (“FIGA”) held separate meetings to discuss their continued financial challenges in connection with the insolvency of a particular insurance company that was assumed subsequent to the 2005 – 2006 hurricane season. At this time, the Florida legislature has not adopted any new laws or regulations. However, the Florida legislators and regulators have discussed certain changes to the existing laws and regulations which would impact our property and casualty insurance business in fiscal 2010 or any subsequent years. One such change being discussed among regulators would consider limiting the amount of time available to report a claim from five years to three years.

Another initiative among legislators would, with certain exceptions, prohibit public adjusters from making certain employment solicitations or unsolicited written communications. Those exceptions, which pertain to written communication, specify public adjusters conduct, the timing of their solicitation, and the form and permissible content of any solicitation that a public adjuster might employ. These changes are intended to restrict or limit public adjusters involvement in the claims process. There are no assurances that these regulatory initiatives will be successful during the 2010 legislative season.

BUSINESS STRATEGY

We expect that in 2010 we will capitalize on our operational efficiencies and business practices through:

- continued development of business initiatives introduced in 2009, such as the commercial multi-peril and inland marine insurance in the State of Florida and commercial automobile into various states as a supporting line of business for our artisan commercial general liability program;

- improved property analytical qualities such as a broader geographical dispersion of risks throughout the state of Florida and avoiding risks that do not yield an underwriting profit;

- continued territorial expansion of our commercial general liability, inland marine, and private passenger automobile insurance products into additional states;

- employing our business practices developed and used in Florida in our expansion to other selected states;

- maintaining a commitment to provide high quality customer service to our agents and insureds;

- expansion of our marketing efforts by retaining key personnel and implementing direct marketing technologies;

- offering attractive incentives to our agents to place a high volume of quality business with our companies;

- offering our employees continuing education classes appropriate to the respective discipline employed within this organization;

- assumption of existing risks from other carriers; and

- additional strategies that may include possible acquisitions or further dispositions of assets, and development of procedures to improve claims history and mitigate losses from claims.

There can be no assurances, however, that any of the foregoing strategies will be developed or successfully implemented or, if implemented, that they will positively affect our results of operations.

Additionally, State of Florida legislative initiatives, increased competition, softening general market conditions and additional loss development from catastrophic events over two years old suggest that continued financial challenges exist in 2010.

The Company expects the 19% average statewide rate increase that was implemented in late 2009, on those policies written on a direct basis, along with other pending rate and rule changes, to gain momentum and accrete throughout 2010. Furthermore, the Company anticipates favorable pricing terms on our upcoming reinsurance contracts because early indicators show that there is ample capital availability in the private reinsurance markets. Additionally, we will continue to seek improvements in our marketing strategies intended to attract profitable distribution channels while maintaining compliance with our underwriting guidelines.

INSURANCE OPERATIONS AND RELATED SERVICES

General

We are authorized to underwrite homeowners' multi-peril, commercial general liability, personal and commercial automobile, fire, allied lines, surety, commercial multi-peril and inland marine in various states on behalf of our wholly owned subsidiaries, Federated National and American Vehicle.

Federated National is licensed as an admitted carrier in Florida. Through contractual relationships with a network of approximately 4,200 independent agents, of which approximately 300 actively sell and service our products, Federated National is authorized to underwrite homeowners' multi-peril, fire, allied lines and personal automobile insurance in Florida.

American Vehicle is licensed as an admitted carrier in Florida, and underwrites commercial general liability, and personal and commercial automobile insurance. American Vehicle is also licensed as an admitted carrier in Alabama, Louisiana and Texas, and underwrites commercial general liability insurance in those states. American Vehicle operates as a non-admitted carrier in Arkansas, California, Georgia, Kentucky, Maryland, Missouri, Nevada, Oklahoma, South Carolina, Tennessee, and Virginia, and can underwrite commercial general liability insurance in all of these states.

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The following tables set forth the amount and percentages of our consolidated gross premiums written, premiums ceded to reinsurers and net premiums written by line of business for the periods indicated.

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2007 | |
| | Premium | Percent | Premium | Percent | Premium | Percent |
| | | | (Dollars in Thousands) | | | |
| Gross written premiums: | | | | | | |
| Automobile | $ 836 | 0.8% | $ 487 | 0.6% | $ 1,867 | 1.4% |
| Federal Flood | 3,559 | 3.4% | 3,263 | 3.7% | - | 0.0% |
| Homeowners' | 84,705 | 81.2% | 60,708 | 68.7% | 99,502 | 74.5% |
| Commercial General Liability | 15,279 | 14.6% | 23,790 | 27.0% | 32,222 | 24.1% |
| Total gross written premiums | $ 104,379 | 100.0% | $ 88,248 | 100.0% | $ 133,591 | 100.0% |
| | | | | | | |
| Ceded premiums: | | | | | | |
| Automobile | $ 14 | 0.0% | $ - | 0.0% | $ - | 0.0% |
| Federal Flood | 3,559 | 6.3% | 3,263 | 9.4% | - | 0.0% |
| Homeowners' | 52,518 | 93.5% | 31,290 | 90.6% | 44,551 | 100.0% |
| Commercial General Liability | 126 | 0.2% | - | 0.0% | - | 0.0% |
| Total ceded premiums | $ 56,217 | 100.0% | $ 34,553 | 100.0% | $ 44,551 | 100.0% |
| | | | | | | |
| Net written premiums | | | | | | |
| Automobile | $ 822 | 1.7% | $ 487 | 0.9% | $ 1,867 | 2.1% |
| Federal Flood | - | 0.0% | - | 0.0% | - | 0.0% |
| Homeowners' | 32,187 | 66.8% | 29,418 | 54.8% | 54,952 | 61.7% |
| Commercial General Liability | 15,153 | 31.5% | 23,790 | 44.3% | 32,222 | 36.2% |
| Total net written premiums | $ 48,162 | 100.0% | $ 53,695 | 100.0% | $ 89,041 | 100.0% |

We marketed our insurance products through our network of approximately 4,200 independent agents, of which approximately 300 actively sell and service our products, and general agents during fiscal years 2009, 2008 and 2007.

Homeowners’ Property and Casualty Insurance

Federated National underwrites homeowners’ insurance primarily in the South, West and Central Florida regions. Homeowners’ insurance generally protects an owner of real and personal property against covered causes of loss to that property. The table that follows reflects the number of homeowner policies in-force by South Florida counties and all other Florida counties and reflects our concentrations of risk from catastrophic events.

| | In-Force Policy Count | | | | | |
|---|---|---|---|---|---|---|
| | Years Ended December 31, | | | | | |
| | 2009 | | 2008 | | 2007 | |
| County | Amount | Percentage | Amount | Percentage | Amount | Percentage |

| | | | | | | |
|---|---|---|---|---|---|---|
| Dade | 3,544 | 6.7% | 2,981 | 9.7% | 4,587 | 12.7% |
| Broward | 4,139 | 7.9% | 3,629 | 11.8% | 4,446 | 12.3% |
| Pinellas | 5,147 | 9.8% | (a) | 0.0% | (a) | 0.0% |
| Hillsborough | 4,505 | 8.6% | (a) | 0.0% | (a) | 0.0% |
| West Palm Beach | 14,543 | 27.6% | 14,152 | 45.7% | 14,969 | 41.3% |
| All others | 20,728 | 39.4% | 10,122 | 32.8% | 12,239 | 33.7% |
| Total | 52,606 | 100.0% | 30,884 | 100.0% | 36,241 | 100.0% |

(a) immaterial prior years amounts are included in "All Others"

Our homeowner insurance products typically provide maximum dwelling coverage in the amount of approximately $0.8 million, with the aggregate maximum policy limit being approximately $1.5 million. We continually subject these limits to review; though there were no material changes during 2009. The approximate average premium on the policies currently in-force is $1,696, as compared with $2,016 for 2008. The typical deductible is either $2,500 or $1,000 for non-hurricane-related claims and generally 2% of the coverage amount for the structure for hurricane-related claims.

Premium rates charged to our homeowner insurance policyholders are continually evaluated to assure that they meet the expectation that they are actuarially sound and produce a reasonable level of profit (neither excessive nor inadequate). Premium rates are regulated and approved by the Florida Office of Insurance Regulation (“Florida OIR”).

During 2009, the Florida OIR granted Federated National an average statewide increase of 19% for new and renewal policies which were not part of the Citizens assumptions, effective November 1, 2009 and December 1, 2009, respectively. Previous to this filing was our May 2008 “file and use” rate filing that reflected an average rate decrease of 11.3%. The June 2007 rate filing resulted in an average rate reduction of 15.2%. We have requested a 14.9% rate increase in connection with our Citizens assumptions which is currently pending Florida OIR approval.

Commercial Residential Property Insurance

During 2009 the Florida OIR granted Federated National the authority to write commercial residential property insurance under the fire line of business. This class of business affords property coverage primarily to associations with property commonly owned by the tenants of the association. Aggregate policy limits ranged between $1.0 million and $6.5 million with operations beginning in the end of September 2009. Additionally, the Company has secured automatic facultative reinsurance for insured values up to $10.0 million with permission to individually submit attractive risks greater than $10 million to our reinsurers for quote and binding authority. Typically, Federated National retains the first $1.0 million of loss and cedes the remaining balance via our facultative treaty.

These risks are significantly different from the homeowner risks discussed previously in terms of insured value, frequency of covered loss and marketing techniques. We market this program directly to a select number of reputable agencies throughout the State of Florida.

Commercial General Liability and Inland Marine

We underwrite commercial general liability insurance for approximately 250 classes of artisan (excluding home-builders and developers) and mercantile trades (such as owners, landlords and tenants).  The limits of liability range from $100,000 per occurrence with a $200,000 policy aggregate to $1.0 million per occurrence with a $2.0 million policy aggregate. We continually subject these limits to review, though there were no changes during 2009. We market the commercial general liability insurance products through independent agents and a limited number of general agencies unaffiliated with the Company. The average annual premium on policies currently in-force during 2009 is approximately $854, as compared with $798 in 2008.

The following table sets forth the amounts and percentages of our gross premiums written in connection with our commercial general liability program by state.

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| | Years Ended December 31, 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| | | | (Dollars in Thousands) | | | |
| State | | | | | | |
| Alabama | $ 76 | 0.50% | $ 117 | 0.49% | $ 26 | 0.08% |
| Arkansas | 4 | 0.03% | 12 | 0.05% | - | 0.00% |
| California | 49 | 0.32% | 269 | 1.13% | 23 | 0.07% |
| Florida | 12,341 | 80.77% | 16,011 | 67.30% | 21,192 | 65.77% |
| Georgia | 291 | 1.91% | 568 | 2.39% | 1,023 | 3.17% |
| Kentucky | 1 | 0.00% | 1 | 0.00% | 8 | 0.03% |
| Louisiana | 1,736 | 11.36% | 4,481 | 18.84% | 5,595 | 17.36% |
| Maryland | - | 0.00% | 2 | 0.01% | - | 0.00% |
| South Carolina | 2 | 0.01% | 70 | 0.29% | 182 | 0.57% |
| Texas | 778 | 5.09% | 2,252 | 9.47% | 4,127 | 12.81% |
| Virginia | 1 | 0.01% | 7 | 0.03% | 46 | 0.14% |
| Total | $ 15,279 | 100.00% | $ 23,790 | 100.00% | $ 32,222 | 100.00% |

During 2009 American Vehicle entered into a treaty to assume 50% of the business produced by Assurance Managing General Agents, Inc. (“Assurance MGA”) for United Specialty Insurance Company (“United Specialty”) and State National Insurance Company (“State National”). Both United Specialty and State National are “A” rated by A.M. Best. Under the terms of the treaty, Assurance MGA will underwrite several products within the commercial general liability and inland marine lines of business for United Specialty and State National. United Specialty and State National will cede 100 % of the book of business to an “A” rated reinsurer. American Vehicle has agreed to assume 50% of the business assumed by the “A” rated reinsurer under a retrocession agreement. The commercial general liability average premium is $855 with single limits up to $1.0 million and policy limits of $2.0 million. The inland marine average premium is $456 with policy limit amounts not to exceed $50,000 without specific underwriting approval from reinsurers.

Personal Automobile

Personal automobile insurance markets can be divided into two categories, standard automobile and nonstandard automobile. Standard personal automobile insurance is principally provided to insureds who present an average risk profile in terms of driving record, vehicle type and other factors. Nonstandard personal automobile insurance is principally provided to insureds that are unable to obtain standard insurance coverage because of their driving record, age, vehicle type or other factors, including market conditions. The average annual premium on policies currently in-force is approximately $1,196, as compared with $1,292 for 2008, and the nonstandard personal automobile insurance lines represents 100% of our written premiums for personal automobile insurance in 2009 and 2008.

Limits on standard personal automobile insurance are generally significantly higher than those for nonstandard coverage, but typically provide for deductibles and other restrictive terms. Underwriting criteria for standard coverage has become more restrictive, thereby requiring more insureds to seek nonstandard coverage and contributing to the increase in the size of the nonstandard automobile market. Nonstandard automobile insurance, however, generally involves the potential for increased loss exposure and higher claims experience. Loss exposure is mitigated because premiums usually are written at higher rates than those written for standard insurance coverage.

Both of our insurance subsidiaries currently underwrite nonstandard personal automobile insurance in Florida, where the maximum exposures are predominantly $10,000 per individual, $20,000 per accident for bodily injury, $10,000 per accident for property damage, and predominantly $50,000 for comprehensive and collision. In addition, American Vehicle writes commercial automobile insurance in Florida. The maximum exposure is predominantly $30,000 on a combined single limit basis.

Federated National and American Vehicle underwrite new and renewal policies for this coverage on primarily an annual basis and to a much lesser extent, on a semi-annual basis.

Due to the purchasing habits of nonstandard automobile insureds (for example, nonstandard automobile insureds tend to seek the least expensive insurance required of the policyholder by statute that satisfies the requirements of state laws to register a vehicle), policy renewal rates tend to be low compared with standard policies. Our experience has been that a significant number of existing nonstandard policyholders allow their policies to lapse and then reapply for insurance as new policyholders.

American Vehicle underwrites standard personal automobile insurance policies providing coverage no higher than $100,000 per individual, $300,000 per accident for bodily injury, $50,000 per accident for property damage and comprehensive and collision up to $50,000 per accident, with deductibles ranging from $200 to $1,000. The average premium on the policies in-force was $1,220 for 2009.

Flood

Federated National writes flood insurance through the National Flood Insurance Program (“NFIP”). We write the policy for the NFIP, which assumes 100% of the flood risk while we retain a commission for our service. The average flood policy premium is approximately $450 with limits up to $250,000. Commissions in connection with this program totaled $0.1 million, $0.2 million and $0.3 million in 2009, 2008 and 2007, respectively. Pursuant to the Florida OIR regulations, we are required to report write-your-own-flood premiums on a direct and ceded basis for 2008 and subsequent years. Prior to 2008, we reported only the commissions income associated with this program.

Assurance MGA

Assurance MGA, a wholly owned subsidiary of the Company, acts as Federated National’s and American Vehicle’s exclusive managing general agent in the state of Florida and is also licensed as a managing general agent in the states of Alabama, Arkansas, Georgia, Illinois, Louisiana, Mississippi, Missouri, New York, Nevada, South Carolina, Texas and Virginia. During 2009, Assurance MGA contracted with several unaffiliated insurance companies to sell commercial general liability, workers compensation and inland marine through Assurance MGA’s existing network of distributors. This process will continue throughout 2010, as Assurance MGA benefits from the arrangement by receiving commission revenue from policies sold by its insurance partners, while minimizing its risks. As American Vehicle continues its expansion into other states, we intend to retain other general agents to market our commercial general liability insurance products.

Assurance MGA earns commissions and fees for providing policy administration, marketing, accounting and analytical services, and for participating in the negotiation of reinsurance contracts. Assurance MGA generates approximately a 6% commission fee and a $25 per policy fee from its affiliates Federated National and American Vehicle.

The homeowner policy provides Assurance MGA the right to cancel any policy within a period of 90 days from the policy's inception with 25 days’ notice, or after 90 days from policy inception with 95 days’ notice, even if the risk falls within our underwriting criteria.

Superior

Superior processes claims made by insureds from Federated National and American Vehicle. Our agents have no authority to settle claims or otherwise exercise control over the claims process. Furthermore, we believe that the retention of independent adjusters, in addition to the employment of salaried claims personnel, results in reduced ultimate loss payments, lower LAE and improved customer service for our claimants and policyholders. We also employ an in-house legal department to cost-effectively manage claims-related litigation and to monitor our claims handling practices for efficiency and regulatory compliance.

Federated Premium Finance, Inc. (“Federated Premium”)

Federated Premium provides premium financing to Federated National's, American Vehicle's and third-party's insureds. Premium financing has been marketed through our distribution network of general agents and independent agents.

Premiums for property and casualty insurance, in certain circumstances, are payable at the time a policy is placed in-force or renewed. Federated Premium's services allow the insured to pay a portion of the premium when the policy is placed in-force and the balance in monthly installments over a specified term, generally between six and nine months. As security, Federated Premium retains a contractual right, if a premium installment is not paid when due, to cancel the insurance policy and to receive the unearned premium from the insurer, or in the event of insolvency of an insurer, from FIGA, subject to a $100 per policy deductible. In the event of cancellation, Federated Premium applies the unearned premium towards the payment obligation of the insured.

Finance contracts receivable increased $0.1 million, or 31.4%, to $0.3 million as of December 31, 2009, compared with $0.2 million as of December 31, 2008.

The Company anticipates continued use of the direct bill feature associated with Federated National and American Vehicle lines of business. The direct billing opportunity is very similar to the premium finance arrangement with respect to down payments and scheduled monthly payments. Direct billing is when the insurance company accepts from the insured, as a receivable, a promise to pay the premium, as opposed to requiring payment of the full amount of the policy, either directly from the insured or from a premium finance company. We believe that the direct billing program does not increase our risk because the insurance policy, which serves as collateral, is managed by our computer system. Underwriting criteria are designed with down payment requirements and monthly payments that create policyholder equity in the insurance policy. The equity in the policy is collateral for the extension of credit to the insured.

Through our monitoring systems, we track delinquent payments and, in accordance with the terms of the extension of credit, cancel if payment is not made. If any excess premium remains after cancellation of the policy and deduction of applicable penalties, this excess is refunded to the policyholder. Similarly, we believe that the premium financing that we offer to our own insureds involves limited credit risk. By primarily financing policies underwritten by our own insurance carriers, our credit risks are reduced because we can more securely rely on the underwriting processes of our own insurance carriers. Furthermore, the direct bill program enables us to closely manage our risk while providing credit to our insureds.

Insure-Link, Inc. (“Insure-Link”)

Insure-Link was formed in March 2008 to serve as an independent insurance agency. The insurance agency markets direct to the public to provide a variety of insurance products and services to individual and business clients by offering a full line of insurance products including, but not limited to,  homeowners’, personal and commercial automobile, commercial general liability and workers compensation insurance through their agency appointments with over fifty different carriers. Insure-Link intends on expanding its business through marketing and by acquiring other insurance agencies. Insure-Link has binding authority for Federated National and American Vehicle, as well as many national and local insurance carriers. There were no other agency relationships with affiliated captive or franchised agents in 2009, 2008 and 2007.

MARKETING AND DISTRIBUTION

We are focusing our marketing efforts on continuing to expand our distribution network and market our products and services throughout Florida and in other states by establishing relationships with additional independent agents and general agents. As this occurs, we will seek to replicate our distribution network in those states. There can be no assurance, however, that we will be able to obtain the required regulatory approvals to offer additional insurance products or expand into other states.

Our independent agents and general agents have the authority to sell and bind insurance coverage in accordance with procedures established by Assurance MGA. Assurance MGA reviews all coverage bound by the agents promptly and generally accepts all coverage that falls within stated underwriting criteria. For automobile and commercial general liability policies, Assurance MGA also has the right, within a period that varies by state between 60 days and 120 days from a policy's inception, to cancel any policy, upon an advanced notice provided in accordance with statutory specific guidelines, even if the risk falls within our underwriting criteria.

We believe that our integrated computer systems, which allow for rapid automated premium quotation and policy issuance by our agents, is a key element in providing quality service to both our agents and insureds for various lines of our business. For example, upon entering a customer's basic personal information, the customer's driving record is accessed and a premium rate is quoted. If the customer chooses to purchase the insurance, the system can generate the policy on-site.

We believe that the management of our distribution system now centers on our ability to capture and maintain relevant data by producing agents, none of whom are affiliated with us. We believe that information management of agent production, coupled with loss experience, will enable us to maximize profitability.

REINSURANCE AGREEMENTS

Financing risk generally involves a combination of risk retention and risk transfer techniques. Retention, similar to a deductable, involves financing losses by funds internally generated. Transfer involves the existence of a contractual arrangement designed to shift financial responsibility to another party in exchange for premium. Secondary to the primary risk transfer agreements there are reinsurance agreements. Following reinsurance agreements there are also retro cessionary reinsurance agreements; each designed to shift financial responsibility based on predefined conditions. Generally there are three separate kinds of reinsurance structures - quota-share, excess of loss, and facultative, each considered either proportional or non-proportional. Our reinsurance structures are maintained to protect our insurance subsidiaries against the severity of losses on individual claims or unusually serious occurrences in which the frequency and or the severity of claims produce an aggregate extraordinary loss from catastrophic events.

As is common practice within the insurance industry, we transfer a portion of the risks insured under our policies to other companies through the purchase of reinsurance. We utilize reinsurance to reduce exposure to catastrophic and non-catastrophic risks and to help manage the cost of capital. Reinsurance techniques are designed to lessen earnings volatility, improve shareholder return, and to support the required statutory surplus requirements. Additional rationale to secure reinsurance includes an arbitrage of premium rate, availability of reinsurer’s expertise, and improved management of a profitable portfolio of insureds by way of enhanced analytical capacities.

Although reinsurance does not discharge us from our primary obligation to pay for losses insured under the policies we issue, reinsurance does make the assuming reinsurer liable to the insurance subsidiary for the reinsured portion of the risk. A credit risk exposure exists with respect to ceded losses to the extent that any reinsurer is unable or unwilling to meet the obligations assumed under the reinsurance contracts. The collectability of reinsurance is subject to the solvency of the reinsurers, interpretation of contract language and other factors. A reinsurer's insolvency or inability to make payments under the terms of a reinsurance contract could have a material adverse effect on our results of operations and financial condition. Our reinsurance structure has significant risks, including the fact that the FHCF may not be able to raise sufficient money to pay its claims or impair its ability to pay its claims in a timely manner. This could result in significant financial, legal and operational challenges to all property and casualty companies associated with FHCF, including our company.

The availability and costs associated with the acquisition of reinsurance will vary year to year. These fluctuations, which can be significant, are not subject to our control and may limit our ability to purchase adequate coverage. For example, FHCF has restricted its very affordable reinsurance capacity for the 2009–2010 hurricane season, thus requiring us to replace that capacity with more expensive private market reinsurance. The recovery of increased reinsurance costs through rate action is not immediate and cannot be presumed, as it is subject to Florida OIR approval.

Our property lines of business include homeowners’ multi-peril and fire. For the 2009-2010 hurricane season, the excess of loss and FHCF treaties will insure the property lines for approximately $456.6 million of aggregate catastrophic losses and LAE with a maximum single event coverage totaling approximately $349.7 million, with the Company retaining the first $5.0 million of losses and LAE for each event. Our reinsurance program includes coverage purchased from the private market, which afforded optional reinstatement premium protection that provides coverage beyond the first event, along with coverage from the FHCF. Coverage afforded by the FHCF totals approximately $259.0 million or 56.7% of the $456.6 million of aggregate catastrophic losses and LAE. The FHCF affords coverage for the entire season, subject to maximum payouts, without regard to any particular insurable event.

The estimated cost to the Company for the excess of loss reinsurance products for the 2009-2010 hurricane season, inclusive of approximately $18.6 million payable to the FHCF and the prepaid automatic premium reinstatement protection, was approximately $52.7 million. The combination of private and FHCF excess of loss reinsurance treaties will afford approximately $456.6 million of aggregate coverage with maximum first event coverage totaling approximately $349.7 million. Our retention in connection with the first two covered events is $5.0 million for each event.

The cost and amounts of reinsurance were based on management's analysis of Federated National's exposure to catastrophic risk as of June 30, 2009. Our data was subjected to exposure level analysis as of September 30, 2009. This analysis of our exposure level, in relation to the total exposures to the FHCF and excess of loss treaties, produced changes in limits and reinsurance premiums because of the changes in our exposure level. The change to management’s June 30, 2009 analysis will be amortized over the remaining balance of the underlying policy term. The Company’s retention did not change.

The 2009-2010 private reinsurance companies and their respective A.M. Best rating are listed in the table as follows.

21st Century Holding Company

| Reinsurer | A.M. Best Rating | | |
|---|---|---|---|
| UNITED STATES | | | |
| Everest Reinsurance Company | A+ | | ** |
| Munich Reinsurance America, Inc. | A+ | | ** |
| QBE Reinsurance Corporation | A | | ** |
| | | | |
| BERMUDA | | | |
| ACE Tempest Reinsurance Limited | A+ | * | |
| Amlin Bermuda Limited | A | | |
| Ariel Reinsurance Company Limited | A- | * | |
| DaVinci Reinsurance Limited | A | * | |
| Flagstone Reinsurance Limited | A- | | |
| Hiscox Insurance Company Limited | A | * | |
| Montpelier Reinsurance Limited | A- | | |
| Platinum Underwriters Bermuda Limited | A | * | |
| Renaissance Reinsurance Limited | A+ | * | |
| Torus Insurance (Bermuda) Limited | A- | * | |
| | | | |
| LONDON & EUROPE | | | |
| Amlin Syndicate No. 2001 (AML) | A+ | | ** |
| Antares Syndicate No. 1274 (AUL) | A | | ** |
| Arrow Syndicate No. 1910 (ARW) | A | * | ** |
| Broadgate Syndicate No. 1301 (BGT) | A | | ** |
| Liberty Syndicates Services Limited, Paris for and on behalf of Lloyd's Syndicate No. 4472 (LIB) | A | | ** |
| Novae Syndicate No. 2007 (NVA) | A | | ** |
| SCOR Switzerland AG | A- | | |
| | | | |
| HEDGE FUNDS / COLLATERALIZED | | | |
| Actua Re Limited | NR | * | (1) |
| Allianz Risk Transfer AG (Bermuda Branch) | NR-5 | * | (2) |

* 2009 Reinstatement Premium Protection Program Participants

** Admitted in Florida as a reinsurer, whether through licensing, accreditation or other means.

(Blank) Non admitted reinsurer in Florida.

(1) Participant has funded a trust agreement for their partcipation with approximately $6.4 million of cash and U.S. Government obligations of American institutions at fair market value.

(2) Standard & Poor's rated "AA" (Obligor's capacity to meet its financial commitment on the obligation is very strong)

For the 2008-2009 hurricane season, the excess of loss and FHCF treaties insured us for approximately $310.0 million of aggregate catastrophic losses and LAE with a maximum single event coverage total of approximately $245.0

million, with the Company retaining the first $3.0 million of losses and LAE. Our reinsurance program included coverage purchased from the private market, which afforded optional reinstatement premium protection that provides coverage beyond the first event, along with coverage from the FHCF. Coverage afforded by the FHCF totals approximately $167.0 million or 54% of the $310.0 million of aggregate catastrophic losses and LAE. The FHCF afforded coverage for the entire season, subject to maximum payouts, without regard to any particular insurable event. There were no claims made in connection with these treaties.

The cost to the Company for these reinsurance products for the 2008-2009 hurricane season, inclusive of approximately $8.0 million payable to the FHCF and the prepaid automatic premium reinstatement protection, was approximately $31.0 million. These reinsurance treaties afforded approximately $298.0 million of aggregate coverage with maximum single event coverage totaling approximately $232.0 million. Our retention in connection with the first two covered events would have been $3.0 million for each covered catastrophic event.

21st Century Holding Company

The 2008-2009 private reinsurance companies and their respective A.M. Best rating are listed in the table as follows.

| Reinsurer | A.M. Best Rating | | |
|---|---|---|---|
| UNITED STATES | | | |
| Everest Reinsurance Company | A+ | | ** |
| Munich Reinsurance America, Inc. | A+ | | ** |
| QBE Reinsurance Corporation | A | | ** |
| | | | |
| BERMUDA | | | |
| ACE Tempest Reinsurance Limited | A+ | * | |
| Amlin Bermuda Limited | A | | |
| Ariel Reinsurance Company Limited | A- | * | |
| DaVinci Reinsurance Limited | A | * | |
| Flagstone Reinsurance Limited | A- | | |
| Hiscox Insurance Company Limited | A | * | |
| Montpelier Reinsurance Limited | A- | | |
| Platinum Underwriters Bermuda Limited | A | * | |
| Renaissance Reinsurance Limited | A+ | * | |
| Torus Insurance (Bermuda) Limited | A- | * | |
| | | | |
| LONDON & EUROPE | | | |
| Amlin Syndicate No. 2001 (AML) | A+ | | ** |
| Antares Syndicate No. 1274 (AUL) | A | | ** |
| Arrow Syndicate No. 1910 (ARW) | A | * | ** |
| Broadgate Syndicate No. 1301 (BGT) | A | | ** |
| Liberty Syndicates Services Limited, Paris for and on behalf of Lloyd's Syndicate No. 4472 (LIB) | A | | ** |
| Novae Syndicate No. 2007 (NVA) | A | | ** |
| SCOR Switzerland AG | A- | | |
| | | | |
| HEDGE FUNDS / COLLATERALIZED | | | |
| Actua Re Limited | NR | * | (1) |
| Allianz Risk Transfer AG (Bermuda Branch) | NR-5 | * | (2) |

* 2009 Reinstatement Premium Protection Program Participants

** Admitted in Florida as a reinsurer, whether through licensing, accreditation or other means.

(Blank) Non admitted reinsurer in Florida.

(1) Participant has funded a trust agreement for their partcipation with approximately $6.4 million of cash and U.S. Government obligations of American institutions at fair market value.

(2) Standard & Poor's rated "AA" (Obligor's capacity to meet its financial commitment on the obligation is very strong)

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21st Century Holding Company

As a direct premium writer in the state of Florida, we are required to participate in certain insurer solvency associations under Florida Statutes Section 631.57(3) (a), administered by FIGA. Participation in these pools is based on our written premium by line of business to total premiums written statewide by all insurers. Participation has resulted in assessments against us, as it has in 2006 and 2007, and again on October 30, 2009. There were no assessments made for the year ended December 31, 2008. Through 2007, we have been assessed $6.7 million and in 2009 we were assessed an additional $0.6 million in connection with the insolvencies of domestic insurance companies. For statutory accounting these assessments are not charged to operations, in contrast, GAAP treatment is to charge current operations for the assessments. Through policyholder surcharges, as approved by the Florida OIR, we have since recouped $6.2 million in connection with these assessments.

The State Board of Administration ("SBA") and the FHCF Financing Corporation are considering a resolution that would authorize the issuance and sale of FHCF post-event revenue bonds not to exceed $710 million. The proceeds of the bonds would be used for the reimbursement of insurance companies for additional claims due to hurricanes during the 2005 season. These bonds will have fixed interest rates, be exempt from federal income taxes and be secured by not yet implemented emergency assessments and reimbursement premiums. The inability to issue these bonds could result in the FHCF's need to accelerate additional assessments. We have not recorded any liability in connection with this initiative.

The FHCF reimbursement contract and addendums are all effective June 1, 2009, and the private excess of loss type treaties are all effective July 1, 2009; all treaties have a term of one year. Our reinsurance treaty with the FHCF has a significant credit risk, including the fact that the FHCF may not be able to raise sufficient money to pay their claims or impair their ability to pay their claims in a timely manner. This could result in significant financial, legal and operational challenges to all companies, including ours. Additionally, the FHCF treaty contains an exclusion for “Losses in excess of the sum of the Balance of the Fund as of December 31 of the Contract Year and the amount the SBA is able to raise through the issuance of revenue bonds or by the use of other financing mechanisms, up to the limit pursuant to Section 215.555(4) (c), Florida Statutes.”

To date, there have been no claims asserted against the reinsurers in connection with the 2009–2010 and 2008–2009 excess of loss and FHCF treaties.

As regards to the commercial multi-peril property program that began recording premium on August 28, 2009, we have secured an automatic facultative reinsurance agreement with Munich Re and Ascot for bound risks with total insured values not to exceed $10.0 million with additional coverage in excess of $10.0 million available upon submission and subjected to underwriting guidelines. This coverage excludes catastrophic wind-storm risk. A.M. Best ratings for Munich Re and Ascot are A+ and A, respectively.

During 2009, the Company secured casualty reinsurance affording coverage totaling $4.0 million in excess of $1.0 million. This reinsurance also protects the Company against extra contractual obligations and losses in excess of policy limits. Any loss occurrence that involves liability exposure written by either Federated National or American Vehicle or a combination of both will be covered. The cost of this coverage totaled approximately $0.4 million.

In order to expand our commercial business, American Vehicle has entered into various quota-share reinsurance agreements whereby American Vehicle is the assuming reinsurer. On March 26, 2009, we announced that American Vehicle received approval from the Florida OIR to enter into a reinsurance relationship allowing the opportunity to market and underwrite commercial insurance through a company that has an "A" rating with A.M. Best. This agreement is designed to enable the deployment of commercial general liability and other commercial insurance products in most of the contiguous 48 states to policyholders who require their commercial insurance policy to come from an insurance company with a satisfactory A.M. Best rating. Operations began during the quarter ended June 30, 2009.

The quota-share retrocessionaire reinsurance agreements require American Vehicle to securitize credit, regulatory and business risk. As of December 31, 2009, irrevocable letters of credit fully collateralized by American Vehicle and further guaranteed by the parent company, 21st Century, were in place. Outstanding irrevocable letters of credit totaled $3.0 million for the years ended December 31, 2009 and 2008, respectively. The letters of credit will expire during the first quarter of 2010 and will be replaced with fully funded trust agreements for the same amounts.

We are selective in choosing reinsurers and consider numerous factors, the most important of which are the financial stability of the reinsurer, their history of responding to claims and their overall reputation. In an effort to minimize our exposure to the insolvency of a reinsurer, we evaluate the acceptability and review the financial condition of the reinsurer at least annually.

LIABILITY FOR UNPAID LOSSES AND LAE

We are directly liable for loss and LAE payments under the terms of the insurance policies that we write. In many cases, there may be a time lag between the occurrence and reporting of an insured loss and our payment of that loss. As required by insurance regulations and accounting rules, we reflect the liability for the ultimate payment of all incurred losses and LAE by establishing a liability for those unpaid losses and LAE for both reported and unreported claims, which represent estimates of future amounts needed to pay claims and related expenses.

When a claim, other than personal automobile, involving a probable loss is reported, we establish a liability for the estimated amount of our ultimate losses and LAE payments. The estimate of the amount of the ultimate loss is based upon such factors as the type of loss, jurisdiction of the occurrence, knowledge of the circumstances surrounding the claim, severity of injury or damage, potential for ultimate exposure, estimate of liability on the part of the insured, past experience with similar claims and the applicable policy provisions.

All newly reported claims received with respect to personal automobile policies are set up with an initial average liability. The average liability for these claims is determined by dividing the number of reported claims into the total amount paid during the same period. If a claim is open more than 45 days, that open case liability is evaluated and the liability is adjusted upward or downward according to the facts and circumstances of that particular claim.

In addition, management provides for a liability on an aggregate basis to provide for losses incurred but not yet reported ("IBNR"). We utilize independent actuaries to help establish liability for unpaid losses and LAE. We do not discount the liability for unpaid losses and LAE for financial statement purposes.

The estimates of the liability for unpaid losses and LAE are subject to the effect of trends in claims severity and frequency and are continually reviewed. As part of this process, we review historical data and consider various factors, including known and anticipated legal developments, inflation and economic conditions. As experience develops and other data become available, these estimates are revised, as required, resulting in increases or decreases to the existing liability for unpaid losses and LAE. Adjustments are reflected in results of operations in the period in which they are made and the liabilities may deviate substantially from prior estimates.

Among our classes of insurance, the automobile and homeowners' liability claims historically tend to have longer time lapses between the occurrence of the event, the reporting of the claim and the final settlement, than do automobile physical damage and homeowners' property claims. These liability claims often involve parties filing suit and therefore may result in litigation. By comparison, property damage claims tend to be reported in a relatively shorter period of time and settled in a shorter time frame with less occurrence of litigation.

There can be no assurance that our liability for unpaid losses and LAE will be adequate to cover actual losses. If our liability for unpaid losses and LAE proves to be inadequate, we will be required to increase the liability with a corresponding reduction in our net income in the period in which the deficiency is identified. Future loss experience substantially in excess of established liability for unpaid losses and LAE could have a material adverse effect on our business, results of operations and financial condition.

The following table sets forth a reconciliation of beginning and ending liability for unpaid losses and LAE as shown in our consolidated financial statements for the periods indicated.

21st Century Holding Company

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | (Dollars in Thousands) | | |
| Balance at January 1 | $ 64,775 | $ 59,685 | $ 39,615 |
| Less reinsurance recoverables | (12,713) | (20,134) | (12,382) |
| Net balance at January 1 | $ 52,062 | $ 39,551 | $ 27,233 |
| | | | |
| Incurred related to | | | |
| Current year | $ 41,988 | $ 37,398 | $ 38,452 |
| Prior years | 1,718 | 4,471 | 9,167 |
| Total incurred | $ 43,706 | $ 41,869 | $ 47,619 |
| | | | |
| Paid related to | | | |
| Current year | $ 18,478 | $ 13,277 | $ 15,628 |
| Prior years | 18,274 | 16,080 | 19,673 |
| Total paid | $ 36,752 | $ 29,357 | $ 35,301 |
| | | | |
| Net balance at year-end | $ 59,016 | $ 52,062 | $ 39,551 |
| Plus reinsurance recoverables | 11,595 | 12,713 | 20,134 |
| Balance at year-end | $ 70,611 | $ 64,775 | $ 59,685 |

As shown above, and as a result of review of liability for losses and LAE, which includes a re-evaluation of the adequacy of reserve levels for prior year’s claims, we increased the liability for losses and LAE for claims occurring in prior years by $1.7 million, $4.5 million and $9.2 million for the years ended December 31, 2009, 2008 and 2007, respectively.

In 2009, we increased incurred losses and LAE for claims in connection with the hurricanes in 2005 and 2004 by approximately $2.0 million and decreased the incurred loss and LAE attributed to incurred events of prior years in connection with our automobile and commercial general liability lines of business by $0.3 million.

In 2008, we increased incurred losses and LAE for claims in connection with the hurricanes in 2005 and 2004 by approximately $0.4 million and increased the incurred loss and LAE in connection with our automobile and commercial general liability lines of business by $4.1 million.

There can be no assurance concerning future adjustments of reserves, positive or negative, for claims incurred through December 31, 2009.

Based upon discussions with our independent actuarial consultants and their statements of opinion on losses and LAE, we believe that the liability for unpaid losses and LAE is currently adequate to cover all claims and related expenses which may arise from incidents reported and IBNR as of December 31, 2009.

The following table presents total unpaid losses and LAE, net, and total reinsurance recoverable, on a run-off basis, due from our automobile reinsurers as shown in our consolidated financial statements for the periods indicated.

| | As of December 31, | |
|---|---|---|
| | 2009 | 2008 |

| | (Dollars in Thousands) | |
|---|---|---|
| Transatlantic Reinsurance Company (A+ A.M. Best rated) | | |
| Reinsurance recoverable on paid losses and LAE | $ - | $ 4 |
| Unpaid losses and LAE | 72 | 93 |
| | $ 72 | $ 97 |

In addition to reinsurance due from our automobile reinsurers, we also have reinsurance due from our catastrophic reinsurance companies. These reinsurance recoverables relate to Hurricane Katrina and Hurricane Wilma from 2005 and to the four hurricanes that occurred in August and September of 2004. The following table presents total unpaid losses and LAE, net, and total reinsurance recoverable due from our catastrophic reinsurers as shown in our consolidated financial statements.

21st Century Holding Company

| | As of December 31, 2009 | As of December 31, 2008 |
|---|---|---|
| | (Dollars in Thousands) | |
| Catastrophe Excess of Loss (various participants) and FHCF | | |
| Reinsurance recoverable on paid losses and LAE | $ 3,669 | $ 4,262 |
| Unpaid losses and LAE | 11,666 | 12,613 |
| | $ 15,335 | $ 16,875 |
| | | |
| Amounts due from reinsurers consisted of amounts related to: | | |
| Unpaid losses and LAE | $ 11,666 | $ 12,613 |
| Reinsurance recoverable on paid LAE | 3,669 | 4,262 |
| Reinsurance payable | (16,468) | (11,088) |
| | $ (1,133) | $ 5,787 |

The following table presents the liability for unpaid losses and LAE for the years ended December 31, 2000 through 2009 and does not distinguish between catastrophic and non-catastrophic events. The top line of the table shows the estimated net liabilities for unpaid losses and LAE at the balance sheet date for each of the periods indicated. These figures represent the estimated amount of unpaid losses and LAE for claims arising in all prior years that were unpaid at the balance sheet date, including losses that had been IBNR. The portion of the table labeled "Cumulative paid as of" shows the net cumulative payments for losses and LAE made in succeeding years for losses incurred prior to the balance sheet date. The lower portion of the table shows the re-estimated amount of the previously recorded liability based on experience as of the end of each succeeding year.

21st Century Holding Company

Years Ended December 31,
(Dollars in Thousands)

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance Sheet Liability | $ 59,016 | $ 52,070 | $ 39,551 | $ 27,259 | $ 25,733 | $ 37,390 | $ 15,314 | $ 9,422 | $ 6,207 | $ 6,976 |
| Cumulative paid as of: | | | | | | | | | | |
| One year later | | (8,328) | 17,019 | 19,347 | 25,238 | 35,433 | 10,908 | 8,629 | 5,280 | 8,139 |
| Two years later | | | 8,692 | 27,740 | 33,863 | 48,406 | 12,938 | 10,417 | 7,211 | 9,463 |
| Three years later | | | | 16,769 | 39,529 | 53,760 | 13,921 | 11,083 | 7,707 | 10,069 |
| Four years later | | | | | 27,304 | 57,794 | 14,644 | 11,994 | 7,949 | 10,327 |
| Five years later | | | | | | 56,509 | 14,964 | 12,355 | 8,167 | 10,451 |
| Six years later | | | | | | | 16,474 | 12,523 | 8,292 | 10,616 |
| Seven years later | | | | | | | | 13,711 | 8,997 | 10,724 |
| Eight years later | | | | | | | | | 9,001 | 11,422 |
| Nine years later | | | | | | | | | | 11,425 |
| Re-estimated net liability as of: | | | | | | | | | | |
| End of year | 59,016 | 52,070 | 39,551 | 27,259 | 25,733 | 37,390 | 15,314 | 9,422 | 6,207 | 6,976 |
| One year later | | 35,764 | 44,402 | 35,370 | 35,625 | 44,690 | 14,594 | 11,014 | 6,954 | 9,445 |
| Two years later | | | 30,720 | 38,962 | 41,280 | 52,324 | 14,784 | 10,885 | 7,842 | 10,200 |
| Three years later | | | | 28,981 | 45,131 | 56,658 | 15,402 | 11,236 | 8,069 | 10,425 |
| Four years later | | | | | 34,707 | 59,583 | 16,320 | 12,116 | 8,312 | 10,616 |
| Five years later | | | | | | 60,413 | 16,304 | 12,365 | 8,542 | 10,782 |
| Six years later | | | | | | | 18,509 | 12,410 | 8,621 | 10,945 |
| | | | | | | | | 14,610 | 8,458 | 11,241 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Seven years later | | | | | | | | | |
| Eight years later | | | | | | | | 8,439 | 10,644 |
| Nine years later | | | | | | | | | 10,645 |
| | | | | | | | | | |
| Cumulative redundancy (deficiency) | 16,305 | 8,831 | (1,722) | (8,974) | (23,023) | (3,195) | (5,188) | (2,232) | (3,669) |
| | | | | | | | | | |
| Cumulative redundancy (-) deficiency as a % of reserves originally established | 31.3% | 22.3% | -6.3% | -34.9% | -61.6% | -20.9% | -55.1% | -36.0% | -52.6% |

The cumulative redundancy or deficiency represents the aggregate change in the estimates over all prior years. A deficiency indicates that the latest estimate of the liability for losses and LAE is higher than the liability that was originally estimated and a redundancy indicates that such estimate is lower. It should be emphasized that the table presents a run-off of balance sheet liability for the periods indicated rather than accident or policy loss development for those periods. Therefore, each amount in the table includes the cumulative effects of changes in liability for all prior periods. Conditions and trends that have affected liabilities in the past may not necessarily occur in the future.

As noted above, we have since experienced a $16.3 million cumulative redundancy in connection with the re-estimation of all loss that occurred in 2008 and a $8.8 million cumulative redundancy in connection with the re-estimation of all loss that occurred in 2007. Relative to the $16.3 million redundancy, our homeowner benefit totaled $20.2 million and our commercial general liability and automobile losses totaled $2.0 million and $1.9 million, respectively. Relative to the $8.8 million redundancy, our homeowner benefit totaled $16.0 million and our commercial general liability and automobile losses totaled $5.9 million and $1.3 million, respectively.

As noted last year, we had since experienced a $4.9 million cumulative deficiency in connection with the re-estimation of all loss that occurred in 2007 and a $13.5 million cumulative deficiency in connection with the re-estimation of all loss that occurred in 2006. Relative to the $4.9 million deficiency, our homeowner and commercial general liability losses totaled $1.1 million and $4.4 million, respectively, and our automobile benefit totaled $0.7 million. Relative to the $13.5 million deficiency, our homeowner and commercial general liability and automobile losses totaled $5.5 million, $6.6 million and $1.4 million, respectively.

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As noted in our Form 10-K for the fiscal year ended December 31, 2007, we experienced an $8.2 million cumulative deficiency in connection with the re-estimation of all loss that occurred in 2006 and a $15.7 million cumulative deficiency in connection with the re-estimation of all loss that occurred in 2005. Relative to the $8.2 million deficiency, our homeowner, commercial general liability and automobile losses totaled $2.2, $4.0 and $2.0, respectively. Relative to the $15.7 million deficiency, our homeowner and commercial general liability and automobile losses totaled $9.4 million, $3.4 million and $2.8 million, respectively.

The table below sets forth the differences between loss and LAE reserves as disclosed for Generally Accepted Accounting Principles ("GAAP") basis compared with Statutory Accounting Principles ("SAP") basis of presentation for the years ended 2009, 2008 and 2007.

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | (Dollars in Thousands) | | |
| GAAP basis Loss and LAE reserves | $ 70,611 | $ 64,775 | $ 59,685 |
| Less unpaid Losses and LAE ceded | 11,594 | 12,705 | 20,133 |
| Balance Sheet Liability | 59,017 | 52,070 | 39,552 |
| Add Insurance Apportionment Plan | 12 | 24 | 37 |
| SAP basis Loss and LAE reserves | $ 59,029 | $ 52,094 | $ 39,589 |

The table below sets forth the differences between loss and LAE incurred as disclosed for GAAP basis compared with SAP basis presentation for the years ended 2009, 2008 and 2007.

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| | (Dollars in Thousands) | | |
| GAAP basis Loss and LAE incurred | $ 43,706 | $ 41,869 | $ 47,619 |
| Intercompany adjusting and other expenses | 4,239 | 4,312 | 7,361 |
| Insurance apportionment plan | (7) | 4 | 12 |
| SAP basis Loss and LAE incurred | $ 47,938 | $ 46,185 | $ 54,992 |

Underwriting results of insurance companies are frequently measured by their Combined Ratios. However, investment income, federal income taxes and other non-underwriting income or expense are not reflected in the Combined Ratio. The profitability of property and casualty insurance companies depends on income from underwriting, investment and service operations. Underwriting results are considered profitable when the Combined Ratio is under 100% and unprofitable when the Combined Ratio is over 100%.

The following table sets forth Loss Ratios, Expense Ratios and Combined Ratios for the periods indicated for the insurance business of Federated National and American Vehicle for 2009, 2008 and 2007. The ratios, inclusive of Unallocated Loss Adjustment Expenses ("ULAE"), are shown in the table below.

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2009 | 2008 | 2007 |
| Loss Ratio | 86.9% | 64.3% | 48.0% |
| Expense Ratio | 44.0% | 38.2% | 26.1% |

| | | | |
|---|---|---|---|
| Combined Ratio | 130.9% | 102.5% | 74.1% |

COMPETITION

We operate in highly competitive markets and face competition from national, regional and residual market insurance companies in the homeowners', commercial residential property, commercial general liability, and automobile markets, many of whom are larger, have greater financial and other resources, and offer more diversified insurance coverage. Our competitors include companies that market their products through agents, as well as companies that sell insurance directly to their customers. Large national writers may have certain competitive advantages over agency writers, including increased name recognition, increased loyalty of their customer base and reduced policy acquisition costs.

Significant competition emerged because of the January 2007 emergency Florida legislation session wherein it passed, and the Governor signed into law, a bill known as "CS/HB-1A". This law made fundamental changes to the property and casualty insurance business in Florida and undertook a multi-pronged approach to address the cost of residential property insurance in Florida. First, the law increased the capacity of reinsurance that stabilized the reinsurance market to the benefit of the insurance companies writing properties lines in the state of Florida. Secondly, the law provided for rate relief to all policyholders.

The law also authorized the state-owned insurance company, Citizens, which is free of many of the restraints on private carriers such as surplus, ratios, income taxes and reinsurance expense, to reduce its premium rates and begin competing against private insurers in the residential property insurance market and expands the authority of Citizens to write commercial insurance.

We previously stated our belief that these aggressive marketplace changes have forced some carriers to pursue market share based on "best case" pricing models that may ultimately prove unprofitable from an underwriting perspective.

For example, during 2009 we noted that the Florida OIR placed at least four property and casualty insurance companies in some form of receivership while several other Florida domiciled insurance companies have recapitalized in order to remain viable in the Florida market. The insolvency of these companies poses a risk to all other remaining carriers in the state including Federated National and American Vehicle in terms of assessments to support those failed companies. To date we are not aware of any such assessments in connection with the takeovers during 2009; however, no guarantee can be made that no assessments will be imposed.

In recent years, approximately two-dozen new homeowner insurance companies received authority by the Florida OIR to commence business as admitted carriers in the state of Florida. At least one new carrier has been licensed to enter the Florida homeowners' market during 2009 and another in 2010.

In 2006, the state of Florida created the Insurance Capital Build-Up Incentive Program in response to the catastrophic events that occurred during 2004 and 2005. This program provided matching capital funds to any new or existing carrier licensed to write homeowners insurance in the state of Florida under certain conditions. This program resulted in a significant erosion of our homeowners' property insurance market in 2009 and 2008, as compared with 2007. We did not participate in the Insurance Capital Build-Up Incentive Program. Although our pricing is inevitably influenced to some degree by that of our competitors, we believe that it is generally not in our shareholders' best interest to compete solely on price.

We face increased competition from existing carriers and new entrants in our niche markets. As mentioned earlier, in an effort to foster competition after the hurricanes of 2004 and 2005, the State of Florida loaned money to multiple carriers with certain debt covenants, including the maintenance of minimum written premium. Our competition has attempted to gain market share through aggressive pricing and generous policy acquisition costs which has had an adverse affect on our ability to maintain market share. Although our pricing is inevitably influenced to some degree by that of our competitors, we believe that it is generally not in our best interest to compete solely on price. We compete on the basis of underwriting criteria, our distribution network and superior service to our agents and insureds.

In Florida, more than 200 companies are authorized to underwrite homeowners' insurance. National and regional companies that compete with us in the homeowners' market include Allstate Insurance Company and First Floridian Insurance Company. In addition to these nationally recognized companies, we also compete with several Florida domestic property and casualty companies such as Universal Insurance Company of North America, Universal Property and Casualty Insurance Company, United Property and Casualty, Royal Palm Insurance Company, Edison Insurance Company, Olympus Insurance Company, St. Johns Insurance Company, Cypress Property and Casualty Insurance Company, Tower Hill Insurance Company, Florida Family Insurance Company, Homeowners Choice Property and Casualty Insurance Company and American Strategic Insurance Company.

Companies which compete with us nationally in the commercial general liability insurance market include Century Surety Insurance Company, Atlantic Casualty Insurance Company, Colony Insurance Company and Burlington/First Financial Insurance Companies.

Comparable companies in the personal automobile insurance market include U.S. Security Insurance Company, United Automobile Insurance Company, Direct General Insurance Company, Ocean Harbor Insurance Company, and Security National Insurance Company, as well as national insurers such as Progressive Casualty Insurance Company and GEICO.

REGULATION

General

We are, or will be, subject to the laws and regulations in Alabama, Arkansas, California, Florida, Georgia, Kentucky, Louisiana, Maryland, Missouri, Nevada, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas and Virginia and regulations of any other states in which we seek to conduct business in the future. The regulations cover all aspects of our business and are generally designed to protect the interests of insurance policyholders, as opposed to the interests of shareholders. Such regulations relate to authorized lines of business, capital and surplus requirements, allowable rates and forms, investment parameters, underwriting limitations, transactions with affiliates, dividend limitations, changes in control, market conduct, maximum amount allowable for premium financing service charges and a variety of other financial and non-financial components of our business. Our failure to comply with certain provisions of applicable insurance laws and regulations could have a material adverse effect on our business, results of operations or financial condition. In addition, any changes in such laws and regulations, including the adoption of consumer initiatives regarding rates charged for coverage, could materially and adversely affect our operations or our ability to expand.

An example of such consumer initiatives may be found with Florida’s property insurers operating under a new emergency rule which requires existing premium rates as of January 25, 2007, to remain in effect until a rate filing reflecting the provisions as provided in Florida’s enacted property insurance legislation. The legislation, which among other issues, provided low cost reinsurance to member insurance companies, accelerated rate filings to reflect the reduced reinsurance costs and expanded the role of Citizens in the market place. Other provisions contained in the emergency rule prevented non-renewals and cancellation (except for material misrepresentation and non-payment of premium) and new restrictions on coverage are prohibited. We are aware of the continued financial challenges that face the State of Florida in connection with the current consumer initiatives. The consumer initiatives stem from the catastrophic hurricanes during 2004 and 2005. The financial challenges have affected our business, results of operations and financial condition in the past and there can be no assurance that they will not continue to affect business, results of operations and financial condition in the future. We are unaware of any other jurisdictions with similar consumer initiatives that could have a material adverse effect on our business, results of operations or financial condition.

Most states have also enacted laws which restrict an insurer’s underwriting discretion, such as the ability to terminate policies, terminate agents or reject insurance coverage applications, and many state regulators have the power to reduce, or to disallow increases, in premium rates. These laws may adversely affect the ability of an insurer to earn a profit on its underwriting operations.

Most states also have insurance laws requiring that rate schedules and other information be filed with the state's insurance regulatory authority, either directly or through a rating organization with which the insurer is affiliated. The regulatory authority may disapprove a rate filing if it finds that the rates are inadequate, excessive or unfairly discriminatory. Rates, which are not necessarily uniform for all insurers, vary by class of business, hazard covered, and size of risk. Certain states have recently adopted laws or are considering proposed legislation which, among other things, limit the ability of insurance companies to effect rate increases or to cancel, reduce or non-renew insurance coverage with respect to existing policies, particularly personal automobile insurance. As discussed above, the consumer initiatives with Florida's property insurers demonstrate the State of Florida's ability to adopt such laws. Also, the Florida legislature may adopt additional laws of this type in the future, which may adversely affect the Company's business.

Most states require licensure or regulatory approval prior to the marketing of new insurance products. Typically, licensure review is comprehensive and includes a review of a company's business plan, solvency, reinsurance, character of its officers and directors, rates, forms and other financial and non-financial aspects of a company. The regulatory authorities may prohibit entry into a new market by not granting a license or by withholding approval.

All insurance companies must file quarterly and annual statements with certain regulatory agencies and are subject to regular and special examinations by those agencies. Most recently the Florida OIR subjected Federated National to a balance sheet audit as of December 31, 2009. The findings by the independent auditors of this examination are unknown at this time. The previous regulatory examination conducted by the Florida OIR on Federated National covered the three-year period ended on December 31, 2004. The last regulatory examination conducted by the Florida OIR on American Vehicle covered the three-year period ended on December 31, 2005.

We may be the subject of additional targeted examinations or analysis. These examinations or analysis may result in one or more corrective orders being issued by the Florida OIR.

Federated National anticipates a regularly scheduled statutory examination by the Florida OIR to occur during 2010 for the five years ended December 31, 2009. American Vehicle anticipates a regularly scheduled statutory examination by the Florida OIR to occur during 2011 for the five years ended December 31, 2010. We have not received any notice of such examinations for American Vehicle.

In some instances, various states routinely require deposits of assets for the protection of policyholders either in those states or for all policyholders. As an example, the Florida OIR requires Federated National and American Vehicle to have securities with a fair market value of $1.0 million held in escrow. As of December 31, 2009, Federated National and American Vehicle held investment securities with a fair value of approximately $1.1 million, each as deposits with the State of Florida. Additionally, as of December 31, 2009 American Vehicle has cash deposits totaling $409,100 with the State of Alabama, $159,800 with the State of Arkansas and $119,300 with the State of Louisiana.

As of December 31, 2008, Federated National and American Vehicle held investment securities with a fair value of approximately $1.1 million, each as deposits with the State of Florida. Additionally, as of December 31, 2008 American Vehicle has cash deposits totaling $409,640 with the State of Alabama, $167,109 with the State of Arkansas and $116,715 with the State of Louisiana.

Restrictions in Payments of Dividends by Domestic Insurance Companies

Under Florida law, a domestic insurer may not pay any dividend or distribute cash or other property to its shareholders except out of that part of its available and accumulated capital surplus funds which is derived from realized net operating profits on its business and net realized capital gains. A Florida domestic insurer may not make dividend payments or distributions to shareholders without prior approval of the Florida OIR if the dividend or distribution would exceed the larger of (i) the lesser of (a) 10.0% of its capital surplus or (b) net income, not including realized capital gains, plus a two-year carryforward, (ii) 10.0% of capital surplus with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains or (iii) the lesser of (a) 10.0% of capital surplus or (b) net investment income plus a three-year carryforward with dividends payable constrained to unassigned funds minus 25.0% of unrealized capital gains.

Alternatively, a Florida domestic insurer may pay a dividend or distribution without the prior written approval of the Florida OIR (i) if the dividend is equal to or less than the greater of (a) 10.0% of the insurer's capital surplus as regards policyholders derived from realized net operating profits on its business and net realized capital gains or (b) the insurer's entire net operating profits and realized net capital gains derived during the immediately preceding calendar year, (ii) the insurer will have policy holder capital surplus equal to or exceeding 115.0% of the minimum required statutory capital surplus after the dividend or distribution, (iii) the insurer files a notice of the dividend or distribution with the Florida OIR at least ten business days prior to the dividend payment or distribution and (iv) the notice includes a certification by an officer of the insurer attesting that, after the payment of the dividend or distribution, the insurer will have at least 115% of required statutory capital surplus as to policyholders. Except as provided above, a Florida domiciled insurer may only pay a dividend or make a distribution (i) subject to prior approval by the Florida OIR or (ii) 30 days after the Florida OIR has received notice of such dividend or distribution and has not disapproved it within such time.

No dividends were paid by Federated National or American Vehicle in 2009, 2008 or 2007, and none are anticipated in 2010. Although we believe that amounts required to meet our financial and operating obligations will be available from sources other than dividends from our insurance subsidiaries, there can be no assurance in this regard. Further, there can be no assurance that, if requested, the Florida OIR will allow any dividends in excess of the amount available, to be paid by Federated National and American Vehicle to us, the parent company, in the future. The maximum dividends permitted by state law are not necessarily indicative of an insurer's actual ability to pay dividends or other distributions to a parent company, which also may be constrained by business and regulatory considerations, such as the impact of dividends on capital surplus, which could affect an insurer's competitive position, the amount of premiums that can be written and the ability to pay future dividends. Further, state insurance laws and regulations require that the statutory capital surplus of an insurance company following any dividend or distribution by it be reasonable in relation to its outstanding liabilities and adequate for its financial needs.

While the non-insurance company subsidiaries (Assurance MGA, Superior and any other affiliate) are not subject directly to the dividend and other distribution limitations, insurance holding company regulations govern the amount that any affiliate within the holding company system may charge any of the insurance companies for service (e.g., management fees and commissions).

National Association of Insurance Commissioners ("NAIC") Risk Based Capital Requirements

In order to enhance the regulation of insurer solvency, the NAIC established risk-based capital requirements for insurance companies that are designed to assess capital adequacy and to raise the level of protection that statutory surplus provides for policy holders. These requirements measure three major areas of risk facing property and casualty insurers: (i) underwriting risks, which encompass the risk of adverse loss developments and inadequate pricing; (ii) declines in asset values arising from credit risk; and (iii) other business risks from investments. Insurers having less statutory surplus than required will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. The Florida OIR, which follows these requirements, could require Federated National or American Vehicle to cease operations in the event they fail to maintain the required statutory capital.

Based upon the 2009 statutory financial statements for Federated National and American Vehicle, statutory surplus exceeded all regulatory action levels established by the NAIC's risk-based capital requirements.

Based upon the 2008 statutory financial statements for Federated National and American Vehicle, statutory surplus exceeded all regulatory action levels established by the NAIC's risk-based capital requirements.

Based on risk-based capital requirements, the extent of regulatory intervention and action increases as the ratio of an insurer's statutory surplus to its Authorized Control Level ("ACL"), as calculated under the NAIC's requirements, decreases. The first action level, the Company Action Level, requires an insurer to submit a plan of corrective actions to the insurance regulators if statutory surplus falls below 200.0% of the ACL amount. The second action level, the Regulatory Action Level, requires an insurer to submit a plan containing corrective actions and permits the insurance regulators to perform an examination or other analysis and issue a corrective order if statutory surplus falls below 150.0% of the ACL amount. The third action level, ACL, allows the regulators to rehabilitate or liquidate an insurer in addition to the aforementioned actions if statutory surplus falls below the ACL amount. The fourth action level is the Mandatory Control Level, which requires the regulators to rehabilitate or liquidate the insurer if statutory surplus falls below 70.0% of the ACL amount. Federated National's ratio of statutory surplus to its ACL was 245.1%, 739.4 % and 653.0% at December 31, 2009, 2008 and 2007, respectively. American Vehicle's ratio of statutory surplus to its ACL was 426.9%, 402.5% and 448.5% at December 31, 2009, 2008 and 2007, respectively.

NAIC Insurance Regulatory Information Systems ("IRIS") Ratios

The NAIC has also developed IRIS ratios to assist state insurance departments in identifying companies which may be developing performance or solvency problems, as signaled by significant changes in the companies' operations. Such changes may not necessarily result from any problems with an insurance company, but may merely indicate changes in certain ratios outside the ranges defined as normal by the NAIC. When an insurance company has four or more ratios falling outside "usual ranges," state regulators may investigate to determine the reasons for the variance and whether corrective action is warranted.

As of December 31, 2009, Federated National was outside NAIC's usual range for four of thirteen IRIS ratios. Three exceptions related to underwriting operations and one related to lower than expected investment yields. The operations ratios relate to the timing of premium rate corrections and elevated reinsurance costs. The Florida OIR granted Federated National an average statewide increase of 19.0% for policies that went into effect November 1, 2009 and December 1, 2009 for new and renewed homeowner insurance policies, respectively. As of December 31, 2008, Federated National was outside NAIC's usual ranges with respect to its tests on two out of thirteen IRIS ratios. There was one exception in connection with change in net written premium and one in connection with two year reserve development to policyholders' surplus.

As of December 31, 2009, American Vehicle was outside NAIC's usual range for three of thirteen IRIS ratios. These ratios reflect the decline in premium volume and operating results. The third ratio related to lower than expected investment yields. As of December 31, 2008, American Vehicle was outside NAIC's usual range for two of thirteen IRIS ratios. There was one exception in connection with the two year overall operating ratio and one in connection with two year reserve development to policyholders' surplus.

There was no action taken by the Florida OIR in connection with the December 31, 2008 IRIS ratio results. We do not currently believe that the Florida OIR will take any significant action with respect to Federated National or American Vehicle regarding the 2009 IRIS ratios, although there can be no assurance that will be the case.

Insurance Holding Company Regulation

We, the parent company, are subject to laws governing insurance holding companies in Florida where Federated National and American Vehicle are domiciled. These laws, among other things, (i) require us to file periodic information with the Florida OIR, including information concerning our capital structure, ownership, financial condition and general business operations, (ii) regulate certain transactions between us and our affiliates, including the amount of dividends and other distributions, the terms of surplus notes and amounts that our affiliates can charge the holding company for services such as management fees or commissions, (iii) restrict the ability of any one person to acquire certain levels of our voting securities without prior regulatory approval. Any purchaser of 5% or more of the outstanding shares of our Common Stock will be presumed to have acquired control of Federated National and American Vehicle unless the Florida OIR, upon application, determines otherwise.

Finance Company Regulation

Our financing program remains subject to certain laws governing the operation of premium finance companies. These laws pertain to such matters as books and records that must be kept, forms, licensing, fees and charges. For example, in Florida, the maximum late payment fee Federated Premium may charge for personal line policies is $10 per month.

Underwriting and Marketing Restrictions

During the past several years, various regulatory and legislative bodies have adopted or proposed new laws or regulations to address the cyclical nature of the insurance industry, catastrophic events and insurance capacity and pricing. These regulations include (i) the creation of "market assistance plans" under which insurers are induced to provide certain coverages, (ii) restrictions on the ability of insurers to rescind or otherwise cancel certain policies in mid-term, (iii) advance notice requirements or limitations imposed for certain policy non-renewals and (iv) limitations upon or decreases in rates permitted to be charged.

Legislation

From time to time, new regulations and legislation are proposed to limit damage awards, to control plaintiffs' counsel fees, to bring the industry under regulation by the Federal government, to control premiums, policy terminations and other policy terms and to impose new taxes and assessments. It is not possible to predict whether, in what form or in what jurisdictions, any of these proposals might be adopted, or the effect, if any, on us.

Currently, the Florida House of Representatives and the Florida Senate are both considering pending bills, HB 949 and SB 1460, designed to provide a remedy for the FHCF contract year, which, after being legislatively curtailed in 2009, has created unintended consequences for insurers due to the way in which the cost of reinsurance is amortized on their financial statements.

Without passage of either HB 949 or SB 1460, our 2010 financial statement will show a larger-than-normal expense associated with the purchase of FHCF reinsurance. Specifically, the statement will show an expense equal to five months of FHCF reinsurance costs from January 1, 2010 to May 31, 2010. The statement also will show an expense equal to 12 months of FHCF reinsurance costs over the seven-month period from June 1, 2010 to December 31, 2010, which will result in a reduction of the pre-tax income and Federated National's surplus by more than what it is historically reduced each year for the purchase of FHCF reinsurance. This reduction would impact Federated National's financial solvency, as well as negatively impact our Demotech Financial Stability Rating (“FSR”).

To remedy the negative financial impact of the transitional FHCF contract year, both HB 949 and SB 1460 would return the FHCF contract year to June 1 through May 31, beginning June 1, 2010.

Industry Ratings Services

Third-party rating agencies assess and rate the ability of insurers to pay their claims. These financial strength ratings are used by the insurance industry to assess the financial strength and quality of insurers. These ratings are based on criteria established by the rating agencies and reflect evaluations of each insurer's profitability, debt and cash levels, customer base, adequacy and soundness of reinsurance, quality and estimated market value of assets, adequacy of reserves, and management. Ratings are based upon factors of concern to agents, reinsurers and policyholders and are not directed toward the protection of investors, such as purchasers of our common stock.

Federated National and American Vehicle are currently rated by Demotech as "A" ("Exceptional"), which is the third of six FSR ratings, and defined as "insurers earning an FSR of "A" have "Exceptional" ability to maintain liquidity of invested assets, quality reinsurance, acceptable financial leverage and realistic pricing while simultaneously establishing loss and loss adjustment expense reserves at reasonable levels". Demotech's ratings are based upon factors of concern to agents, reinsurers and policyholders and are not primarily directed toward the protection of investors. However, our Demotech rating could be jeopardized by such other factors including adverse development and various surplus related ratio exceptions. As recently as December 10, 2009, Demotech reaffirmed American Vehicle's and Federated National's FSR of "A" ("Exceptional").

In a letter from Demotech's Chief Executive Officer dated January 15, 2009, Demotech warned Florida policymakers, including Florida Insurance Council representatives that "The potential inability of the FHCF to honor meritorious claims related to a significant event adversely influences the Financial Stability Rating of each of the carriers that are heavily dependent on the reinsurance provided by the FHCF. Under current circumstances and conditions, we will provide, monitor and support Financial Stability Ratings through the period ending May 15, 2009. An extension of Financial Stability Ratings beyond May 15, 2009, will require definitive financial information regarding participation in the FHCF, documentation of bridge loans or alternative financing mechanisms that provide liquidity during a period in which the FHCF would be raising capital and other precaution or protection regarding reinsurance collectibility or catastrophe reinsurance." Federated National addressed these specific concerns with Demotech and was successful in maintaining its "A" rating.

On March 22, 2010, Federated National received notice from Demotech that it would require a capital infusion of $10 million by March 31, 2010 in order for Federated National to maintain its' "A" rating with the agency. We are working to comply with this requirement; however there can be no assurance that we will be able to do so. Any additional capital contribution to Federated National must be approved by the Florida OIR.

The withdrawal of our ratings could limit or prevent us from writing or renewing desirable insurance policies, from competing with insurers who have higher ratings, from obtaining adequate reinsurance, or from borrowing on a line of credit. The withdrawal of our ratings could have a material adverse effect on the Company's results of operations and financial position because the Company's insurance products might no longer be acceptable to the secondary marketplace and mortgage lenders. Furthermore, a withdrawal of our ratings could prevent independent agents from selling and servicing our insurance products.

## EMPLOYEES

As of December 31, 2009, we had 121 employees, including two executive officers. We are not a party to any collective bargaining agreement and we have not experienced work stoppages or strikes as a result of labor disputes. We consider relations with our employees to be satisfactory.

## ITEM 1A RISK FACTORS

We are subject to certain risks in our business operations which are described below. Careful consideration of these risks should be made before making an investment decision. The risks and uncertainties described below are not the only ones facing 21st Century. Additional risks and uncertainties not presently known or currently deemed immaterial may also impair our business operations.

### Risks Related to Our Business

Our financial condition could be adversely affected by the occurrence of natural and man-made disasters.

We write insurance policies that cover homeowners, business owners and automobile owners for losses that result from, among other things, catastrophes and sinkholes. Catastrophic losses can be caused by hurricanes, tropical storms, tornadoes, wind, hail, fires, riots and explosions, and their incidence and severity are inherently unpredictable. The extent of losses from a catastrophe is a function of two factors: the total amount of the insurance company's exposure in the area affected by the event and the severity of the event. Our policyholders are currently concentrated in South and Central Florida, which is especially subject to adverse weather conditions such as hurricanes and tropical storms.

In 2004 and 2005, the state of Florida experienced nine hurricanes. One of our subsidiaries, Federated National, incurred significant losses relative to its homeowners’ and mobile homeowners’ insurance lines of business in connection with these catastrophic weather events. Aggregate losses in connection with these storms involved over 23,000 claims at a cost in excess of $71.9 million, net of our reinsurance participation.

The occurrence of claims from catastrophic events could result in substantial volatility in our results of operations or financial condition for any fiscal quarter or year. Increases in the values and concentrations of insured property may also increase the severity of these occurrences in the future. Although we attempt to manage our exposure to such events through the use of underwriting controls and the purchase of third-party reinsurance, catastrophic events are inherently unpredictable and the actual nature of such events when they occur could be more frequent or severe than contemplated in our pricing and risk management expectations. As a result, the occurrence of one or more catastrophic events could have a material adverse effect on our results of operations or financial condition.

We have used 99.2% of the reinsurance coverage available for Hurricane Wilma and if any claims exceed this coverage amount, it could adversely impact our business, results of operations and/or financial condition.

As of December 31, 2009, the loss experience (both paid and not yet paid) in connection with Hurricane Wilma which occurred in October 2005 has exhausted approximately 99.2% of the $194.8 million reinsurance coverage which is available to us. If we incur any additional losses relating to Hurricane Wilma which exceed our reinsurance coverage, we will be responsible for paying these claims out of our available operating funds. If any of these payments to settle the Hurricane Wilma claims (which exceed our reinsurance coverage) are material, it will have an adverse impact on our business, results of operations and financial condition.

Although we follow the industry practice of reinsuring a portion of our risks, our costs of obtaining reinsurance fluctuates and we may not be able to successfully alleviate risk through reinsurance arrangements.

The state of Florida has a history of exposure to extremely volatile weather related catastrophic events including hurricanes and tornados. The frequency and severity of these events can have a profound impact on our balance sheet and statements of operations and cash flows. Though the Company attempts to mitigate the impact of these events, there can be no assurance that we will be successful.

We have a reinsurance structure that is a combination of private reinsurance and the FHCF. Our reinsurance structure is comprised of several reinsurance companies with varying levels of participation providing coverage for loss and LAE at pre-established minimum and maximum amounts. Losses incurred in connection with a catastrophic event below the minimum and above the maximum are the responsibility of Federated National. For example, the loss experience incurred (both paid and not yet paid) in connection with Hurricane Wilma in October 2005 has exhausted approximately 99.2% of the $194.8 million reinsurance coverage available. There can be no assurance that we will not exceed the coverage purchased.

As a result of the nine hurricanes experienced in Florida during the fourteen month period between August 2004 and October 2005, and changes in Florida law in 2007 regarding the pricing and availability of reinsurance, we continue to review, and may determine to modify, our reinsurance structure.

Though there has been no occurrence of hurricanes in Florida within the last four hurricane seasons, some weather analysts believe that we have entered a period of greater hurricane activity while others suggest a diminished expectation for the near future. To address this risk, we are exploring alternatives to reduce our exposure to these types of storms. Although these measures may increase operating expenses, management believes that they will assist us in protecting long-term profitability, although there can be no assurances that will be the case.

The availability and costs associated with the acquisition of reinsurance will vary year to year. These fluctuations, which can be significant, are not subject to our control and may limit our ability to purchase adequate coverage. The recovery of increased reinsurance costs through rate action is not immediate and cannot be presumed, as it is subject to Florida OIR approval.

Insolvency of our primary reinsurer or any of our other current or future reinsurers including the FHCF, or their inability otherwise to pay claims, would increase the claims that we must pay, thereby potentially harming significantly our balance sheet, results of operations and cash flow. In addition, prevailing market conditions have increased the availability and limited the cost of reinsurance, although there can be no assurances that these conditions will persist.

We face a risk of non-collectibility of reinsurance, which could materially and adversely affect our business, results of operations and/or financial condition.

As is common practice within the insurance industry, we transfer a portion of the risks insured under our policies to other companies through the purchase of reinsurance. This reinsurance is maintained to protect our insurance subsidiary against the severity of losses on individual claims, unusually serious occurrences in which a number of claims produce an aggregate extraordinary loss and catastrophic events. Although reinsurance does not discharge our insurance subsidiary from its primary obligation to pay for losses insured under the policies it issues, reinsurance does make the assuming reinsurer liable to the insurance subsidiary for the reinsured portion of the risk. A credit exposure exists with respect to ceded losses to the extent that any reinsurer is unable or unwilling to meet the obligations assumed under the reinsurance contracts. The collectibility of reinsurance is subject to the solvency of the reinsurers, interpretation of contract language and other factors. A reinsurer's insolvency or inability to make payments under the terms of a reinsurance contract could have a material adverse effect on our results of operations and financial condition.

The availability and costs associated with the acquisition of reinsurance will vary year to year. These fluctuations, which can be significant, are not subject to our control and may limit our ability to purchase adequate coverage. The recovery of increased reinsurance costs through rate action is not immediate and cannot be presumed, as it is subject to Florida OIR approval.

For the 2009-2010 hurricane season, the excess of loss and FHCF treaties will insure us for approximately $456.6 million of aggregate catastrophic losses and LAE with a maximum single event coverage totaling approximately $349.7 million, with the Company retaining the first $5.0 million of losses and LAE for each event. Our reinsurance program includes coverage purchased from the private market, which afforded optional reinstatement premium protection that provides coverage beyond the first event, along with coverage from the FHCF. Coverage afforded by the FHCF totals approximately $259.0 million or 56.7% of the $456.6 million of aggregate catastrophic losses and LAE. The FHCF affords coverage for the entire season, subject to maximum payouts, without regard to any particular insurable event.

Our reinsurance structure has significant risks, including the fact that the FHCF may not be able to raise sufficient money to pay their claims or impair their ability to pay their claims in a timely manner. This could result in significant financial, legal and operational challenges to our company.

Therefore, in the event of a catastrophic loss, we may become dependent upon the FHCF's ability to pay, which may, in turn, be dependent upon the FHCF's ability to issue bonds in amounts that would be required to meet its reinsurance obligations in the event of such a catastrophic loss. In this economic climate, there is no assurance that the FHCF will be able to do this.

Please see “Business-Reinsurance” for more information about FHCF.

We may experience financial exposure from climate change.

Our financial exposure from climate change is most notably associated with losses in connection with the occurrence of hurricanes striking Florida. We mitigate the risk of financial exposure from climate change by restrictive underwriting criteria, sensitivity to geographic concentrations and reinsurance.

Restrictive underwriting criteria can include, but are not limited to, higher premiums and deductibles and more specifically excluded policy risks such as fences and screened-in enclosures. New technological advances in computer generated geographical mapping afford us an enhanced perspective as to geographic concentrations of policyholders and proximity to flood prone areas. Our amount of maximum reinsurance coverage is determined by subjecting our homeowner and mobile homeowner exposures to statistical forecasting models that are designed to quantify a catastrophic event in terms of the frequency of a storm occurring once in every “n” years. Our reinsurance coverage contemplated a catastrophic event occurring once every 100 years. Our amount of losses retained (our deductible) in connection with a catastrophic event is determined by market capacity, pricing conditions and surplus preservation.

Our loss reserves may be inadequate to cover our actual liability for losses, causing our results of operations to be adversely affected.

We maintain reserves to cover our estimated ultimate liabilities for loss and LAE. These reserves are estimates based on historical data and statistical projections of what we believe the settlement and administration of claims will cost based on facts and circumstances then known to us. Actual loss and LAE reserves, however, may vary significantly from our estimates.

Factors that affect unpaid losses and LAE include the estimates made on a claim-by-claim basis known as "case reserves" coupled with bulk estimates known as IBNR. Periodic estimates by management of the ultimate costs required to settle all claim files are based on our analysis of historical data and estimations of the impact of numerous factors such as (i) per claim information; (ii) company and industry historical loss experience; (iii) legislative enactments, judicial decisions, legal developments in the awarding of damages, and changes in political attitudes; and (iv) trends in general economic conditions, including the effects of inflation. Management revises its estimates based on the results of its analysis. This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for estimating the ultimate settlement of all claims. There is no precise method for subsequently evaluating the impact of any specific factor on the adequacy of the reserves, because the eventual redundancy or deficiency is affected by multiple factors.

Because of the uncertainties that surround estimated loss reserves, we cannot be certain that our reserves will be adequate to cover our actual losses. If our reserves for unpaid losses and LAE are less than actual losses and LAE, we will be required to increase our reserves with a corresponding reduction in our net income in the period in which the deficiency is identified. Future loss experience substantially in excess of our reserves for unpaid losses and LAE could substantially harm our results of operations and financial condition.

Our revenues and operating performance will fluctuate due to statutorily approved assessments that support property and casualty insurance pools and associations.

We operate in a regulatory environment where certain entities and organizations have the authority to require us to participate in assessments. Currently these entities and organizations include, but are not limited to, the Florida Joint Underwriters Association ("JUA"), FIGA, Citizens and the FHCF. The current assessments stem from the catastrophic effects to the property insurance industry in the state of Florida from the hurricanes that occurred during the fourteen months between August 2004 and October 2005.

Several of the assessments resulted in a charge to current operations. The insurance companies currently pass the assessments on to insurance policies, in the form of a policy surcharge, and reflect the collection of these assessments as fully earned credits to operations in the period collected. The collection of these fees may adversely affect our overall marketing strategy due to the competitive landscape in Florida. All other pricing considerations remaining the same, a newly formed property insurance company would not be subject to the recoupment of previously imposed assessments.

During 2009, we noted that the Florida OIR placed at least four property and casualty insurance companies in some form of receivership while several other Florida domiciled insurance companies have recapitalized in order to remain viable in the Florida market. The insolvency of these companies poses a risk to all other remaining carriers in the state including Federated National and American Vehicle in terms of assessments to support those failed companies. To date we are not aware of any such assessments in connection with the takeovers during 2009; however no guarantee can be made that no assessments will be imposed.

Future assessments are likely, however the impact of these assessments on our balance sheet, results of operations or cash flow are undeterminable at this time.

Our investment portfolio may suffer reduced returns or losses, which would significantly reduce our earnings.

As do other insurance companies, we depend on income from our investment portfolio for a substantial portion of our earnings. During the time that normally elapses between the receipt of insurance premiums and any payment of insurance claims, we invest the funds received, together with our other available capital, primarily in debt securities and to a lesser extent in equity securities, in order to generate investment income.

In connection with our equity securities, we determined that certain securities qualified for other than temporary impairment status in 2008. In connection with this process we charged to operations a net realized investment loss that totaled approximately $9.9 million, net of an estimated provisional tax effect of approximately $3.7 million. Most of these investments were subsequently sold during the third and fourth quarter of the year, and, we recognized an additional $0.2 million loss, net of an estimated tax benefit of approximately $0.1 million. In connection with our equity securities, we determined that no securities qualified for other than temporary impairment in 2009.

Our investment portfolio contains interest rate sensitive instruments, such as bonds, which may be adversely affected by changes in interest rates. A significant increase in interest rates or decrease in credit worthiness could have a material adverse effect on our financial condition or results of operations. Generally, bond prices decrease as interest rates rise. Changes in interest rates could also have an adverse effect on our investment income and results of operations. For example, if interest rates decline, investment of new premiums received and funds reinvested will earn less than expected.

We may experience a loss due to the concentration of credit risk.

Financial instruments that potentially subject the Company to significant concentration of credit risk consist of cash and cash equivalents held in a mutual fund money market account. Management believes that the financial institution holding the Company's mutual fund money market account is credit worthy and accordingly minimal credit risk exists with respect to those investments.

The Company had approximately $19.2 million and $121.4 million invested in the MTB Prime Money Market-Inst Fund Number 142, for which the NAIC classification is Class 1, as of December 31, 2009 and 2008, respectively.  A money market fund is eligible for listing on the Class 1 list if the fund meets the following conditions:

- The fund maintains a rating of "A" or better from Standard and Poor's or a rating of "A" or better from Moody's Investor's Services ("Moody's") or an equivalent or better rating from another NAIC Acceptable Rating Organizations ("ARO");
- The fund maintains a constant net asset value of $1.00 at all times;
- The fund allows a maximum of seven-day redemption of proceeds; and
- The fund invests at least ninety-five percent (95%) of its total assets in any combination of: the United States Government securities listed in Section 14 of the Appendix, securities rated in the highest short term rating category by an NAIC ARO, unrated securities determined by the fund's Board to be of comparable quality, securities of money market funds that are registered investment companies and collateralized repurchase agreements comprised of such obligations at all times. The remaining five percent (5%) may be invested in Second Tier Securities as that phrase is defined by Rule 2a-7 of the Investment Company Act of 1940 (17 CFR 270.2a-7).

We face risks in connection with potential material weakness resulting from our Sarbanes-Oxley Section 404 management report and any related remedial measures that we undertake.

In conjunction with our ongoing reporting obligations as a public company and the requirements of Section 404 of the Sarbanes-Oxley Act, management reported on the effectiveness of our internal control over financial reporting as of December 31, 2009. In order to identify any material weaknesses in our internal control over financial reporting, we engaged in a process to document, evaluate and test our internal controls and procedures, including corrections to existing controls and implement additional controls and procedures that we may deem necessary. As a result of this evaluation and testing process, no material financial reporting deficiencies were noted.

Although we did not have any material weaknesses in our internal controls for our fiscal year ended December 31, 2009, we cannot be certain that there will be none in the future. In future periods, if the process required by Section 404 of the Sarbanes-Oxley Act reveals significant deficiencies or material weaknesses, the correction of any such significant deficiencies or material weaknesses could require additional remedial measures that could be costly and time-consuming. In addition, the discovery of material weaknesses could also require the restatement of prior period operating results. If a material weakness exists as of a future period year-end (including a material weakness identified prior to year-end for which there is an insufficient period of time to evaluate and confirm the effectiveness of the corrections or related new procedures), our management will be unable to report favorably as of such future period year-end as to the effectiveness of our control over financial reporting and we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price and potentially subject us to litigation.

The failure of any of the loss limitation methods we employ could have a material adverse effect on our financial condition or our results of operations.

Various provisions of our policies, such as limitations or exclusions from coverage which have been negotiated to limit our risks, may not be enforceable in the manner we intend. At the present time we employ a variety of endorsements to our policies that limit exposure to known risks, including, but not limited to, exclusions relating to types of vehicles we insure, specific artisan activities and homes in close proximity to the coast line.

In addition, the policies we issue contain conditions requiring the prompt reporting of claims to us and our right to decline coverage in the event of a violation of that condition. While our insurance product exclusions and limitations reduce the loss exposure to us and help eliminate known exposures to certain risks, it is possible that a court or regulatory authority could nullify or void an exclusion or legislation could be enacted modifying or barring the use of such endorsements and limitations in a way that would adversely affect our loss experience, which could have a material adverse effect on our financial condition or results of operations.

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and legal, judicial, social and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until sometime after we have issued insurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued.

An example of such emerging change is the influence public adjusters have had on property claim patterns. Public adjusters represented the vast majority of new and reopened claims filed during 2009 where the cause of loss was asserted as hurricane related. Although the legitimacy of the claim may not prevail we are still required to research, review, and sometimes mediate these claims. Several legislative actions in the state of Florida, such as limiting the time a claim can be filed subsequent to the cause of loss, have either passed or remain in legislative sub-committees. Each of these actions is designed to enhance the legitimacy of the public adjusters' influence on the claim process.

The Company's operating results in 2009 were also influenced by legislative enactments relating to claims payments. Following the 2004 and 2005 hurricane seasons, the Florida legislature required all insurers issuing replacement cost policies to pay the full replacement cost of damaged properties without deducting depreciation whether or not the insureds repaired or replaced the damaged property. Under prior law, insurers would pay the depreciated amount of the property until insureds commenced repairs or replacement. The new law has led to an increase in disagreements regarding the scope of damage and has resulted in insureds' not repairing damage. Despite our efforts to adjust claims and promptly pay meritorious amounts, our operating results have been be affected by a claims environment in Florida that produces opportunities for fraudulent or overstated claims.

Our failure to pay claims accurately could adversely affect our business, financial results and capital requirements.

We must accurately evaluate and pay claims that are made under our policies. Many factors affect our ability to pay claims accurately, including the training and experience of our claims representatives, the culture of our claims organization and the effectiveness of our management, our ability to develop or select and implement appropriate procedures and systems to support our claims functions and other factors. Our failure to pay claims accurately could lead to material litigation, undermine our reputation in the marketplace, impair our image and negatively affect our financial results.

In addition, if we do not train new claims adjusting employees effectively or if we lose a significant number of experienced claims adjusting employees, our claims department's ability to handle an increasing workload as we grow could be adversely affected. In addition to potentially requiring that growth be slowed in the affected markets, we could suffer decreased quality of claims work, which in turn could lower our operating margins.

If we are unable to continue our growth because our capital must be used to pay greater than anticipated claims, our financial results may suffer.

Our future growth will depend on our ability to expand the types of insurance products we offer and the geographic markets in which we do business, both balanced by the business risks we choose to assume and cede. We believe that our Company is sufficiently capitalized to operate our business as it now exists and as we currently plan to expand it. Our existing sources of funds include possible sales of our investment securities and our earnings from operations and investments. Unexpected catastrophic events in our market areas, such as the hurricanes experienced in Florida, have resulted and may result in greater claims losses than anticipated, which could require us to limit or halt our growth while we redeploy our capital to pay these unanticipated claims.

We may require additional capital in the future which may not be available or only available on unfavorable terms.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. To the extent that our present capital is insufficient to meet future operating requirements and/or cover losses, we may need to raise additional funds through financings or curtail our growth. Based on our current operating plan, we believe current capital, together with our anticipated retained earnings, will support our operations without the need to raise additional capital. However, we cannot provide any assurance in that regard, since many factors will affect our capital needs and their amount and timing, including our growth and profitability, our claims experience, and the availability of reinsurance, as well as possible acquisition opportunities, market disruptions and other unforeseeable developments.

If we had to raise additional capital, equity or debt financing may not be available at all or may be available only on terms that are not favorable to us. In the case of equity financings, dilution to our stockholders' ownership could result, and in any case such securities may have rights, preferences and privileges that are senior to those of existing shareholders. If we cannot obtain adequate capital on favorable terms or at all, our business, financial condition or results of operations could be materially adversely affected.

Our business is heavily regulated, and changes in regulation may reduce our profitability and limit our growth.

We are subject to extensive regulation in the states in which we conduct business. This regulation is generally designed to protect the interests of policyholders, as opposed to shareholders and other investors, and relates to authorization for lines of business, capital and surplus requirements, investment limitations, underwriting limitations, transactions with affiliates, dividend limitations, changes in control, premium rates and a variety of other financial and non-financial components of an insurance company's business. The NAIC and state insurance regulators are constantly reexamining existing laws and regulations, generally focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws.

From time to time, some states in which we conduct business have considered or enacted laws that may alter or increase state authority to regulate insurance companies and insurance holding companies. In other situations, states in which we conduct business have considered or enacted laws that impact the competitive environment and marketplace for property and casualty insurance. For example, in 2007 Florida enacted legislation that required us to charge rates for homeowners insurance that we believe are inadequate to cover the related underwriting risk. This same legislation authorizes a state-owned insurance company to reduce its premium rates and begin competing against private insurers in the Florida residential property insurance market.

Currently the federal government does not directly regulate the insurance business. However, in recent years the state insurance regulatory framework has come under increased federal scrutiny. Congress and some federal agencies from time to time investigate the current condition of insurance regulation in the United States to determine whether to impose federal regulation or to allow an optional federal charter, similar to banks. In addition, changes in federal legislation and administrative policies in several areas, including changes in the Gramm-Leach-Bliley Act, financial services regulation and federal taxation, can significantly impact the insurance industry and us.

We cannot predict with certainty the effect any enacted, proposed or future state or federal legislation or NAIC initiatives may have on the conduct of our business. Furthermore, there can be no assurance that the regulatory requirements applicable to our business will not become more stringent in the future or result in materially higher costs than current requirements. Changes in the regulation of our business may reduce our profitability, limit our growth or otherwise adversely affect our operations.

Our insurance companies are subject to minimum capital and surplus requirements, and our failure to meet these requirements could subject us to regulatory action.

Our insurance companies are subject to risk-based capital standards and other minimum capital and surplus requirements imposed under applicable state laws, including the laws of their state of domicile, Florida. The risk-based capital standards, based upon the Risk Based Capital Model Act adopted by the NAIC require our insurance companies to report their results of risk-based capital calculations to state departments of insurance and the NAIC. These risk-based capital standards provide for different levels of regulatory attention depending upon the ratio of an insurance company's total adjusted capital, as calculated in accordance with NAIC guidelines, to its authorized control level risk-based capital. Authorized control level risk-based capital is the number determined by applying the NAIC's risk-based capital formula, which measures the minimum amount of capital that an insurance company needs to support its overall business operations.

Any failure by one of our insurance companies to meet the applicable risk-based capital or minimum statutory capital requirements imposed by the laws of Florida or other states where we do business could subject it to further examination or corrective action imposed by state regulators, including limitations on our writing of additional business, state supervision or liquidation. As of December 31, 2009, American Vehicle and Federated National were in compliance with the NAIC risk-based capital requirements (see "Business-Regulation" for further discussion).

Any changes in existing risk-based capital requirements or minimum statutory capital requirements may require us to increase our statutory capital levels, which we may be unable to do.

Our revenues and operating performance may fluctuate with business cycles in the property and casualty insurance industry.

Historically, the financial performance of the property and casualty insurance industry has tended to fluctuate in cyclical patterns characterized by periods of significant competition in pricing and underwriting terms and conditions, which is known as a "soft" insurance market, followed by periods of lessened competition and increasing premium rates, which is known as a "hard" insurance market. Although an individual insurance company's financial performance is dependent on its own specific business characteristics, the profitability of most property and casualty insurance companies tends to follow this cyclical market pattern, with profitability generally increasing in hard markets and decreasing in soft markets. At present, we are experiencing a soft market in the property and casualty market in Florida because of regulatory changes. We cannot predict, however, how long these market conditions will persist. We do not compete entirely on price or targeted market share. Our ability to compete is governed by our ability to assess and price an insurance product with an acceptable risk for obtaining profit.

We may not obtain the necessary regulatory approvals to expand the types of insurance products we offer or the states in which we operate.

The insurance industry is highly regulated. Prior to selling a new insurance product in a state, we must obtain approval from the applicable state insurance regulators. The insurance regulators in states to which we might apply may request additional information, add conditions to the license that we find unacceptable, or deny our application. This would delay or prevent us from operating in that state. If we want to operate in any additional states, we must file similar applications for licenses, which we may not be successful in obtaining.

Adverse ratings by insurance rating agencies may adversely impact our ability to write new policies, renew desirable policies or obtain adequate insurance, which could limit or halt our growth and harm our business.

Third-party rating agencies assess and rate the ability of insurers to pay their claims. These financial strength ratings are used by the insurance industry to assess the financial strength and quality of insurers. These ratings are based on criteria established by the rating agencies and reflect evaluations of each insurer's profitability, debt and cash levels, customer base, adequacy and soundness of reinsurance, quality and estimated market value of assets, adequacy of reserves, and management. Ratings are based upon factors of concern to agents, reinsurers and policyholders and are not directed toward the protection of investors, such as purchasers of our common stock.

Demotech has publicly stated that the potential inability of the FHCF to honor its obligations to carriers in Florida who are dependent on its reinsurance has impacted its ratings process. See Business-Ratings. Furthermore, on March 22, 2010, Federated National received notice from Demotech that it would require a capital infusion of $10 million by March 31, 2010 in order for Federated National to maintain its' "A" rating with the agency. We are working to comply with this requirement; however there can be no assurance that we will be able to do so. Any additional capital contribution to Federated National must be approved by the Florida OIR. The withdrawal of our ratings could limit or prevent us from writing or renewing desirable insurance policies, from competing with insurers who have higher ratings, from obtaining adequate reinsurance, or from borrowing on a line of credit. The withdrawal of our ratings could have a material adverse effect on the Company's results of operations and financial position because the Company's insurance products might no longer be acceptable to the secondary marketplace and mortgage lenders. Furthermore, a withdrawal of our ratings could prevent independent agents from selling and servicing our insurance products.

We rely on independent and general agents to write our insurance policies, and if we are not able to attract and retain independent and general agents, our revenues would be negatively affected.

We currently market and distribute Federated National's and American Vehicle's products and services through contractual relationships with a network of approximately 4,200 independent agents, of which approximately 300 actively sell and service our products, and a selected number of general agents. Our independent agents are our primary source for our automobile and property insurance policies. Many of our competitors also rely on independent agents. As a result, we must compete with other insurers for independent agents' business. Our competitors may offer a greater variety of insurance products, lower premiums for insurance coverage, or higher commissions to their agents. If our products, pricing and commissions do not remain competitive, we may find it more difficult to attract business from independent agents to sell our products. A material reduction in the amount of our products that independent agents sell could negatively affect our revenues.

We rely on our information technology and telecommunications systems, and the failure of these systems could disrupt our operations.

Our business is highly dependent upon the successful and uninterrupted functioning of our current information technology and telecommunications systems. We rely on these systems to process new and renewal business, provide customer service, make claims payments and facilitate collections and cancellations, as well as to perform actuarial and other analytical functions necessary for pricing and product development. As a result, the failure of these systems could interrupt our operations and adversely affect our financial results.

Nonstandard automobile insurance historically has a higher frequency of claims than standard automobile insurance, thereby increasing our potential for loss exposure beyond what we would be likely to experience if we offered only standard automobile insurance.

Nonstandard automobile insurance is provided to insureds that are unable to obtain preferred or standard insurance coverage because of their payment histories, driving records, age, vehicle types, or prior claims histories. This type of automobile insurance historically has a higher frequency of claims than does preferred or standard automobile insurance policies, although the average dollar amount of the claims is usually smaller under nonstandard insurance policies. As a result, we are exposed to the possibility of increased loss exposure and higher claims experience than would be the case if we offered only standard automobile insurance.

Florida's personal injury protection insurance statute contains provisions that favor claimants, causing us to experience a higher frequency of claims than might otherwise be the case if we operated only outside of Florida.

Florida's personal injury protection insurance statute limits an insurer's ability to deny benefits for medical treatment that is unrelated to the accident, that is unnecessary, or that is fraudulent. In addition, the statute allows claimants to obtain awards for attorney's fees. Although this statute has been amended several times in recent years, primarily to address concerns over fraud, the Florida legislature has been only marginally successful in implementing effective mechanisms that allow insurers to combat fraud and other abuses. We believe that this statute contributes to a higher frequency of claims under nonstandard automobile insurance policies in Florida, as compared with claims under standard automobile insurance policies in Florida and nonstandard and standard automobile insurance policies in other states. Although we believe that we have successfully offset these higher costs with premium increases, because of competition, we may not be able to do so with as much success in the future.

Our success depends on our ability to accurately price the risks we underwrite.

The results of our operations and the financial condition of our insurance companies depend on our ability to underwrite and set premium rates accurately for a wide variety of risks. Rate adequacy is necessary to generate sufficient premiums to pay losses, LAE and underwriting expenses and to earn a profit. In order to price our products accurately, we must collect and properly analyze a substantial amount of data; develop, test and apply appropriate rating formulas; closely monitor and timely recognize changes in trends; and project both severity and frequency of losses with reasonable accuracy. Our ability to undertake these efforts successfully, and as a result price our products accurately, is subject to a number of risks and uncertainties, some of which are outside our control, including:

- the availability of sufficient reliable data and our ability to properly analyze available data;
- the uncertainties that inherently characterize estimates and assumptions;
- our selection and application of appropriate rating and pricing techniques;
- changes in legal standards, claim settlement practices, medical care expenses and restoration costs; and
- legislatively imposed consumer initiatives.

Consequently, we could under-price risks, which would negatively affect our profit margins, or we could overprice risks, which could reduce our sales volume and competitiveness. In either event, the profitability of our insurance companies could be materially and adversely affected.

Current operating resources are necessary to develop future new insurance products.

We currently intend to expand our product offerings by underwriting additional insurance products and programs, and marketing them through our distribution network. Expansion of our product offerings will result in increases in expenses due to additional costs incurred in actuarial rate justifications, software and personnel. Offering additional insurance products may also require regulatory approval, further increasing our costs. There can be no assurance that we will be successful bringing new insurance products to our marketplace.

Increased competition, competitive pressures, industry developments and market conditions could affect the growth of our business and adversely impact our financial results.

We operate in highly competitive markets and face competition from national, regional and residual market insurance companies in the homeowners', commercial residential property, commercial general liability, and automobile markets, many of whom are larger, have greater financial and other resources, have better ratings, and offer more diversified insurance coverage. Our competitors include companies that market their products through agents, as well as companies that sell insurance directly to their customers. Large national writers may have certain competitive advantages over agency writers, including increased name recognition, increased loyalty of their customer base and reduced policy acquisition costs.

Significant competition emerged because of the January 2007 emergency Florida legislation session wherein it passed, and the Governor signed into law, a bill known as "CS/HB-1A". This law made fundamental changes to the property and casualty insurance business in Florida and undertook a multi-pronged approach to address the cost of residential property insurance in Florida. First, the law increased the capacity of reinsurance that stabilized the reinsurance market to the benefit of the insurance companies writing properties lines in the state of Florida. Secondly, the law provided for rate relief to all policyholders.

The law also authorized the state-owned insurance company, Citizens, which is free of many of the restraints on private carriers such as surplus, ratios, income taxes and reinsurance expense, to reduce its premium rates and begin competing against private insurers in the residential property insurance market and expands the authority of Citizens to write commercial insurance.

We previously stated our belief that these aggressive marketplace changes have forced some carriers to pursue market share based on “best case” pricing models that may ultimately prove unprofitable from an underwriting perspective.

For example, during 2009 we noted that the Florida OIR placed at least four property and casualty insurance companies in some form of receivership while several other Florida domiciled insurance companies have recapitalized in order to remain viable in the Florida market. The insolvency of these companies poses a risk to all other remaining carriers in the state including Federated National and American Vehicle in terms of assessments to support those failed companies. To date we are not aware of any such assessments in connection with the takeovers during 2009; however no guarantee can be made that no assessments will be imposed.

In recent years, approximately two-dozen new homeowner insurance companies received authority by the Florida OIR to commence business as admitted carriers in the state of Florida. At least one new carrier has been licensed to enter the Florida homeowners’ market during 2009 and another in 2010.

We did not participate in the Capital Build-Up incentive program and therefore have been able to remain committed to the discipline of writing business that is profitable from an underwriting perspective. This commitment resulted in a significant erosion of our homeowners’ property insurance market share in 2009 and 2008, as compared with 2007. Although our pricing is inevitably influenced to some degree by that of our competitors, we believe that it is generally not in our shareholders’ best interest to compete solely on price. We compete based on underwriting criteria, our distribution network and superior service to our agents and insureds.

We face increased competition from existing carriers and new entrants in our niche markets. As mentioned earlier, in an effort to foster competition after the hurricanes of 2004 and 2005, the State of Florida loaned money to multiple carriers with certain debt covenants, including the maintenance of minimum written premium. Our competition has attempted to gain market share through aggressive pricing and generous policy acquisition costs which has had an adverse affect on our ability to maintain market share. Although our pricing is inevitably influenced to some degree by that of our competitors, we believe that it is generally not in our best interest to compete solely on price. We compete on the basis of underwriting criteria, our distribution network and superior service to our agents and insureds.

In Florida, more than 200 companies are authorized to underwrite homeowners’ insurance. National and regional companies that compete with us in the homeowners’ market include Allstate Insurance Company and First Floridian Insurance Company. In addition to these nationally recognized companies, we also compete with several Florida domestic property and casualty companies such as Universal Insurance Company of North America, Universal Property and Casualty Insurance Company, United Property and Casualty, Royal Palm Insurance Company, Edison Insurance Company, Olympus Insurance Company, St. Johns Insurance Company, Cypress Property and Casualty Insurance Company, Tower Hill Insurance Company, Florida Family Insurance Company, Homeowners Choice Property and Casualty Insurance Company and American Strategic Insurance Company.

Companies which compete with us nationally in the commercial general liability insurance market include Century Surety Insurance Company, Atlantic Casualty Insurance Company, Colony Insurance Company and Burlington/First Financial Insurance Companies.

Comparable companies in the personal automobile insurance market include U.S. Security Insurance Company, United Automobile Insurance Company, Direct General Insurance Company, Ocean Harbor Insurance Company, and Security National Insurance Company, as well as national insurers such as Progressive Casualty Insurance Company and GEICO.

Competition could have a material adverse effect on our business, results of operations and financial condition. If we do not meet the prices offered by our competitors, we may lose business in the short term, which could also result in reduced revenues.

Our senior management team is critical to the strategic direction of our company. If there were an unplanned loss of service by any of our officers our business could be harmed.

We depend, and will continue to depend, on the services of our executive management team which includes Michael Braun, our Chief Executive Officer and President of 21st Century Holding Company and Federated National, and Peter Prygelski, our Chief Financial Officer. Our success also will depend in part upon our ability to attract and retain qualified executive officers, experienced underwriting talent and other skilled employees who are knowledgeable about our business. If we were to lose the services of members of our executive management team, our business could be adversely affected. We believe we have been successful in attracting and retaining key personnel throughout our history. We have employment agreements with select members of our executive management team.

Nevertheless, because of the executive management role and involvement in developing and implementing our current business strategy, any unplanned loss of service could substantially harm our business.

Risks Related to an Investment in Our Shares

We have authorized but unissued preferred stock, which could affect rights of holders of common stock.

Our articles of incorporation authorize the issuance of preferred stock with designations, rights and preferences determined from time to time by our board of directors. Accordingly, our board of directors is empowered, without shareholder approval, to issue preferred stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of common stock. In addition, the preferred stock could be issued as a method of discouraging a takeover attempt. Although we do not intend to issue any preferred stock at this time, we may do so in the future.

Our articles of incorporation, bylaws and Florida law may discourage takeover attempts and may result in entrenchment of management.

Our articles of incorporation and bylaws contain provisions that may discourage takeover attempts and may result in entrenchment of management.

- Our board of directors is elected in classes, with only two or three of the directors elected each year. As a result, shareholders would not be able to change the membership of the board in its entirety in any one year. Shareholders would also be unable to bring about, through the election of a new board of directors, changes in our officers.

- Our articles of incorporation prohibit shareholders from acting by written consent, meaning that shareholders will be required to conduct a meeting in order to vote on any proposals or take any action.

- Our bylaws require at least 60 days' notice if a shareholder desires to submit a proposal for a shareholder vote or to nominate a person for election to our board of directors.

In addition, Florida has enacted legislation that may deter or frustrate takeovers of Florida corporations, such as our company.

- The Florida Control Share Act provides that shares acquired in a "control share acquisition" will not have voting rights unless the voting rights are approved by a majority of the corporation's disinterested shareholders. A "control share acquisition" is an acquisition, in whatever form, of voting power in any of the following ranges: (a) at least 20% but less than 33-1/3% of all voting power, (b) at least 33-1/3% but less than a majority of all voting power; or (c) a majority or more of all voting power.

- The Florida Affiliated Transactions Act requires supermajority approval by disinterested shareholders of certain specified transactions between a public company and holders of more than 10% of the outstanding voting shares of the corporation (or their affiliates).

As a holding company, we depend on the earnings of our subsidiaries and their ability to pay management fees and dividends to the holding company as the primary source of our income.

We are an insurance holding company whose primary assets are the stock of our subsidiaries. Our operations, and our ability to service future potential debt, are limited by the earnings of our subsidiaries and their payment of their earnings to us in the form of management fees, commissions, dividends, loans, advances or the reimbursement of expenses. These payments can be made only when our subsidiaries have adequate earnings. In addition, dividend payments made to us by our insurance subsidiaries are restricted by Florida law governing the insurance industry. Generally, Florida law limits the dividends payable by insurance companies under complicated formulas based on the subsidiary's available capital and earnings.

We may not continue making dividend payments on our common stock.

During 2008 and 2007, we paid quarterly dividends of $0.18 per share. In the first quarter of 2009, we lowered our dividend to $0.06 per share. We cannot assure you that we will continue to make quarterly dividend payments. Payment of dividends in the future will depend on our earnings, financial position and such other factors, as our Board of Directors deems relevant. Moreover, our ability to continue to pay dividends may be restricted by regulatory limits on the amount of dividends that Federated National and American Vehicle are permitted to pay the parent company.

ITEM 1B UNRESOLVED STAFF COMMENTS

None

ITEM 2 PROPERTIES

Our executive offices are located at 3661 West Oakland Park Boulevard, Lauderdale Lakes, Florida in a 39,250 square feet office facility. All of our operations are consolidated within this facility.

Effective March 1, 2005, Federated National sold its interest in the Lauderdale Lakes property to 21st Century at the property's net book value of approximately $2.9 million. Effective on or about March 1, 2006, 21st Century sold the property to an unrelated party for approximately $5.0 million cash and a $0.9 million six year 5% note. As part of the transaction, 21st Century has agreed to lease the same facilities for a six year term. Our lease for this office space expires in December 2011.

We believe that the facilities are well maintained, in substantial compliance with environmental laws and regulations, and adequately covered by insurance. We also believe that these leased facilities are not unique and could be replaced, if necessary, at the end of the lease term.

ITEM 3 LEGAL PROCEEDINGS

See Item 8 of Part II, "Financial Statements and Supplementary Data – Footnote 11 – Commitments and Contingencies."

ITEM 4 RESERVED

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock has been listed for trading on the NASDAQ Global Market, LLC under the symbol "TCHC" since November 5, 1998. The following table sets out the high and low closing sale prices as reported on the NASDAQ Global Market, LLC. These reported prices reflect inter-dealer prices without adjustments for retail markups, markdowns or commissions.

| Quarter Ended | High | | Low | |
|---|---|---|---|---|
| March 31, 2009 | $ | 5.07 | $ | 1.63 |
| June 30, 2009 | $ | 4.20 | $ | 2.86 |
| September 30, 2009 | $ | 4.98 | $ | 3.03 |

| | | | | |
|---|---|---|---|---|
| December 31, 2009 | $ | 4.82 | $ | 3.78 |
| | | | | |
| March 31, 2008 | $ | 14.05 | $ | 10.98 |
| June 30, 2008 | $ | 12.98 | $ | 8.17 |
| September 30, 2008 | $ | 8.88 | $ | 5.19 |
| December 31, 2008 | $ | 5.42 | $ | 3.62 |

21st Century Holding Company

As of March 26, 2010, there were 31 holders of record of our common stock. We believe that the number of beneficial owners of our common stock is in excess of 4,600.

DIVIDENDS

During 2008 and 2007, we paid quarterly dividends of $0.18 per share. In the first quarter of 2009, we lowered our dividend to $0.06 per share. Payment of dividends in the future will depend on our earnings and financial position and such other factors, as our Board of Directors deems relevant. Moreover, our ability to continue to pay dividends may be restricted by regulatory limits on the amount of dividends that Federated National and American Vehicle are permitted to pay to the parent company.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table summarizes our equity compensation plans as of December 31, 2009. All equity compensation plans were approved by our shareholders. We have not granted any options, warrants or rights to our shareholders outside of these equity compensation plans.

Equity Compensation Plan Information

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by stock holders* | 861,550 | $ 12.59 | 68,197 |

* Includes options from the 1998 Stock Option Plan and the 2002 Stock Option Plan.

For additional information concerning our capitalization please see Footnote 16 to our Consolidated Financial Statements included under Item 8 of this Report on Form 10-K.

ISSUER REPURCHASES

As of January 1, 2009, the Company may purchase up to an additional $1.1 million of its common stock. On October 28, 2009, the Company’s Board of Directors authorized, pursuant to Section 12 of the Securities and Exchange Act, the repurchase of up to an additional $4.0 million of its common stock. Acting upon the Board’s authorization, the Company repurchased, for $38,758, 8,400 shares for an average price of $4.57 between October 29th and October 30th, 2009; $217,618, 52,110 shares for an average price of $4.17 between November 1st and November 30th, 2009; and, $31,926, 7,000 shares for an average price of $4.24 between December 1 and December 2nd, 2009. As of December 31, 2009 the Company may purchase up to an additional $4.8 million of its common stock.

SALES OF UNREGISTERED SECURITIES

During 2009, there were no options exercised under our various stock option plans.

ITEM 6 SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K.

21st Century Holding Company

| | As of the years ended December 31, (Amounts in Thousands except Book Value Per Share) | | | | |
|---|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Balance Sheet Data | | | | | |
| Total assets | $ 202,889 | $ 197,102 | $ 219,361 | $ 207,897 | $ 290,155 |
| Investments | 114,219 | 26,065 | 136,224 | 124,834 | 100,086 |
| Cash and short term investments | 28,197 | 124,577 | 22,524 | 17,917 | 6,071 |
| Finance contracts, consumer loans and pay advances receivable, net | - | - | 420 | 1,831 | 7,313 |
| Total liabilities | 135,447 | 120,871 | 138,104 | 141,704 | 249,387 |
| Unpaid losses and LAE | 70,611 | 64,775 | 59,685 | 39,615 | 154,039 |
| Unearned premiums | 50,857 | 40,508 | 56,394 | 77,829 | 61,839 |
| Total shareholders' equity | 67,442 | 76,231 | 81,257 | 66,193 | 40,767 |
| Book value per share | $ 8.48 | $ 9.51 | $ 10.32 | $ 8.38 | $ 6.02 |

21st Century Holding Company

| | Years Ended December 31, (Amounts in Thousands except EPS and Dividends) | | | | |
|---|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2006 | 2005 |
| Operations Data: | | | | | |
| Revenue: | | | | | |
| Gross premiums written | $ 104,379 | $ 88,248 | $ 133,591 | $ 152,665 | $ 119,440 |
| Gross premiums ceded | (56,217) | (34,553) | (44,550) | (67,520) | (31,414) |
| Net premiums written | 48,162 | 53,695 | 89,041 | 85,145 | 88,026 |
| Increase (Decrease) in prepaid reinsurance premiums | 10,163 | (4,451) | (11,251) | 20,193 | 6,623 |
| (Increase) Decrease in unearned premiums | (10,349) | 15,886 | 21,435 | (15,990) | (11,686) |
| Net change in prepaid reinsurance premiums and unearned premiums | (186) | 11,435 | 10,184 | 4,203 | (5,063) |
| Net premiums earned | 47,976 | 65,130 | 99,224 | 89,348 | 82,963 |
| Commission income | 1,362 | 1,612 | 7,214 | 1,679 | 409 |
| Finance revenue | 294 | 350 | 545 | 1,686 | 3,567 |
| Managing general agent fees | 1,620 | 1,745 | 2,035 | 2,625 | 2,420 |
| Net investment income | 3,397 | 6,461 | 8,038 | 5,933 | 3,841 |
| Net realized investment gains (losses) | 1,117 | (10,593) | (145) | 1,063 | 458 |
| Regulatory assessments recovered | 2,333 | 2,104 | 1,655 | 132 | - |
| Other income | 755 | 655 | 642 | 1,449 | 1,010 |
| Total revenue | 58,854 | 67,464 | 119,208 | 103,915 | 94,669 |
| Expenses: | | | | | |
| Losses and LAE | 43,706 | 41,869 | 47,619 | 44,400 | 48,336 |
| Operating and underwriting expenses | 9,681 | 7,209 | 12,758 | 13,160 | 8,219 |
| Salaries and wages | 7,930 | 7,428 | 6,732 | 7,011 | 6,384 |
| Interest expense | - | - | 173 | 656 | 1,398 |
| Policy acquisition costs, net of amortization | 13,747 | 14,760 | 19,420 | 17,395 | 14,561 |
| Total expenses | 75,064 | 71,266 | 86,702 | 82,622 | 78,899 |
| (Loss) income from continuing operations before provision for income tax (benefit) expense | (16,210) | (3,802) | 32,506 | 21,293 | 15,771 |
| Provision for income tax (benefit) expense | (5,921) | (1,324) | 11,226 | 7,396 | 4,690 |
| Net (loss) income from continuing operations | (10,289) | (2,478) | 21,280 | 13,896 | 11,081 |
| Discontinued operations: | | | | | |
| | - | - | - | - | 1,630 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Income from discontinued operations (including 2005 and 2004 gain on disposal of $1,630 and $5,384, respectively) | | | | | | | | | | |
| Provision for income tax expense | | - | | - | | - | | - | | 595 |
| Income from discontinued operations | | - | | - | | - | | - | | 1,035 |
| Net (loss) income | $ | (10,289) | $ | (2,478) | $ | 21,280 | $ | 13,896 | $ | 12,116 |
| | | | | | | | | | | |
| Earnings per share data | | | | | | | | | | |
| | | | | | | | | | | |
| Basic net (loss) income per share from continuing operations | $ | (1.29) | $ | (0.31) | $ | 2.69 | $ | 1.84 | $ | 1.78 |
| | | | | | | | | | | |
| Basic net income per share from discontinued operations | $ | - | $ | - | $ | - | $ | - | $ | 0.17 |
| Basic net (loss) income per share | $ | (1.29) | $ | (0.31) | $ | 2.69 | $ | 1.84 | $ | 1.95 |
| | | | | | | | | | | |
| Fully diluted net (loss) income per share from continuing operations | $ | (1.29) | $ | (0.31) | $ | 2.65 | $ | 1.72 | $ | 1.67 |
| | | | | | | | | | | |
| Fully diluted net income per share from discontinued operations | $ | - | $ | - | $ | - | $ | - | $ | 0.16 |
| Fully diluted net (loss) income per share | $ | (1.29) | $ | (0.31) | $ | 2.65 | $ | 1.72 | $ | 1.83 |
| Dividends paid per share | $ | 0.36 | $ | 0.72 | $ | 0.72 | $ | 0.48 | $ | 0.32 |

21st Century Holding Company
Management's Discussion and Analysis of Financial Condition and Results of Operations

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

21st Century Holding Company ("21st Century", "Company", "we", "us") is an insurance holding company, which, through our subsidiaries and our contractual relationships with our independent agents and general agents, controls substantially all aspects of the insurance underwriting, distribution and claims processes. We are authorized to underwrite homeowners' multi-peril, commercial general liability, personal and commercial automobile, fire, allied lines, surety, commercial multi-peril and inland marine in various states on behalf of our wholly owned subsidiaries, Federated National Insurance Company ("Federated National") and American Vehicle Insurance Company ("American Vehicle") and other insurance carriers. We market and distribute our own and third-party insurers' products and our other services through contractual relationships with a network of approximately 4,200 independent agents, of which approximately 300 actively sell and service our products. We also utilize a select number of general agents for the same purpose.

The insurable events during 2009, 2008 and 2007 did not include any weather related catastrophic events such as the well publicized series of hurricanes that occurred in Florida during 2005 and 2004. During 2009, 2008 and 2007 we processed property and liability claims stemming from our homeowners', commercial general liability and private passenger automobile lines of business. Our reinsurance strategy serves to smooth the liquidity requirements imposed by the most severe insurable events and for all other insurable events we manage, at a micro and macro perspective, in the normal course of business.

We are not certain how hurricanes and other insurable events will affect our future results of operations and liquidity. Loss and loss adjustment expenses ("LAE") are affected by a number of factors including:

- the quality of the insurable risks underwritten;
- the nature and severity of the loss;
- weather-related patterns;
- the availability, cost and terms of reinsurance;
- underlying settlement costs, including medical and legal costs;
- legal and political factors such as legislative initiatives and public opinion;
- macroeconomic issues.

We continue to manage the foregoing to the extent within our control. Many of the foregoing are partially, or entirely, outside our control.

Federated National is licensed as an admitted carrier in Florida. Through contractual relationships with a network of approximately 4,200 independent agents, of which approximately 300 actively sell and service our products, Federated National is authorized to underwrite homeowners' multi-peril, fire, allied lines and personal automobile insurance in Florida.

American Vehicle is licensed as an admitted carrier in Florida, and underwrites commercial general liability, and personal and commercial automobile insurance. American Vehicle is also licensed as an admitted carrier in Alabama, Louisiana and Texas, and underwrites commercial general liability insurance in those states. American Vehicle operates as a non-admitted carrier in Arkansas, California, Georgia, Kentucky, Maryland, Missouri, Nevada, Oklahoma, South Carolina, Tennessee, and Virginia, and can underwrite commercial general liability insurance in all of these states.

An admitted carrier is an insurance company that has received a license from the state department of insurance giving the company the authority to write specific lines of insurance in that state. These companies are also bound by rate and form regulations, and are strictly regulated to protect policyholders from a variety of illegal and unethical practices, including fraud. Admitted carriers are also required to financially contribute to the state guarantee fund, which is used to pay for losses if an insurance carrier becomes insolvent or unable to pay the losses due their policyholders.

A non-admitted carrier is not licensed by the state, but is allowed to do business in that state and is strictly regulated to protect policyholders from a variety of illegal and unethical practices, including fraud. Sometimes, non-admitted carriers are referred to as “excess and surplus” lines carriers.  Non-admitted carriers are subject to considerably less regulation with respect to policy rates and forms. Non-admitted carriers are not required to financially contribute to and benefit from the state guarantee fund, which is used to pay for losses if an insurance carrier becomes insolvent or unable to pay the losses due their policyholders.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

During 2009, 81.2%, 14.6%, 3.4% and 0.8% of the premiums we underwrote were for homeowners' property and casualty insurance, commercial general liability insurance, federal flood, and personal automobile insurance, respectively. During the year ended December 31, 2008, 68.8%, 27.0%, 3.7% and 0.6% of the premiums we underwrote were for homeowners' property and casualty insurance, commercial general liability insurance, federal flood, and personal automobile insurance, respectively.

Despite the effects of Florida's mandated homeowners' rate reductions and wind mitigation discounts, the Company's sale of homeowners' policies increased $24.0 million, or 39.5%, to $84.7 million in 2009, compared with $60.7 million in 2008. Included in our sale of homeowners' policies during 2009, is $17.9 million from policies we assumed from Citizens Property Insurance Corporation ("Citizens"). The primary factor for the decrease in commercial general liability production is a slowdown in the economy which has a dramatic impact on the artisan contractor portfolio written by American Vehicle.

Our business, results of operations and financial condition are subject to fluctuations due to a variety of factors. Abnormally high severity or frequency of claims in any period could have a material adverse effect on our business, results of operations and financial condition. In addition, if our estimated liabilities for unpaid losses and LAE are less than actual losses and LAE, we will be required to increase reserves with a corresponding reduction in our net income in the period in which the deficiency is identified. We internally process claims made by our insureds through our wholly owned claims adjusting company, Superior Adjusting, Inc. ("Superior").

Assurance Managing General Agents, Inc. ("Assurance MGA") a wholly owned subsidiary of the Company, acts as Federated National's and American Vehicle's exclusive managing general agent in the state of Florida and is also licensed as a managing general agent in the states of Alabama, Arkansas, Georgia, Illinois, Louisiana, Mississippi, Missouri, New York, Nevada, South Carolina, Texas and Virginia. During 2009, Assurance MGA contracted with several unaffiliated insurance companies to sell commercial general liability, workers compensation and inland marine through Assurance MGA's existing network of distributors. This process will continue throughout 2010, as Assurance MGA benefits from the arrangement by receiving commission revenue from policies sold by its insurance partners, while minimizing its risks. As American Vehicle continues its expansion into other states, we intend to retain other general agents to market our commercial general liability insurance products.

Assurance MGA earns commissions and fees for providing policy administration, marketing, accounting and analytical services, and for participating in the negotiation of reinsurance contracts. Assurance MGA generates approximately a 6% commission fee and a $25 per policy fee from its affiliates Federated National and American Vehicle.

The homeowner policy provides Assurance MGA the right to cancel any policy within a period of 90 days from the policy's inception with 25 days' notice, or after 90 days from policy inception with 95 days' notice, even if the risk falls within our underwriting criteria.

## CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with management's evaluation of the determination of (i) liability for unpaid losses and LAE, (ii) the amount and recoverability of amortization of deferred policy acquisition costs ("DPAC"), and (iii) estimates for our reserves with respect to finance contracts, premiums receivable and deferred income taxes. Various assumptions and other factors underlie the determination of these significant estimates, which are described in greater detail at Footnote 2 in this Form 10-K.

Except as described below, we believe that in 2009 there were no significant changes in those critical accounting policies and estimates. Senior management has reviewed the development and selection of our critical accounting policies and estimates and their disclosure in this Form 10-K with the Audit Committee of our Board of Directors.

The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, and in the case of unpaid losses and LAE, an actuarial valuation. Management regularly reevaluates these significant factors and makes adjustments where facts and circumstances dictate. In selecting the best estimate, we utilize various actuarial methodologies. Each of these methodologies is designed to forecast the number of claims we will be called upon to pay and the amounts we will pay on average to settle those claims. In arriving at our best estimate, our actuaries consider the likely predictive value of the various loss development methodologies employed in light of underwriting practices, premium rate changes and claim settlement practices that may have occurred, and weight the credibility of each methodology. Our actuarial methodologies take into account various factors, including, but not limited to, paid losses, liability estimates for reported losses, paid allocated LAE, salvage and other recoveries received, reported claim counts, open claim counts and counts for claims closed with and without payment of loss.

Accounting for loss contingencies pursuant to Financial Accounting Standards Board (“FASB”) issued guidance involves the existence of a condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future event(s) occur or fail to occur. Additionally, accounting for a loss contingency requires management to assess each event as probable, reasonably possible or remote. Probable is defined as the future event or events are likely to occur. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than probable, while remote is defined as the chance of the future event or events occurring is slight. An estimated loss in connection with a loss contingency shall be recorded by a charge to current operations if both of the following conditions are met: First, the amount can be reasonably estimated, and second, the information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements. It is implicit in this condition that it is probable that one or more future events will occur confirming the fact of the loss or incurrence of a liability.

FASB issued guidance addresses accounting and reporting for (a) investments in equity securities that have readily determinable fair values and (b) all investments in debt securities. The guidance requires that these securities be classified into one of three categories, Held-to-maturity, Trading, or Available-for-sale securities.

Investments classified as held-to-maturity include debt securities wherein the Company’s intent and ability are to hold the investment until maturity. The accounting treatment for held-to-maturity investments is to carry them at amortized cost without consideration to unrealized gains or losses. Investments classified as trading securities include debt and equity securities bought and held primarily for the sale in the near term. The accounting treatment for trading securities is to carry them at fair value with unrealized holding gains and losses included in current period operations. Investments classified as available-for-sale include debt and equity securities that are not classified as held-to-maturity or as trading security investments. The accounting treatment for available-for-sale securities is to carry them at fair value with unrealized holding gains and losses excluded from earnings and reported as a separate component of shareholders’ equity, namely “Other Comprehensive Income”.

The following is an overview of management’s loss reserving process

The Company’s loss reserves can generally be categorized into two distinct groups. One group is short-tail classes of business consisting principally of property risks in connection with homes and automobiles. The other group is long-tail casualty classes of business which include primarily commercial general liability and to a much lesser extent, homeowner and automobile liability. For operations writing short-tail coverages our loss reserves were generally geared toward determining an expected loss ratio for current business rather than maintaining a reserve for the outstanding exposure. Estimations of ultimate net loss reserves for long-tail casualty classes of business is a more complex process and depends on a number of factors including class and volume of business involved. Experience in the more recent accident years of long-tail casualty classes of business shows limited statistical credibility in reported net losses because a relatively low proportion of net losses would be reported claims and expenses and even smaller percentage would be net losses paid. Therefore, incurred but not yet reported ("IBNR") would constitute a relatively high proportion of net losses.

Additionally, the different methodologies are utilized the same, regardless of the line of business. However, the final selection of ultimate loss and LAE is certain to vary by both line of business and by accident period maturity. There is no prescribed combination of line of business, accident year maturity, and methodologies; consistency in results of the different methodologies and reasonableness of the result are the primary factors that drive the final selection of ultimate loss and LAE.

Methods used to estimate Loss & LAE reserves

The methods we use for our short-tail business do not differ from the methods we use for our long-tail business. The Incurred and Paid Development Methods intrinsically recognize the unique development characteristics contained within the historical experience of each material short-tail and long-tail line of business. The Incurred and Paid Cape Cod Methods reflect similar historical development unique to each material short-tail and long-tail line of business.

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We apply the following general methods in projecting loss and LAE reserves:

- Paid and Incurred Loss Development Method
- Paid and Incurred Cape Cod Method

Description of ultimate loss estimation methods

The estimated Ultimate Loss and Defense & Cost Containment Expense ("DCCE") is based on an analysis by line of business, coverage and by accident quarter performed using data as of December 31, 2009. The analysis relies primarily on four actuarial methods: Incurred Loss & DCCE Development Method, Paid Loss & DCCE Development Method, Bornhuetter-Ferguson Incurred Method, and Bornhuetter-Ferguson Paid Method. Each method relies on company experience, and, where relevant, the analysis includes comparisons to industry experience. The following is a description of each of these methods:

Incurred Loss & DCCE Development Method – This reserving method is based on the assumption that the historical incurred loss & DCCE development pattern as reflected by the Company is appropriate for estimating the future loss & DCCE development. Incurred paid plus case amounts separated by accident quarter of occurrence and at quarterly evaluations are used in this analysis. Case reserves do not have to be adequately stated for this method to be effective; they only need to have a fairly consistent level of adequacy at all stages of maturity. Historical "age-to-age" loss development factors were calculated to measure the relative development of an accident quarter from one maturity point to the next. Loss & DCCE development factors ("LDF") are selected based on a review of the historical relationships between incurred loss & DCCE at successive valuations and based on industry patterns. The LDFs are multiplied together to derive cumulative LDF's that, when multiplied by actual incurred loss & DCCE, produce estimates of ultimate loss & DCCE.

Paid Loss & DCCE Development Method – This method is similar to the Incurred Loss & DCCE Development Method only paid loss & DCCE and paid patterns are substituted for the incurred loss & DCCE and incurred patterns.

Bornhuetter-Ferguson Incurred Method – This reserving method combines estimated initial expected unreported loss & DCCE with the actual loss & DCCE to yield the ultimate loss & DCCE estimate. Expected unreported loss & DCCE are equal to expected total loss & DCCE times the expected unreported percentage of loss & DCCE for each policy year. The incurred loss & DCCE emergence pattern used to determine the unreported percentages in our projections is based on the selected LDF's from the Incurred Loss & DCCE Development Method described above. The estimate of initial expected total loss & DCCE is based on the historical loss ratio for more mature accident years. While this approach reduces the independence of the Bornhuetter-Ferguson Method from the loss & DCCE development methods for older policy years, it is used primarily for estimating ultimate loss & DCCE for more recent, less mature, policy years.

Bornhuetter-Ferguson Paid Method – This method is similar to the Bornhuetter-Ferguson Incurred Method only paid loss & DCCE and paid patterns are substituted for the incurred loss & DCCE and incurred patterns.

We select an estimate of ultimate loss & DCCE for each accident quarter after considering the results of each projection method for the quarter and the relative maturity of the quarter (the time elapsed between the start of the quarter and December 31, 2009). Reserves for unpaid losses & DCCE for each quarter are the differences between these ultimate estimates and the amount already paid. The reserves for each quarter and each coverage are summed, and the result is the overall estimate of unpaid losses & DCCE liability for the company.

We also produce an estimate of unpaid Adjusting and Other Expense (“A&O”), as a reserve is required under statutory accounting principles even if this expense has been pre-paid or with an unconsolidated affiliate. Although we do not prepay for A&O, the majority of the A&O incurred is with an affiliated company and eliminated under the accounting principles for consolidation. The unpaid A&O is added to unpaid losses & DCCE, resulting in total unpaid losses and LAE.

The validity of the results from using a loss development approach can be affected by many conditions, such as internal claim department processing changes, a shift between single and multiple claim payments, legal changes, or variations in a company’s mix of business from year to year. Also, since the percentage of losses paid for immature years is often low, development factors can be volatile. A small variation in the number of claims paid can have a leveraging effect that could lead to significant changes in estimated ultimate values. Accordingly, our reserves are estimates because there are uncertainties inherent in the determination of ultimate losses. Court decisions, regulatory changes and economic conditions can affect the ultimate cost of claims that occurred in the past as well as create uncertainties regarding future loss cost trends. We compute our estimated ultimate liability using the most appropriate principles and procedures applicable to the lines of business written. However, because the establishment of loss reserves is an inherently uncertain process, we cannot be certain that ultimate losses will not exceed the established loss reserves and have a material adverse effect on our results of operations and financial condition.

A key assumption underlying the estimation of the reserve for loss and LAE is that past experience serves as the most reliable estimator of future events. This assumption may materially affect the estimates when the insurance market, the regulatory environment, the legal environment, the economic environment, the book of business, the claims handling department, or other factors (known or unknown) have varied over time during the experience period and / or will vary (expectedly or unexpectedly) in the future. Changes in estimates, or differences between estimates and amounts ultimately paid, are reflected in the operating results of the period during which such adjustments are made. Therefore, the ultimate liability for unpaid losses and LAE will likely differ from the amount recorded at December 31, 2009.

The following describes the extent of our procedures for determining the reserve for loss and LAE on both an annual and interim reporting basis:

Annually - Our policy is to select a single point estimate that best reflects our in-house actuarial determination for unpaid losses and LAE. Our independent actuaries, examining the exact same data set, will independently select a point estimate which determines a high point and low point range. Both processes rely on objective and subjective determinations. If our point estimate falls within the range determined from the point estimate of our actuaries, then no adjustments by management would be required. In consideration thereof, management does not have a policy for adjusting the liability for unpaid losses and LAE to an amount that is different than an amount set forth within the range determined by the independent actuaries.

Interim – During 2009 our interim approach was very similar to the annual process noted above.

A number of other actuarial assumptions are generally made in the review of reserves for each class of business. For the long-tail classes of business, other actuarial assumptions generally are made with respect to the following:

- Loss trend factors which are used to establish expected loss ratios for subsequent accident years based on the projected loss ratio for prior accident years.

- Expected loss ratios for the latest accident year and, in some cases for accident years prior to the latest accident year. The expected loss ratio generally reflects the projected loss ratio from prior accident years, adjusted for the loss trend and the effect of rate changes and other quantifiable factors on the loss ratio.

In practice there are factors that change over time; however, many (such as inflation) are intrinsically reflected in the historical development patterns, and others typically do not materially affect the estimate of the reserve for unpaid losses and LAE. Therefore, no specific adjustments have been incorporated for such contingencies projecting future development of losses and LAE. There are no key assumptions as of December 31, 2009 premised on future emergence inconsistent with historical loss reserve development patterns.

The table below distinguishes total loss reserves between IBNR, as discussed above, and case estimates for specific claims as established by routine claims management.

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| Reserves for unpaid loss and LAE net of reinsurance recoverable as of December 31, 2009 | Case Loss Reserves | Case LAE Reserves | Total Case Reserves | IBNR Reserves (Including LAE) | Reinsurance Recoverable on Unpaid Loss and Loss Expenses | Net Reserves |
|---|---|---|---|---|---|---|
| | | | (Dollars in Thousands) | | | |
| Homeowners' | $ 7,489 | $ 1,348 | $ 8,837 | $ 21,093 | $ 11,666 | $ 18,264 |
| Commercial General Liability | 6,312 | | | | | |