

21ST CENTURY HOLDING CO
Form 8-K
July 02, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report June 27, 2008
(Date of earliest event reported):

21ST CENTURY HOLDING COMPANY
(Exact name of registrant as specified in its charter)

Florida	0-2500111	65-0248866
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3661 West Oakland Park Blvd., Suite 300	
Lauderdale Lakes, FL	33311
(Address of principal executive offices)	(Zip Code)

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

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

2008-2009 Excess of Loss Reinsurance Treaties

21st Century Holding Company's (the "Company", "we" or "us") wholly owned subsidiary, Federated National Insurance Company ("Federated National"), has agreed upon the terms of its excess of loss catastrophe reinsurance treaties for the 2008 - 2009 hurricane season. These treaties are designed to reimburse Federated National for property losses under its homeowners' insurance policies resulting from covered events in the State of Florida, the only state where Federated National is currently writing property insurance at this time. We utilize reinsurance to reduce exposure to catastrophic risk and to help manage capital, while lessening earnings volatility and improving shareholder return, and to support the required statutory surplus requirements. Our catastrophe reinsurance program has been designed to coordinate coverage provided under various treaties with various retentions and limits.

Our excess of loss type treaties have a term of one year beginning July 1, 2008 continuing through June 30, 2009 and have provisions for prepaid automatic reinstatement protection. These treaties are with reinsurers that currently have an AM Best rating of A- or better with the exception of two participants rated NR by AM Best.

The cost to the Company for these reinsurance products for the 2008 - 2009 hurricane season, inclusive of approximately \$8 million payable to the Florida Hurricane Catastrophe Fund ("FHCF") and the prepaid automatic premium reinstatement protection will be approximately \$31 million. These reinsurance treaties will afford approximately \$298 million of aggregate coverage with maximum single event coverage totaling approximately \$232 million. Our retention in connection with the first two covered events is \$3 million.

The cost and amounts of reinsurance are based on management's current analysis of Federated National's exposure to catastrophic risk. Our data will be subjected to exposure level analysis as of September 30, 2008. This analysis of our exposure level in relation to the total exposures to the FHCF and excess of loss treaties may produce changes in retentions, limits and reinsurance premiums as a result of increases or decreases in our exposure level.

Addendum No. 4 with The State Board of Administration of Florida

On June 2, 2008 the Company announced that Federated National had entered into a Reimbursement Contract with The State Board of Administration of Florida (SBA) which administers the Florida Hurricane Catastrophe Fund ("FHCF") for the 2008-2009 hurricane season (the Reimbursement Contract). The Reimbursement Contract will reimburse Federated National for covered property losses under its homeowners' insurance policies resulting from hurricanes that cause damage in the State of Florida, the state in which Federated National is currently writing these types of policies, through May 31, 2009.

On June 27, 2008, Federated National executed Addendum No. 4 to the Reimbursement Contract between Federated National and the SBA ("Addendum No. 4"). Addendum No. 4 is effective June 1, 2008 and affords Federated National \$1 million of coverage, with an automatic second event, in excess of approximately \$9.7 million, at a total cost of \$500,000.

The description of the terms of Addendum No. 4 to the Reinsurance Contract is qualified in its entirety by reference to the full text of Addendum No. 4 which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

21ST CENTURY HOLDING COMPANY

Date: July 2, 2008

By: /s/ Peter J. Prygelski, III
Name: Peter J. Prygelski, III
Title: Chief Financial Officer
(Principal Accounting and Financial Officer)