

EXAMINATION REPORT

OF

SAFEPOINT INSURANCE COMPANY

TEMPLE TERRACE, FLORIDA

AS OF

DECEMBER 31, 2014

BY THE

FLORIDA OFFICE OF INSURANCE REGULATION

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December 15, 2015

David Altmaier
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, 2014, of the financial condition and corporate affairs of

**Safepoint Insurance Company
12640 Telecom Drive
Temple Terrace, Florida 33637**

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

SCOPE OF EXAMINATION

This examination covered the period of November 21, 2013 through December 31, 2014. This represents the first year examination of the Company. This examination commenced with planning at the Florida Office of Insurance Regulation (Office) on July 27, 2015 to July 30, 2015. The fieldwork commenced on August 12, 2015 and concluded as of December 15, 2015.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the examination is planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no material adverse findings, significant non-compliance findings or material changes in the financial statements.

Prior Examination Findings

There were no findings from a previous examination, as this represents the first year examination of the Company.

COMPANY HISTORY

General

The Company was incorporated in Florida on October 23, 2013, and commenced business on November 21, 2013.

The Company was authorized to transact insurance coverage in Florida on November 21, 2013 and continued to be authorized for the following coverage(s) as of December 31, 2014.

Fire	Homeowners Multiple-Peril
Allied Lines	Other Liability
Inland Marine	

SUBSEQUENT EVENT: The Company was authorized to transact insurance coverage in Florida on June 16, 2015 in the lines of business of Commercial Multi Peril and Burglary and Theft.

Dividends

The Company did not declare or pay any dividends during the period of this examination.

Capital Stock and Capital Contributions

As of December 31, 2014, the Company's capitalization was as follows:

Number of authorized common capital shares	500,000
Number of shares issued and outstanding	255,000
Total common capital stock	\$2,550,000
Par value per share	\$10.00

Control of the Company was maintained by its Parent, Safepoint Holdings, LLC, who owned 100% of the stock issued by the Company, who in turn was 50% owned by Amarjit Dhaliwal and 24% owned by Parminder Dhaliwal with the remaining 26% allocated to Dhaliwal family members and members of senior management.

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 approximately 54,000 policies in force as of December 31, 2014; the majority of the Company's business was obtained by participating in the depopulation program of Citizens Property Insurance Corporation (Citizens). The Company entered into five separate assumption transactions in February, March, October, November and December of 2014. In addition, the Company began writing voluntary business in the second half of 2014.

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, including the authorization of investments as required by Section 625.304, Florida Statutes.

Conflict of Interest

The Company did not adopt a policy statement requiring periodic disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code, during the examination period.

Subsequent Event : Safepoint Holdings, Inc. Board of Directors adopted a Code of Business Conduct and Ethics which encompasses its assets, including the Company, on October 29, 2015 which requires 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 stockholder meeting for the election of directors was not held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2014 are shown below.

Directors

Name and Location	Principal Occupation
Amarjit Singh Dhaliwal Tampa, Florida	Chairman of the Board
Parminder Dhaliwal Tampa, Florida	Director
David Michael Flitman Tampa, Florida	President & CEO
Donald Michael Rhomberg Tampa, Florida	Independent Director/ Agent Broker
John Williams Burns Brandon, Florida	Treasury & CFO
*Gary C. Prestia	Independent Director & Audit Chair

*In 2015, Gary C. Prestia, Director, was replaced by Benjamin Rosenblum. There have been no other changes to the Board during 2014 or subsequent to the examination period.

In accordance with the Company's bylaws, the Board appointed the following senior officers:

Senior Officers

Name	Title
David Michael Flitman	President
Nancy Lee Baily	Secretary
John Williams Burns	Treasurer

The Company's Board appointed an audit committee which was the only principal internal committee formed. The membership consisted of:

Audit Committee

Amarjit Singh Dhaliwal
Parminder Dhaliwal
David Michael Flitman
Donald Michael Rhomberg
John Williams Burns
Gary C. Prestia

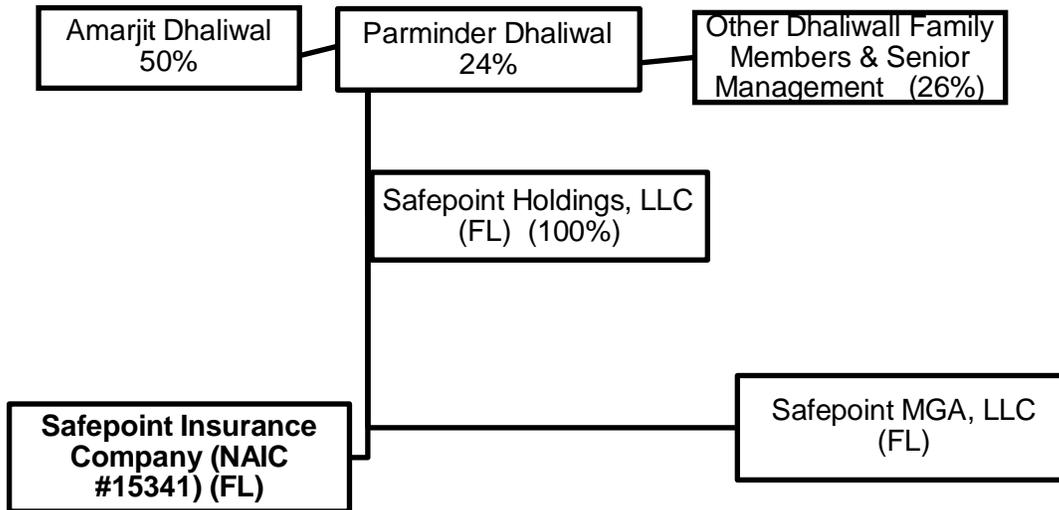
The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Affiliated Companies

The most recent holding company registration statement was filed with the Office on May 15, 2015, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2014, reflecting the holding company system, is shown below. Schedule Y of the Company's 2014 annual statement provided a list of all related companies of the holding company group.

**Safepoint Insurance Company
Organizational Chart
December 31, 2014**



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

MGA Agreement

Safepoint MGA, LLC, is the exclusive managing general agent (MGA) licensed in Florida. However, they were not appointed by the Company, as required by Section 626.7455, Florida Statutes. **Subsequent Event:** The issue was remediated by the Company during the course of the examination. The Company is now in compliance with Section 626.7455, Florida Statutes.

Under the Managing General Agency Agreement and Claims Administration Agreement dated November 13, 2014, with Safepoint MGA, LLC, the Company pays a commission of 6% of assumed written premiums and 24.5% of direct written premiums to the MGA which handles underwriting, acquisition and other expenses for Company operations. The Company also pays a fee of 3.25% of gross earned premiums to the MGA for claims administration. In 2014, the Company incurred \$5,310,765 for commissions on assumed business, \$10,192,563 for commissions and policy fees of \$25 per policy on direct business, and \$1,791,578 for claims administration fees.

Cost Sharing Agreement

The Company entered into a Cost Sharing Agreement with Safepoint Holdings, LLC, and Safepoint, MGA, LLC effective 10/24/13. Under the terms of the agreement, the Company, Safepoint Holdings, LLC and Safepoint MGA, LLC, share office facilities, utilize certain personnel, furniture, equipment, computer hardware and software and other property and assets.

Leasing Agreement

The Company entered into a Lease Agreement with Safepoint MGA, LLC effective June 1, 2014. Under the terms of the lease, Safepoint MGA, LLC leases approximately 4,500 square feet of space of the corporate headquarters of the Company. The initial term of this lease is twelve months expiring May 31, 2015. Safepoint MGA, LLC may renew or extend the term of this lease for two additional renewal terms of one year each six months prior to the initial term expiration. Agreement renewal is due at May 31, 2016.

TERRITORY AND PLAN OF OPERATIONS

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

Subsequent Event: The Company submitted an application for a Certificate of Authority (COA) to transact insurance in the State of Louisiana (LA) on June 30, 2015. The Company received approval for the COA in LA on September 23, 2015.

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 majority of the Company's assumed business was obtained by participating in the depopulation program of Citizens.

Ceded

The Company purchased excess of loss reinsurance which limits its losses in the event of a catastrophe to \$2.5 million pretax for a first event and \$1.0 million pre-tax for a second event. It also allows the Company to request cash calls in the event of a catastrophe which would enable the Company to pay claims without having to sell any of its investments. In addition to the catastrophe reinsurance program, the Company purchased excess per risk reinsurance coverage to limit its loss retention to \$250,000 for any single loss incurred in the normal course of business.

The Company used Guy Carpenter as its reinsurance Intermediary. The Company also utilized several unauthorized reinsurers during the period of this exam. There were trust agreements and letters of credit established for these unauthorized reinsurers. The amounts recoverable(s) from these reinsurers were not significant.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Temple Terrace, Florida.

The Company and non-affiliates had the following agreements:

Institutional Investment Management Agreement

The Company maintained an Institutional Investment management Agreement with Sun Trust Bank N.A., which was executed in December 2013. The Company also had an Investment Advisory Agreement with Stonebridge Advisors LLC dated March 2014.

Subsequent Event: The agreement with Sun Trust Bank N.A. was superseded by the Institutional Master Custody Agreement which was executed in February 2015. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA audited the Company's statutory basis financial statements for 2014 and since the inception of the Company, 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.

INFORMATION TECHNOLOGY REPORT

Sarah Bridendall, CISA, CFE, MCM, IT Specialist, performed the review 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:

State	Description	Par Value	Market Value
FL	OIR Collateral Mgmt. Fund	\$ 300,000	\$ 300,000
TOTAL FLORIDA DEPOSITS		<u>\$ 300,000</u>	<u>\$ 300,000</u>
TOTAL SPECIAL DEPOSITS		<u>\$300,000</u>	<u>\$300,000</u>

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Florida Office of Insurance Regulation, are reflected on the following pages:

Safepoint Insurance Company
Assets

December 31, 2014

	Per Company	Examination	Per
		Examination	Adjustments
Bonds	\$64,115,761		\$64,115,761
Stocks:			
Preferred	2,059,408		2,059,408
Real Estate:			
occupied by Company	1,573,276		1,573,276
Cash and Short-Term Investments	24,048,505		24,048,505
Investment income due or accrued	364,541		364,541
Agents' Balances:			
Uncollected premium	4,144,506		4,144,506
Current federal and foreign income tax recoverable	220,318		220,318
Net deferred taxes asset	3,356,526		3,356,526
Electronic data processing equip	25,054		25,054
State tax receivable	22,504		22,504
	\$99,930,400		\$99,930,400
Totals		\$0	\$99,930,400

**Safepoint Insurance Company
Liabilities, Surplus and Other Funds**

December 31, 2014

Losses	\$7,211,207		\$7,211,207
Loss adjustment expenses	1,993,071		1,993,071
Other expenses	60,714		60,714
Taxes, licenses and fees	444,370		444,370
Unearned premium	47,627,287		47,627,287
Advanced premiums	2,449,688		2,449,688
Ceded reinsurance premiums payable	5,347		5,347
Funds held under reinsurance treaties	44,367		44,367
Amounts withheld or retained by company	316,973		316,973
Provision for reinsurance	12,000		12,000
Payable to parent, subsidiaries and affiliates	2,446,482		2,446,482
Aggregate write-ins for liabilities	7,425,904		7,425,904
Total Liabilities	\$70,037,410	\$0	\$70,037,410
Common capital stock	\$2,550,000		\$2,550,000
Gross paid in and contributed surplus	22,450,000		22,450,000
Unassigned funds (surplus)	4,892,990		4,892,990
Surplus as regards policyholders	\$29,892,990	\$0	\$29,892,990
Total liabilities, surplus and other funds	\$99,930,400	\$0	\$99,930,400

Safepoint Insurance Company
Statement of Income and Capital and Surplus Account

December 31, 2014

Underwriting Income

Premiums earned		\$42,416,601
	Deductions:	
Losses incurred		\$13,022,491
Loss expenses incurred		3,824,856
Other underwriting expenses incurred		18,453,327
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$35,300,673
Net underwriting gain or (loss)		\$7,115,928

Investment Income

Net investment income earned		\$494,637
Net realized capital gains or (losses)		(2,531)
Net investment gain or (loss)		\$492,106

Other Income

Finance and service charges not included in premiums		75,868
Total other income		\$75,868
Net income before dividends to policyholders and before federal & foreign income taxes		\$7,683,902
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$7,683,902
Federal & foreign income taxes		6,079,682
Net Income		\$1,604,220

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$24,999,278
Net Income		\$1,604,220
Change in net unrealized capital gains or (losses)		(2,002)
Change in net deferred income taxes		3,355,494
Change in nonadmitted assets		(52,000)
Change in provision for reinsurance		(12,000)
Change in surplus as regards policyholders for the year		\$4,893,712
Surplus as regards policyholders, December 31 current year		\$29,892,990

**Safepoint Insurance Company
Comparative Analysis of Changes in Surplus**

December 31, 2014

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, 2014, per Annual Statement	\$29,892,990
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No Adjustments			
LIABILITIES:			
No Adjustments			
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2014, Per Examination			\$29,892,990

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Loss and Loss Adjustment Expenses

\$9,204,278

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 2014, made a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company.

The Office consulting actuaries, R. Glenn Taylor, ACAS, MAAA, and Brent Sallay, FCAS MAAA, of Taylor-Walker Consulting LLC., 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 \$29,892,990, exceeded the minimum of \$15,000,000 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 Safepoint Insurance Company as of December 31, 2014, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$29,892,998, which exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Roshi Fekrat, CPA, CFE, CIA, MCM Contract Examiner In Charge, Sarah Bridendall, IT Specialist, and George Brown participating examiner of Global Insurance Enterprises, Inc., participated in the examination. Additionally, R. Glenn Taylor, ACAS, MAAA, and Brent Sallay, FCAS MAAA, consulting actuaries of Taylor-Walker Consulting LLC and Jeff Rockwell of the Office as the Exam Manager are recognized for participation in the examination.

Respectfully submitted,

Lamar Downs, CPA
Deputy Chief Examiner
Florida Office of Insurance Regulation