

REPORT ON EXAMINATION
OF
LAKEVIEW INSURANCE COMPANY
BONITA SPRINGS, FLORIDA

AS OF
DECEMBER 31, 2009

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

June 4, 2010

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

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2009, of the financial condition and corporate affairs of:

**LAKEVIEW INSURANCE COMPANY
27599 RIVERVIEW CENTER BLVD., SUITE 100
BONITA SPRINGS, FLORIDA 34134**

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

SCOPE OF EXAMINATION

This examination covered the period from June 10, 2009, through December 31, 2009. This is the Company's first examination, which is conducted after its first year of operation. This examination commenced with planning at the Office on April 12, 2010, to April 16, 2010. The fieldwork commenced on May 3, 2010, and concluded as of June 4, 2010.

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.

Risk-focused examinations consist of a seven-phase process that can be used to identify and assess risk, assess the adequacy and effectiveness of strategies/controls used to mitigate risk and assist in determining the extent and nature of procedures and testing to be utilized in order to complete the review of that activity. The process should generally include a determination of the

quality and reliability of the corporate governance structure and risk management programs. In addition, it can be used for verification of specific portions of the financial statements or other limited-scope reviews, increased focus on, and can result in increased substantive testing of, accounts identified as being at high risk of misstatement. Conversely, the risk assessment process should result in decreased focus on, and fewer substantive tests on the accounts identified as being at low risk of misstatement. The risk-focused surveillance process can be used to assist examiners in targeting areas of high-risk.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2009. Transactions subsequent to year-end 2009 were reviewed where relevant and deemed significant to the Company's financial condition.

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

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

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

Status of Adverse Findings from Prior Examination

This is the Company's first examination.

HISTORY

General

The Company was incorporated in Florida on April 23, 2009, and commenced business on June 10, 2009, as Lakeview Insurance Company.

The Company was party to Consent Order 103539-09-CO, filed April 7, 2009, with the Office regarding the application for the issuance of a Certificate of Authority. The Company complied with the provisions of this consent order.

The Company was authorized to transact the following insurance coverages in Florida on December 31, 2009:

- Homeowners Multi Peril
- Allied Lines
- Inland Marine
- Fire

The Company has not written insurance coverage on a direct basis since its inception in 2009 in these lines of business. The Company, however has assumed insurance in these lines of business and therefore was deemed to be in compliance with Section 624.430 (1), Florida Statutes which requires that "Any insurer who does not write any premiums in a kind or line of insurance within a calendar year shall have that kind or line of insurance removed from its certificate of authority."

Capital Stock

As of December 31, 2009, the Company's capitalization was as follows:

Number of authorized common capital shares	6,000,000
Number of authorized preferred capital shares	10,000,000
Number of common shares issued and outstanding	273,915
Number of preferred shares issued and outstanding	None
Total common capital stock	\$2,739,146
Gross paid in and contributed capital	\$8,260,854
Par value per common share	\$10.00

Control of the Company was maintained by its parent, Emery Holding, Inc, who owned 100% of the stock issued by the Company, who in turn was 100% owned by Florida Family Insurance Services, LLC (Florida Family), a Delaware limited liability company, who in turn was 100% owned by Barrington Capital, LLC, a Delaware limited liability company.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of operations since its inception on April 23, 2009, as reported in the filed annual statements.

	2009
Premiums Earned	3,436,265
Net Underwriting Gain/(Loss)	(34,338)
Net Income	64,535
Total Assets	24,825,790
Total Liabilities	13,415,433
Surplus As Regards Policyholders	11,410,357

Dividends to Stockholders

The Company did not pay dividends to its stockholder during the period under examination.

Management

The incorporators and shareholders of the Company elected the directors of the Company in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2009, were:

Directors

Name and Location	Principal Occupation
Walter Dale Hardy Naples, Florida	Chief Executive Officer, Florida Family Insurance Company
William Henry Wiggs Arlington Heights, Illinois	Chief Financial Officer, Florida Family Insurance Company
Amy Houghton Bash Barrington, Illinois	Director, Clinical Social Worker
David Paul Behnke Roselle, Illinois	Director, CPA
Timothy James McKay Glen Ellyn, Illinois	Director, Attorney
William Tuttle Montei Middleton, Wisconsin	Director, President of Physicians Preferred Insurance Company

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

Senior Officers

Name	Title
Walter Dale Hardy	Chief Executive Officer
Peter Joseph Corrigan	President
William Henry Wiggs	Chief Financial Officer and Treasurer
Robert Allen Liggett	Controller
Catherine Anderson	Secretary

The Company's Board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and their members as of December 31, 2009:

Executive Committee

Walter Dale Hardy¹
William Henry Wiggs

Audit Committee

William Tuttle Montei¹
David Paul Behnke
Amy Houghton Bash
Timothy James McKay

Investment Committee

David Paul Behnke¹
Walter Dale Hardy
William Henry Wiggs
William Tuttle Montei
Timothy James McKay
Amy Houghton Bash

¹ Chairman

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook.

Corporate Records

The recorded minutes of the shareholder and incorporators, Board of Directors, 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 accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

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

None of these activities occurred during the period covered by this examination.

Surplus Debentures

There were no debentures issued during the period covered by this examination.

AFFILIATED COMPANIES

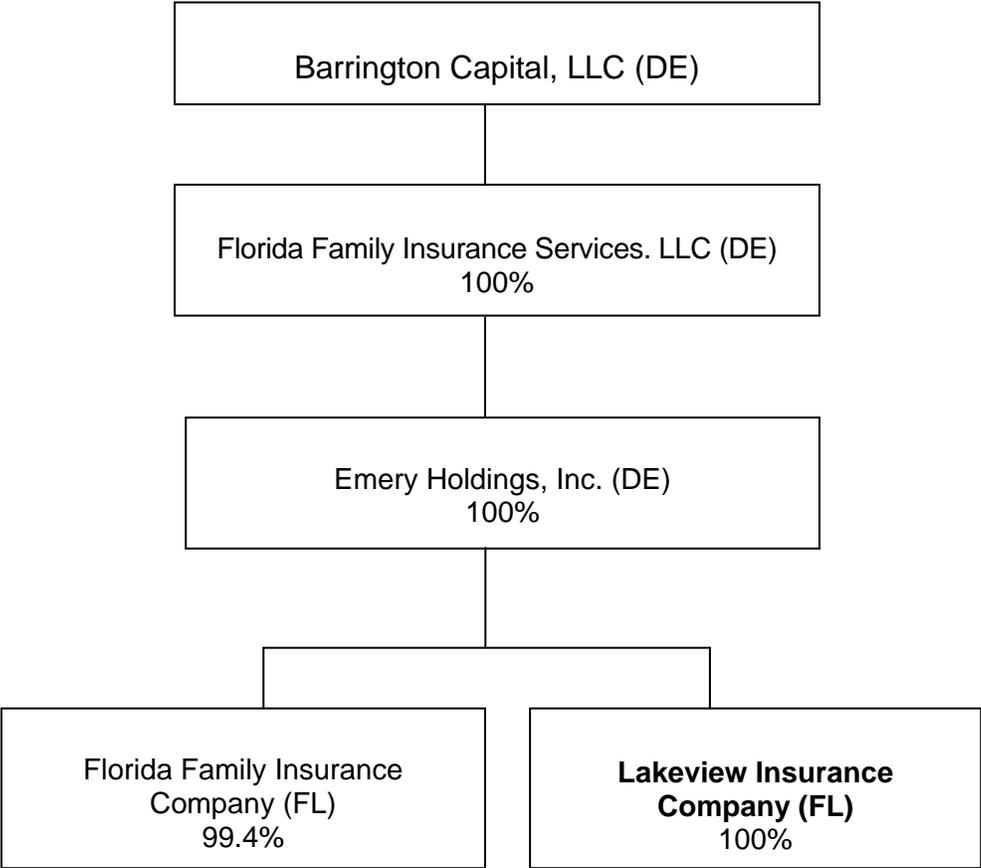
The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement filed during the period of examination was on October 6, 2009 as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

Subsequent Event: The Company filed an updated holding company registration statement on February 23, 2010.

An organizational chart as of December 31, 2009, reflecting the holding company system, is shown below. Schedule Y of the Company's 2009 annual statement provided a list of all related companies of the holding company group.

**LAKEVIEW INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2009



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

Tax Allocation Agreement

The Company, along with its parent, file a consolidated federal income tax return. On December 31, 2009, the method of allocation between the Company and its parent was based on the separate return liability.

Cost Sharing Agreement

January 1, 2008, the Company along with several affiliated companies, entered into a written cost sharing agreement. The Company shared administrative offices and personnel with its parent, Emery Holding, Inc., and several other affiliates. These costs were allocated to the individual companies on the basis of generally accepted cost accounting principles.

Managing General Agent Agreement

The Company entered into a MGA agreement on May 19, 2009, with its intermediate parent, Florida Family, to market the Company's products through independent agents.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$5,000,000 with a deductible of \$50,000, which reached the suggested minimum recommended by the NAIC.

The Company also maintained umbrella liability, professional liability, and directors and officers' liability with coverage limits up to \$10,000,000 and deductibles ranging from \$10,000 to \$250,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company did not have any employees and all personnel costs were covered in the Cost Sharing Agreement.

STATUTORY DEPOSITS

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

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

INSURANCE PRODUCTS

The Company was authorized to transact Homeowners Multi Peril, Allied Lines, Fire and Inland Marine insurance coverages. The Company has not written insurance on a direct basis in these lines of business since its inception in 2009. The Company however has assumed insurance in these lines of business from its affiliate, Florida Family Insurance Company.

Territory

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

Treatment of Policyholders

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

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

REINSURANCE

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

Assumed

The Company assumed risk from Florida Family Insurance Company under a Reinsurance and Pooling Agreement which became effective July 1, 2009. Under the Reinsurance and Pooling Agreement, on the effective date, Florida Family Insurance Company ceded 25% (the "Pooling Percentage") of all its net outstanding underwriting related assets and liabilities including losses, and loss adjustment expenses, whether reported or not reported, at the close of business on the day prior to the effective date. As of the effective date, the Company assumed its pooling percentage of all eligible net premiums, losses, commissions, and expenses produced by Florida Family Insurance Company.

Ceded

The Company along with Florida Family Insurance Company (companies) ceded risk on a quota share basis to Hannover Reinsurance (Ireland) Limited under a Multiple Lines Quota Share

Contract (Contract) which became effective June 1, 2009. As provided by the Contract, the companies ceded 70% of premiums, losses and loss adjustment expenses. Effective, July 1, 2009, the cession percentage was reduced from 70% to 60% with respect to business in force on that date or written or renewed on or after that date.

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 Bonita Springs, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the year 2009, 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. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had a custodial agreement with U S Bank National Association for the safekeeping of the Company's securities in compliance with Rule 690-143.042, FAC.

Independent Auditor Agreement

The Company engaged Smart & Associates to perform the statutory audit of its 2009 financial statements, as required by Section 624.424(8), Florida Statutes, and Rule 690-137.002, FAC. The Company received approval to file audited Consolidated Financial Statements with Florida Family Insurance Company.

Information Technology Report

Huff, Thomas & Company 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.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, 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."

LAKEVIEW INSURANCE COMPANY, INC.
Assets

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Bonds	\$17,949,528		\$17,949,528
Cash and short term investments	4,831,817		4,831,817
Investment income due and accrued	60,362		60,362
Agents' Balances:			
Uncollected premium	561,723		561,723
Reinsurance recoverable	5,595		5,595
Net deferred tax asset	380,232		380,232
Guaranty funds receivable or on deposit	192,909		192,909
EDP Equipment and software	97,511		97,511
Receivable from parent, subsidiaries and affiliates	746,113		746,113
	<hr/>		
Totals	\$24,825,790	\$0	\$24,825,790
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LAKEVIEW INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2009

	Per Company	Examination Adjustments	Per Examination
Losses	\$952,671		\$952,671
Loss adjustment expenses	146,341		146,341
Other expenses	284,453		284,453
Taxes, licenses and fees	89,113		89,113
Current federal and foreign income taxes	79,852		79,852
Unearned premium	6,128,816		6,128,816
Ceded reinsurance premiums payable	3,552,080		3,552,080
Funds held under reinsurance treaties	2,181,477		2,181,477
Provision for reinsurance	630		630
Total Liabilities	\$13,415,433	\$0	\$13,415,433
Common capital stock	\$2,739,146		2,739,146
Gross paid in and contributed surplus	8,260,854		8,260,854
Unassigned funds (surplus)	410,357		410,357
Surplus as regards policyholders	\$11,410,357		\$11,410,357
Total liabilities, surplus and other funds	\$24,825,790	\$0	\$24,825,790

LAKEVIEW INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2009

Underwriting Income

Premiums earned		\$3,436,265
	Deductions:	
Losses incurred		1,291,250
Loss expenses incurred		360,120
Other underwriting expenses incurred		1,819,233
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$3,470,603
Net underwriting gain or (loss)		(\$34,338)

Investment Income

Net investment income earned		\$167,150
Net realized capital gains or (losses)		4,973
Net investment gain or (loss)		\$172,123

Other Income

Net gain or (loss) from agents' or premium balances charged off		(\$7,379)
Finance and service charges not included in premiums		13,981
Aggregate write-ins for miscellaneous income		0
Total other income		\$6,602
Net income before dividends to policyholders and before federal & foreign income taxes		\$144,387
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$144,387
Federal & foreign income taxes		79,852
Net Income		\$64,535

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$0
Net Income		\$64,535
Change in deferred income tax		380,232
Change in non-admitted assets		(33,779)
Change in provision for reinsurance		(630)
Capital changes: Paid in		2,739,146
Surplus adjustments: Paid in		8,260,854
Change in surplus as regards policyholders for the year		\$11,410,358
Surplus as regards policyholders, December 31 2009		\$11,410,358

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses

\$1,099,012

The Company's actuary appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2009, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Huff Thomas & Company actuary reviewed work papers provided by the Company and was in concurrence with this opinion.

Capital and Surplus

The amount reported by the Company of \$11,410,357, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**LAKEVIEW INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2009

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

Surplus as Regards Policyholders			
December 31, 2009, per Annual Statement			\$11,410,357
	Per	Per	Increase
	Company	Exam	(decrease)
	Per	Per	Increase
	Company	Exam	(decrease)
	Per	Per	Increase
	Company	Exam	(decrease)
Assets:			\$0
No adjustments			
Liabilities:			\$0
No adjustments			
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders			
December 31, 2009, Per Examination			<u><u>\$11,410,357</u></u>

SUMMARY OF FINDINGS

Compliance with previous directives

This is the first examination performed for the Company.

Current examination comments and corrective action

There were no exceptions or findings in the examination as of December 31, 2009.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Lakeview Insurance Company** as of December 31, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$11,410,357, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, D. Patrick Huth, CFE, Examiner in Charge, Wayne J. Weber, CPA, Senior Financial Examiner, Thomas I. Cook, CISA, and R. Michael Lamb, FCAS, MAAA, Actuary, participated in the examination.

Respectfully submitted,

Kethessa Carpenter, CPA
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation