

REPORT ON EXAMINATION
OF
LAKEVIEW INSURANCE COMPANY
BONITA SPRINGS, FLORIDA
AS OF
DECEMBER 31, 2011

BY THE
FLORIDA OFFICE OF INSURANCE REGULATION

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March 29, 2013

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, 2011, of the financial condition and corporate affairs of:

**LAKEVIEW INSURANCE COMPANY
27599 RIVERVIEW CENTER BOULEVARD, SUITE 100
BONITA SPRINGS, FLORIDA 34134-4323**

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, 2011, through December 31, 2011. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2010. This examination commenced with planning at the Office on December 17, 2012, to December 21, 2012. The fieldwork commenced on January 7, 2013, and concluded as of March 29, 2013.

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

There were no material findings or exceptions noted during the examination as of December 31, 2011.

Prior Exam Findings

There were no findings, exceptions or corrective action to be taken by the company for the examination as of December 31, 2010.

SUBSEQUENT EVENTS

On June 30, 2012, Emery Holdings, Inc. contributed its wholly owned subsidiary, the Company, to Florida Family Insurance Company (Florida Family). As a result, Florida Family owns 100% of the Company and Emery Holdings, Inc. owns 100% of Florida Family.

On December 17, 2012 the Company withdrew the Inland Marine line of business from its Certificate of Authority.

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, 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 coverage in Florida on June 10, 2009 and continued to be authorized as of December 31, 2011:

Homeowners multi peril
Allied Lines
Inland Marine
Fire

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 any dividends during the period of this examination.

Capital Stock and Capital Contributions

As of December 31, 2011, 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	0
Total common capital stock	\$2,739,150
Par value per 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 (FFIS), a Delaware limited liability corporation.

Surplus Notes

The Company did not have any surplus notes during the period of this examination.

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 Shareholder(s), 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 and 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, 2011, were:

Directors

Name and Location	Principal Occupation
Walter Dale Hardy Naples, Florida	CEO Lakeview Insurance Company
William Tuttle Montei Middleton, Wisconsin	Director, Echo Ridge Partners
William Henry Wiggs Arlington Heights, Illinois	CFO Lakeview Insurance Company
David Paul Behnke Roselle, Illinois	Director, Certified Public Accountant (CPA)
Amy Houghton Bash Barrington, Illinois	Director, Clinical Social Worker
Timothy James McKay Glen Ellyn, Illinois	Director, Wilson, Elser, Moskowitz, Edelman & Dicker, LLP
Peter Joseph Corrigan Jacksonville, Florida	President Lakeview Insurance Company (elected to Board of Directors 12/3/2011)

The 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
Robert Allen Liggett	Controller

The Company's Board appointed internal committees. Following were the principal internal board committees and their members as of December 31, 2011:

Audit Committee

William Tuttle Montei ¹
David Paul Behnke
Amy Houghton Bash
Timothy James McKay

¹ Chairman

Investment Committee

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

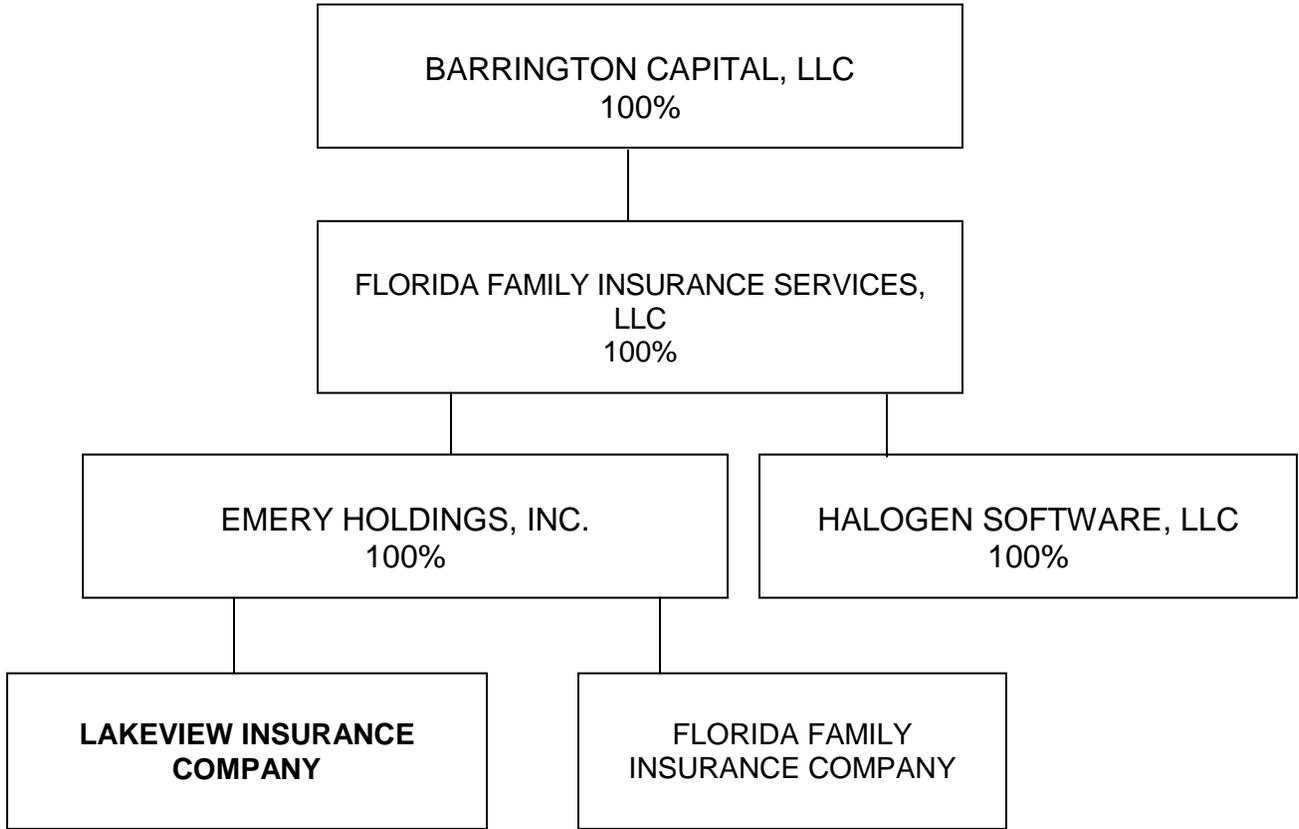
Affiliated Companies

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on February 29, 2012, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2011, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2011 annual statement provided a list of all related companies of the holding company group.

**LAKEVIEW INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2011



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, 2011, the method of allocation between the Company and its parent was based on a determination of separate return tax liability or tax savings. On or before April 30 of such taxable year, the Company shall estimate its Separate Return Tax Liability, Tax Savings or the Tax Increase for such taxable year. To the extent that the amounts paid are subsequently determined to be different when the final Consolidated Return of the Insurance Company affiliated Group for the taxable year is filed, the difference shall be paid to the appropriate Member within 30 days from the date such return is filed.

Cost Allocation Agreement

The Company entered into a Cost Sharing Agreement with FFIS and its wholly-owned subsidiaries, Halogen Software, LLC (Halogen), Barrington Insurance Group, LLC (Barrington), Lakeview Underwriting Managers, LLC (Lakeview), Emery Holding, Inc. (Emery) and Emery's wholly-owned subsidiary, Florida Family on May 19, 2009. The agreement indicates that the allocations and charges will be determined on the basis of generally accepted cost accounting principles. Fees incurred under this agreement during 2011 amounted to \$5,574,897.

Managing General Agent Agreement

The Company entered into a Managing General Agency (MGA) Agreement with its affiliate, FFIS on May 19, 2009. The agreement continues in force for a term of five years and will automatically renew for successive five-year periods, unless otherwise terminated within the guidelines of the agreement. Commissions paid under the agreement are 18% of direct written premium. In addition, FFIS receives a \$25 per policy MGA fee. Claims administration services were included in the agreement. Claims administration fees are paid on a flat dollar amount per claim for the work performed by the MGAs field adjusters adjusting and settling claims. Fees incurred under this agreement during 2011 amounted to \$0 as the Company did not write any direct premiums.

Reinsurance and Pooling Agreement

The Company entered into a Reinsurance and Pooling Agreement (Pooling Agreement) with Florida Family on July 1, 2009. The Pooling Agreement requires the Company to Cede 100% of policies written by the Company to Florida Family. Florida Family then pools the Company's ceded policies with the direct written business of Florida Family and cedes to the Company 25% of the pooled policy premiums, losses, commissions and expenses.

Software Maintenance and Support Agreement

The Company entered into a Software Maintenance and Support Agreement (Support Agreement) with Halogen on October 6, 2009. The Support Agreement requires the Company to pay Halogen 2% of premiums written for continuing maintenance and support of software. Fees incurred under this agreement during 2011 amounted to \$0 as the Company did not write any direct premiums.

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 as recommended by the NAIC. The Company also maintained Directors and Officers (D&O) liability insurance coverage with limits of \$5,000,000 in aggregate and a deductible of \$50,000 as well as an Insurance Company Professional Liability Policy (E&O) with limits of \$2,000,000 and a deductible of \$200,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees and therefore no pension, stock ownership or insurance plans.

TERRITORY AND PLAN OF OPERATIONS

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

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes. The Company maintained a claims procedure 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 not written any direct business since the inception of the Company. The Company assumes 25% of the policies written by Florida Family. The Company plans to write direct business once they obtain approval for the rates and forms filed with the Office. The

Company was profitable in its first three years of operations and also increased surplus in each year.

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.

	2011	2010	2009
Premiums Earned	9,326,510	8,033,172	3,436,265
Net Underwriting Gain/(Loss)	35,630	(50,874)	(34,338)
Net Income	284,781	394,356	64,535
Total Assets	28,108,942	25,983,931	24,825,790
Total Liabilities	15,753,223	14,080,773	13,415,433
Surplus As Regards Policyholders	12,355,719	11,903,158	11,410,357

LOSS EXPERIENCE

During the current examination period, the Company showed favorable development overall. The one and two-year net loss developments at the end of the current examination period were both favorable at \$143,000 and \$29,000, respectively.

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 risks from Florida Family under the Pooling Agreement which became effective on July 1, 2009. Under the Pooling Agreement the Company assumes 25% of the pooled writings of Florida Family and the Company.

Ceded

The Company ceded risk on a quota share basis to an unrelated reinsurer under a Multi-line Quota-Share Reinsurance Contract (QSA) which was amended effective December 31, 2011 to reduce the QSA percentage from 50% to 40. Florida Family purchases catastrophe reinsurance from unrelated private reinsurers and the Florida Hurricane Catastrophe Fund. Florida Family follows a practice of purchasing levels of catastrophe reinsurance that, in conjunction with the QSA, limit Florida Family and the Company's losses net of reinsurance to \$1,000,000.

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.

An independent CPA audited the Company's statutory basis financial statements annually for the year 2011, 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 the StoneRiver PTE Financials General Ledger system.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with U.S. Bank National Association executed on May 20, 2009. The agreement was in compliance with 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. The Company received approval to file audited Consolidated Financial Statements with Florida Family.

INFORMATION TECHNOLOGY REPORT

Leon Pressman, CISA CGEIT, of ParenteBeard 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 and with various state officials as required or permitted by law:

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

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2011, 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

Assets

DECEMBER 31, 2011

	Per Company	Examination Adjustments	Per Examination
Bonds	\$22,271,019		\$22,271,019
Cash and Short-Term Investments	2,259,519		2,259,519
Interest and dividend income due & accrued	141,818		141,818
Agents' Balances:			
Uncollected premium	778,895		778,895
Reinsurance recoverable	819		819
Current federal and foreign income tax recoverable and interest thereon	17,543		17,543
Net deferred tax asset	645,592		645,592
Guaranty funds receivable or on deposit	30,320		30,320
Electronic data processing equipment and software	59,266		59,266
Receivable from parents, subsidiaries on deposit	1,904,151		1,904,151
Aggregate write-in for other than invested assets			0
Totals	\$28,108,942	\$0	\$28,108,942

LAKEVIEW INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2011

	Per Company	Examination Adjustments	Per Examination
Losses	\$1,320,391		\$1,320,391
Loss adjustment expenses	513,524		513,524
Other expenses	343,445		343,445
Taxes, licenses and fees	148,653		148,653
Unearned premium	8,809,456		8,809,456
Ceding reinsurance premiums payable (net)	2,510,601		2,510,601
Funds held under reinsurance treaties	2,107,153		2,107,153
Aggregate write-ins for liabilities			<u>0</u>
Total Liabilities	\$15,753,223	\$0	\$15,753,223
Common capital stock	\$2,739,150		\$2,739,150
Gross paid in and contributed surplus	8,260,850		8,260,850
Unassigned funds (surplus)	<u>1,355,719</u>		<u>1,355,719</u>
Surplus as regards policyholders	<u>\$12,355,719</u>	<u>\$0</u>	<u>\$12,355,719</u>
Total liabilities, surplus and other funds	<u>\$28,108,942</u>	<u>\$0</u>	<u>\$28,108,942</u>

LAKEVIEW INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2011

Underwriting Income

Premiums earned		\$9,326,510
	Deductions:	
Losses incurred		\$3,478,943
Loss expenses incurred		1,134,092
Other underwriting expenses incurred		4,677,845
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$9,290,880
Net underwriting gain or (loss)		\$35,630

Investment Income

Net investment income earned		\$668,984
Net realized capital gains or (losses)		(11,759)
Net investment gain or (loss)		\$657,225

Other Income

Net gain or (loss) from agents' or premium balances charged off		(\$8,876)
Finance and service charges not included in premiums		29,253
Aggregate write-ins for miscellaneous income		0
Total other income		\$20,377

Net income before dividends to policyholders and before federal & foreign income taxes		\$713,232
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$713,232
Federal & foreign income taxes		428,451
Net Income		\$284,781

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$11,903,158
Net Income		\$284,781
Net unrealized capital gains or losses		0
Change in non-admitted assets		(1,173)
Change in provision for reinsurance		0
Change in net deferred income tax		168,953
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		\$452,561
Surplus as regards policyholders, December 31 current year		\$12,355,719

A comparative analysis of changes in surplus is shown below

LAKEVIEW INSURANCE COMPANY
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2011

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, 2011, per Annual Statement	\$12,355,719
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS: No Adjustment			
LIABILITIES: No Adjustment			
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2011, Per Examination			<u><u>\$12,355,719</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses

\$1,833,915

Peter Forester, Vice President and Actuary of the Company, appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2011 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 actuaries, Ronald T. Kuehn, FCAS, MAAA, CERA, CPCU, ARM, FCA and Todd H. Dashoff, ACAS, MAAA, ARM of Huggins Actuarial Services, reviewed the loss and loss adjustment expense work papers provided by the Company and they were in concurrence with this opinion.

Capital and Surplus

The amount of Capital and surplus reported by the Company of \$12,355,719, exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

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, 2011, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$12,355,719, which exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, John M. Romano, CPA CFE, Examiner-In-Charge and Caner Ozsoy, Participating Examiner, of ParenteBeard LLC participated in the examination. Also participating were Ronald T. Kuehn, FCAS, MAAA, CERA, CPCU, ARM, FCA, and Todd H. Dashoff, ACAS, MAAA, ARM, consulting actuaries of Huggins Actuarial Services; Leon Pressman, CISA CGEIT, IT Manager of ParenteBeard LLC; Michael G. Tomes, CPA, Reinsurance/Financial Specialist, and Jonathan Frisard, Financial Examiner/Analyst Supervisor, of the Office also participated in the examination.

Respectfully submitted,

Mary James, CFE
Chief Examiner
Florida Office of Insurance Regulation