

**REPORT ON EXAMINATION**  
**OF**  
**HOMEOWNERS CHOICE PROPERTY**  
**AND CASUALTY INSURANCE**  
**COMPANY, INC.**  
**TAMPA, FLORIDA**

**AS OF**  
**DECEMBER 31, 2010**

**BY THE**  
**FLORIDA OFFICE OF INSURANCE REGULATION**

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March 22, 2012

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

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2010, of the financial condition and corporate affairs of:

**HOMEOWNERS CHOICE PROPERTY AND CASUALTY INSURANCE COMPANY  
5300 WEST CYPRESS STREET, SUITE 100  
TAMPA, FLORIDA 33607**

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

## **SCOPE OF EXAMINATION**

This examination covered the period of January 1, 2010, through December 31, 2010. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2009. This examination commenced with planning at the Office on January 9, 2012, to January 13, 2012. The fieldwork commenced on January 23, 2012, and concluded as of March 22, 2012.

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

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Exam Findings**

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

### **Purchase of Derivative Instruments**

In violation of Section 625.303, Florida Statutes, the Company purchased and sold derivative instruments which were non-interest bearing and non-interest earning without prior approval from the Office. In addition, the Company failed to properly disclose the derivative transactions within the annual statement.

### **Complaint Log**

The Company did not maintain a complete complaint log as required by Section 626.9541 (1) (j), Florida Statutes.

### **Claims Manual**

The Company did not maintain a current claims procedure manual in accordance with Section 626.9541(1)(i)3a, Florida Statutes.

## **Prior Exam Findings**

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2009, along with resulting action taken by the Company in connection therewith.

### **General**

The Company did not include the \$25 per policy MGA fee as premium as required by Section 627.403, Florida Statutes.

**Resolution:** The Company began including the \$25 per policy MGA fee within premiums in 2010.

Three of the Company's custodial agreements with certain security custodians did not contain the required clauses of Rule 69O-143.042(2), Florida Administrative Code.

**Resolution:** - Prior to receipt of the final 2009 examination report in April of 2011, the Company began the process of establishing compliant custodial agreements. In 2011, two of the custodians provided compliant custodial agreements, which were subsequently approved by the Office. Custodial arrangements with the third custodian were transferred to one of the newly established compliant agreements. The Company currently asserts that it has compliant custodial agreements which have been in effect since implementation in early November 2011.

## **SUBSEQUENT EVENTS**

In October 2011, the Company assumed approximately 70,000 homeowner policies from Homewise Insurance Company with an annual premium of approximately \$155 million.

## **HISTORY**

### **General**

The Company was incorporated in Florida on May 10, 2007, and commenced business on May 10, 2007, as Homeowners Choice Property and Casualty Insurance Company, Inc.

The Company was party to Consent Order 77469-04-CO, filed August 27, 2007, regarding the application for the issuance of a Certificate of Authority. The Company was in compliance with this Consent Order.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2010:

Dwelling/Fire	Homeowners multi peril	Mobile home Multi peril
---------------	------------------------	-------------------------

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

### **Dividends to Stockholders**

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

## **Capital Stock and Capital Contributions**

As of December 31, 2010, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000
Number of shares issued and outstanding	1,000
Total common capital stock	\$1,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, Homeowners Choice, Inc, who owned 100% of the stock issued by the Company.

The parent contributed \$9,140,012 in cash to the Company during the period covered by the examination.

## **Surplus Debentures**

The Company did not have any surplus debentures at December 31, 2010.

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

The Company had no acquisitions, mergers, disposals, and purchase or sales through reinsurance during the period of this examination.

## CORPORATE RECORDS

The recorded minutes of the Shareholders, Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments as required by Section 625.304, Florida Statutes.

### Conflict of Interest

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

## MANAGEMENT AND CONTROL

### Management

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2010, were:

#### Directors

<b>Name and Location</b>	<b>Principal Occupation</b>
Francis Xavier McCahill III (a) Indiatlantic, Florida	President, Homeowners Choice, Inc.
Pareshbai Suryakant Patel Clearwater, Florida	Chairman, Homeowners Choice, Inc.
Gregory Politits Safety Harbor, Florida	President, Xenia Property Management

Martin Albert Traber  
Tampa, Florida

Principal, Foley and Lard, LLP

Sanjay Madhu  
Tampa, Florida

Investor Relations, Homeowners Choice, Inc.

Anthony Saravanos  
Tampa, Florida

Principal, The Boardwalk Company

a) Resigned July 2011.

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

#### Senior Officers

Name	Title
Francis Xavier McCahill III (a)	President
Richard Ralph Allen	Chief Financial Officer
Andrew Lloyd Graham	Corporate Secretary

(a) Resigned July 2011 and was replaced by Pareshbai Patel.

**Subsequent Event:** On March 12, 2012, the parent Company, Homeowners Choice, Inc., hired Scott Wallace, the former CEO of Citizens Property Insurance Corporation, to serve as President of the Company.

The Company's Board appointed several internal committees. Following were the principal internal board committees and their members as of December 31, 2010:

#### Audit Committee

Anthony Saravanos\*  
George Apostolou  
Krishna Persaud

\* Committee Chair

#### Investment Committee

Paresh Patel \*  
Martin Traber  
Gregory Politis  
Krishna Persaud

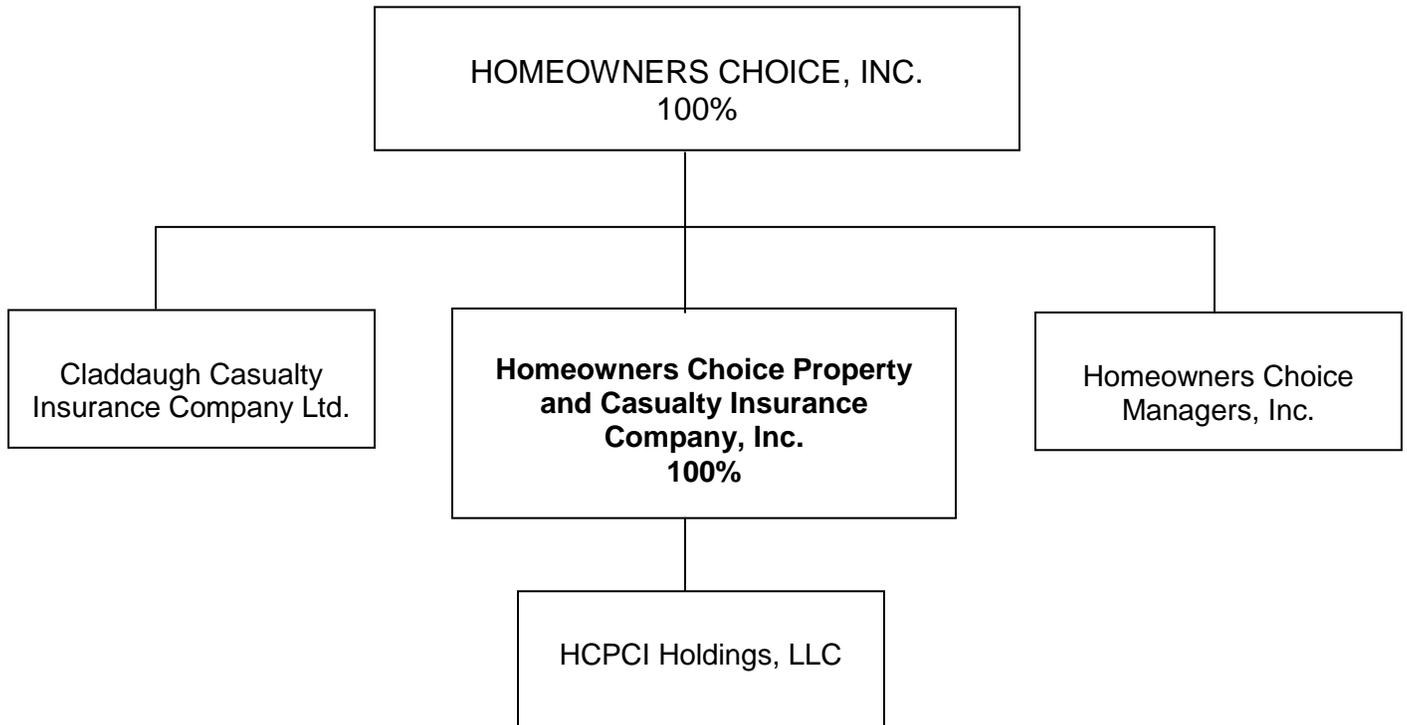
## **Affiliated Companies**

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on February 28, 2011, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2010, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2010 annual statement provided a list of all related companies of the holding company group.

**HOMEOWNERS CHOICE PROPERTY AND CASUALTY INSURANCE COMPANY,  
INC.  
ORGANIZATIONAL CHART**

**DECEMBER 31, 2010**



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

### **Tax Allocation Agreement**

The Company, along with its parent, filed a consolidated federal income tax return. On December 31, 2010, the method of allocation between the Company and its parent was based on after tax income of each entity. Each of the subsidiaries computed a separate tax return and paid any tax liability to the parent company. If a subsidiary incurred a tax loss, or generated a tax credit that could not be utilized to offset a tax liability, only the subsidiary was entitled to the tax benefit.

### **Managing General Agent Agreement**

The Company had a Managing General Agency Agreement with its affiliate, Homeowners Choice Managers, Inc. (MGA). The MGA produced, administered and managed the Company's insurance policies and provided other services for managing and administering the affairs of the Company. Services included, but were not limited to, marketing, claims analysis, general ledger accounting, information services, product and underwriting development and management, and catastrophe risk management. For consideration, in part, the Company was charged a \$25 per policy fee which was imposed on each policyholder. The MGA retained 21.5% of the Company's total written annual premium as commissions, excluding claim services and policies assumed from Citizens Property Insurance Company. The Company also paid the MGA 3.5% of the Company's total written annual premium for claims services rendered by the MGA. The MGA is also eligible to receive 50% of all subrogation and salvage amounts recovered by the MGA. The MGA is due additional fees related to catastrophe services which range from \$325 per claim up to 3% of the gross loss of the claim dependent on the claim size, as well as 0.5% of written premium for catastrophe response preparation fees.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained fidelity bond coverage up to \$1,000,000 with a deductible of \$50,000, which reached the suggested minimum as recommended by the NAIC. The Company also maintained Directors and Officers (D&O) liability insurance coverage with limits of \$5,000,000 with a deductible of \$100,000.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The parent company, Homeowners Choice, Inc., provided employee health insurance coverage under a group health plan. There were no pension or stock ownership plans at the Company as of the examination date.

## **TERRITORY AND PLAN OF OPERATIONS**

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

### **Treatment of Policyholders**

During the 2009 examination fieldwork, the examination staff identified that the Company did not maintain a log of verbal or written complaints received from claimants. A process to address this issue was implemented prior to the release of the 2009 Financial Examination report (April, 2011). The 2010 examination team was provided all complaint logs related to either verbal or written communication from policyholders or received from the Office, at the onset of the examination. This submission consisted of six files, containing the following information:

- All "Civil remedy Notices" received from either the Department of Financial Services (DFS) or the Office related to claimant complaints or questions, the

- All “Requests for Assistance” received from either DFS or the Office related to policyholder services or underwriting,
- Suits – Any suits received from DFS or through the postal services,
- Operations Verbal / Written – those items received in Operations (Customer Service or Underwriting) directly from policyholders,
- Claims Verbal / Written – those items received in Claims directly from claimants/policyholders,
- Mediation Requests received from either DFS or the Office.

The Company did not properly maintain a current claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

## **COMPANY GROWTH**

The Company has grown though depopulation of Citizens Property Insurance Corporation (Citizens) and writes limited direct business. The Company plans to increase writing direct policies in 2012.

### **Profitability of Company**

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

	<b>2010 amended</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Premiums Earned	55,867,310	59,564,172	46,658,903	7,034,125
Net Underwriting Gain/(Loss)	(7,267,116)	(3,082,867)	9,040,769	(2,329,354)
Net Income	(547,028)	(647,989)	3,357,912	(2,682,285)
Total Assets	105,569,858	111,630,207	116,967,851	36,327,522
Total Liabilities	74,423,096	87,513,070	92,203,289	25,894,368
Surplus As Regards Policyholders	31,146,762	24,117,136	24,764,562	10,433,155

The decrease during 2010 in premiums earned was a result of non-renewal of policies that were acquired through the depopulation of Citizens. The increase during 2010 in underwriting losses was due to the Company's book of business maturing and additional losses incurred from the acquisition of policies related to the depopulation. The decrease in assets during 2010 was primarily due to a large reinsurance recoverable that existed in 2009. Lastly, surplus continues to grow despite net losses experienced in 2010 and 2009.

### **LOSS EXPERIENCE**

The Company's losses unpaid and loss adjustment expenses unpaid have increased by 15.5% as compared to the previous year. This increase was due to both an increase in policy volume and an increase in the number of claims related to sinkholes, which increased during the last year and caused increased expenses to the Company. The Company's loss development was trending adversely.

## **REINSURANCE**

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

### **Assumed**

The Company assumed no reinsurance during the examination period.

### **Ceded**

The Company had a total of \$395 million of reinsurance coverage through its reinsurance program as of the examination date. The Company retained the first \$2 million of losses followed by a captive layer of \$5.25 million dollars. The Company also had a Limited Apportionment Company (LAC) layer of \$10 million excess of \$7.25 million. The Company's first layer was a \$29 million excess of \$17.25 million policy followed by a second layer of \$28.75 million excess of \$46.25 million. In addition, the Company had Florida Hurricane Catastrophe Fund (FHCF) coverage of \$98 million excess of \$75 million and Temporary Increase in Coverage Limit (TICL) coverage of \$93 million dollars. Lastly, the Company also had a \$58 million aggregate policy that wrapped along side and above the FHCF and TICL coverage.

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

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Tampa, Florida.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2007, 2008, 2009 and 2010, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained on a computerized system.

### **Annual Statement Interrogatories**

The Company did not complete or properly answer a question within the Annual Statement Interrogatories. Number 12.1 of the General Interrogatories asks, "Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?" The Company answered, "No." In 2010, the Company created a holding company called, "HCPCI Holdings, LLC." The Company owns 100% of HCPCI Holdings, LLC and the only asset in HCPCI Holdings, LLC is the building at 5300 West Cypress Street Suite 100, Tampa, FL 33607. The Company uses the building and property to conduct operations of Homeowners Choice Property and Casualty Insurance Company, Inc.

**Subsequent Event:** The Company corrected this finding on their subsequent Quarterly and Annual Statements filings.

### **Purchase of Derivative Instruments**

In violation of Section 625.303, Florida Statutes, the Company purchased and sold derivative instruments, including put and call options, which are non-interest bearing and non-interest earning without prior approval from the Office. In addition, the Company failed to properly disclose the derivative transactions within the annual statement.

### **Investment in Subsidiary**

The Company purchased an investment in HCPCI Holdings, LLC in the amount of \$9,000,000 without proper approval from the Office. This was not in accordance with Section 625.331, Florida Statutes, which permits the Company to hold other investments not specifically authorized, as long as such investments do not exceed the lesser of 5 percent of the insurer's total admitted assets or 25 percent of the amount by which the insurer's policyholders' surplus exceeds the minimum required to be maintained. The limitations in paragraph (b) may be exceeded if consented to in writing by the Office. Since the investment in HCPCI Holdings, LLC was greater than 5% of the Company's admitted assets; the Company was not in compliance with Section 625.331, Florida Statutes.

**Subsequent Event:** The Company was issued Consent Order 109670-10-CO and subsequently complied with the stipulations within the consent order.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained custodial agreements with Morgan Stanley, Wells Fargo, Bank of New York Mellon, Fifth Third Securities and TD Ameritrade related to the safekeeping and recordkeeping of assets held by these third parties that belonged to the Company. These agreements were not in compliance with Rule 69O-143.042, Florida Administrative Code, as of the examination date.

**Subsequent Event:** In 2011, the Company amended the custodial agreements to meet the requirements of Rule 69O-143.042, Florida Administrative Code.

## Independent Auditor Agreement

The Company contracted with an external independent CPA firm to perform the annual audit of its financial statements as required by Rule 69O-137.002 (7) (c), Florida Administrative Code.

## INFORMATION TECHNOLOGY REPORT

InsFocus, LLC performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

## STATUTORY DEPOSITS

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

STATE	Description	Par Value	Market Value
FL	Cash	<u>\$ 300,000</u>	<u>\$ 300,000</u>
TOTAL FLORIDA DEPOSITS		<u>\$ 300,000</u>	<u>\$ 300,000</u>

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2010, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**HOMEOWNERS CHOICE PROPERTY AND CASUALTY INSURANCE COMPANY, INC.**

**Assets**

**DECEMBER 31, 2010**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Bonds	\$28,471,912		\$28,471,912
Stocks:			
Preferred	115,139		115,139
Common	769,680		769,680
Cash and Short-Term Investments	54,353,742		54,353,742
Other investments	8,826,286		8,826,286
Agents' Balances:			
Uncollected premium	1,815,155		1,815,155
Deferred premium	3,371,003		3,371,003
Interest and dividend income due & accrued	336,322		336,322
Current federal and foreign income tax recoverable	3,608,396		3,608,396
Net deferred tax asset	2,683,060		2,683,060
Guaranty funds receivable	298,858		298,858
Aggregate write-in for other than invested assets	920,305		920,305
	<hr/>		
Totals	<u>\$105,569,858</u>	<u>\$0</u>	<u>\$105,569,858</u>

**HOMEOWNERS CHOICE PROPERTY AND CASUALTY INSURANCE COMPANY, INC.**

**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2010**

	Per Company	Examination Adjustments	Per Examination
Losses	\$19,272,585		\$19,272,585
Loss adjustment expenses	2,873,506		2,873,506
Other expenses	91,720		91,720
Taxes, licenses and fees	168,229		168,229
Unearned premium	38,183,518		38,183,518
Advance Premiums	1,113,952		1,113,952
Ceded reinsurance premium payable	9,687,653		9,687,653
Amounts withheld or retained for others	1,860,349		1,860,349
Payable to parent, subsidiaries and affiliates	384,046		384,046
Payable for securities	787,538		787,538
<b>Total Liabilities</b>	<b>\$74,423,096</b>	<b>\$0</b>	<b>\$74,423,096</b>
Common capital stock	\$1,000		\$1,000
Gross paid in and contributed surplus	31,139,012		31,139,012
Unassigned funds (surplus)	6,750		6,750
<b>Surplus as regards policyholders</b>	<b>\$31,146,762</b>	<b>\$0</b>	<b>\$31,146,762</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$105,569,858</b>	<b>\$0</b>	<b>\$105,569,858</b>

# HOMEOWNERS CHOICE PROPERTY AND CASUALTY INSURANCE COMPANY, INC.

## Statement of Income

DECEMBER 31, 2010

### Underwriting Income

Premiums earned		\$55,867,310
	<b>Deductions:</b>	
Losses incurred		\$30,942,204
Loss expenses incurred		8,123,240
Other underwriting expenses incurred		22,569,590
Aggregate write-ins for underwriting deductions		1,499,392
Total underwriting deductions		<u>\$63,134,426</u>
Net underwriting gain or (loss)		(\$7,267,116)

### Investment Income

Net investment income earned		\$1,802,363
Net realized capital gains or (losses)		1,301,889
Net investment gain or (loss)		<u>\$3,104,252</u>

### Other Income

Net gain or (loss) from agents' or premium balances charged off		<u>(\$41,912)</u>
Total other income		<u>(\$41,912)</u>
Net income before dividends to policyholders and before federal & foreign income taxes		(\$4,204,776)
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(\$4,204,776)
Federal & foreign income taxes		<u>(3,657,748)</u>
Net Income		<u><u>(\$547,028)</u></u>

### Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$24,117,136
Net Income		(\$547,028)
Net unrealized capital gains or losses		(177,206)
Change in non-admitted assets		261,873
Change in net unrealized foreign exchange capital gain		17,055
Change in net deferred income tax		(1,653,469)
Surplus adjustments: Paid in		9,140,012
Aggregate write-ins for gains and losses in surplus		(11,611)
Change in surplus as regards policyholders for the year		<u>\$7,029,626</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$31,146,762</u></u>

A comparative analysis of changes in surplus is shown below.

**HOMEOWNERS CHOICE PROPERTY AND CASUALTY INSURANCE COMPANY, INC.**

**Comparative Analysis of Changes in Surplus**

**DECEMBER 31, 2010**

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

Surplus as Regards Policyholders  
December 31, 2010, per Annual Statement \$31,146,762

	<u>PER</u> <u>COMPANY</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>
ASSETS:			
No Adjustments			\$0
LIABILITIES:			
No Adjustments			\$0
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2010, Per Examination			<u><u>\$31,146,762</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

**Losses and Loss Adjustment Expenses** \$22,146,091

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2010, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, George Turner, FCAS, MAAA of InsFocus, LLC, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion. A copy of this report was provided to the Company.

### Capital and Surplus

The amount reported by the Company of \$31,146,762, exceeded the minimum of \$7,113,121 required by Section 624.408, Florida Statutes.

## **SUMMARY OF RECOMMENDATIONS**

### **General**

#### **Purchase of Derivative Instruments**

We recommend the Company notify and receive approval from the Office prior to investing in derivative instruments in compliance with Section 625.303, Florida Statutes. The Company subsequently indicated that it had ceased investing in derivative instruments as of August 2011.

#### **Complaint Log**

We recommend that the Company maintain a complete and accurate complaint log of all complaints received directly from policyholders in compliance with Section 626.9541(1)(j), Florida Statutes and establish internal controls over the process of handling complaints. Please refer to the Treatment of Policyholders Section in this report for further clarification and history.

#### **Claims Manual**

We recommend that the Company maintain a current claims procedure manual that includes detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(i)3a, Florida Statutes. Per recommendation of the examination staff, the Company's claim manual is in the process of review and will be updated as necessary to comply with current statute requirements.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Homeowners Choice Property and Casualty Insurance Company, Inc.** as of December 31, 2010, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$31,146,762, which exceeded the minimum of \$7,113,121 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Anthony DeLuca, CPA, Examiner-In-Charge, Marcus Ladd, CPA, Senior Examiner, and Bradley Carroll, CPA, Examiner, of InsFocus, LLC participated in the examination. In addition, George Turner, FCAS, MAAA, Consulting Actuary Anh Vu, Staff Actuary, Carlos Ruesta, IT Manager, Nicholas Adimoolah, IT Examiner, of InsFocus, LLC, participated in the examination. Maurice Fuller, Financial Examiner/Analyst II, and Billy Poulos, Reinsurance/Financial Specialist, of the Office also participated in the examination.

Respectfully submitted,

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