

Report on Examination
of
ShelterPoint Insurance Company
West Palm Beach, Florida
as of
December 31, 2014



**FLORIDA OFFICE OF
INSURANCE REGULATION**

David Altmaier, Commissioner
Florida Office of Insurance Regulation
Tallahassee, Florida

Dear Sir:

In accordance with Section 624.316, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of ShelterPoint Insurance Company as of December 31, 2014. Our report on the examination follows.

Florida Office of Insurance Regulation
March 10, 2016

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SCOPE OF EXAMINATION

We have completed a financial condition examination of ShelterPoint Insurance Company (formerly JMIC Life Insurance Company), (the "Company"), a multi-state insurer domiciled in Florida. Our examination covered the period of January 1, 2010 through December 31, 2014 and took place primarily in the Company's Great Neck, New York office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office") was as of December 31, 2009.

Our examination of the Company was one of two coordinated financial condition examinations of companies in the ShelterPoint Insurance Group (SPG) group by the States of Florida and New York. The exams were coordinated by the New York Department of Insurance.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition, assess corporate governance, identify current and prospective 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. 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.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes (F.S.) 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.

COMPANY HISTORY

The Company was incorporated in Arizona on April 13, 1979, commenced business on June 1, 1979, and ceased writing insurance effective December 31, 2006. It was authorized by the State of Florida to operate as life and health insurer in accordance with Section 624.401, F.S. On January 24, 2014, ShelterPoint Insurance Company was purchased by ShelterPoint Life Insurance Company ("ShelterPoint Life"). Effective February 28, 2014, JMIC Life Insurance Company changed its name to ShelterPoint Insurance Company after being acquired by ShelterPoint Life Insurance Company (formerly First Rehabilitation Life Insurance Company of America).

Dividends and Capital Contributions

The Company distributed stockholder dividends in the amounts of \$15 million and \$10 million in years 2010 and 2011, respectively. The Company removed \$8 million and \$3.4 million of paid in surplus in 2011 and 2012, respectively. The Company received \$500,000 of contributed capital and surplus in 2014.

CORPORATE RECORDS

We reviewed the minutes of meetings held by the Company's shareholder and board of directors, and by its audit and finance committees. The Board's approval of Company transactions, including the authorization of its investments as required by Section 625.304, F.S., was recorded in the minutes of its meetings.

MANAGEMENT AND CONTROL

The Company was wholly owned by ShelterPoint Life Insurance Company which was wholly owned by ShelterPoint Group, Inc. ShelterPoint Group Inc. was 55% owned by Goldberg Group and other shareholders and 45% owned by EOS entities.

Its senior officers, directors, and members of principal board committees were:

Senior Officers	
Name	Title
Richard White	CEO
Constantine Lappas (a)	EVP, COO
Bruce Wallach	EVP, CFO & Treasurer
David Melman	Chief Legal Officer
Lee Hartmann	Controller
Katri Aienza	AVP, Marketing & Planning
Marie Beeson	SVP of IT
David Epstein	VP of Sales
Sanford Herman	SVP & Chief Actuary
Kathleen McAuliffe	VP of Client Services
Robert Slack	SVP of Finance and Treasury
Timothy Stellato	VP of IT
Anne Marie Bershad	2nd VP of Underwriting and Benefits
Susan Rieman	VP of Business Development

(a) Resigned effective December 17, 2015.

Board of Directors

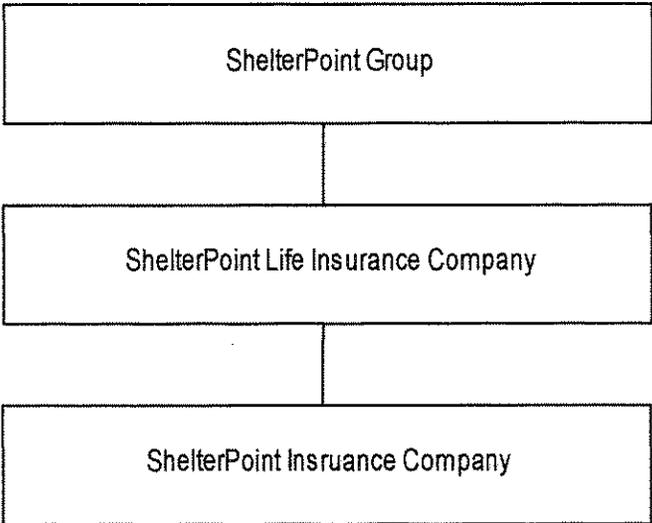
Name	Location
Lee Hartmann	Great Neck, New York
Constantine Lappas (a)	Great Neck, New York
David Melman	Great Neck, New York
Bruce Wallach	Great Neck, New York
Richard White	Great Neck, New York

(a) Resigned effective December 17, 2015 and Kathleen McAuliffe was elected to the board effective December 22, 2015.

The Company was a member of an insurance holding company system. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code (F.A.C.), on March 27, 2015.

An abbreviated organizational chart reflecting a holding company system is shown below.

**ShelterPoint Insurance Company
Abbreviated Organizational Chart
December 31, 2014**



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

Administrative Cost Allocation Agreement

The Company entered into an Administrative Cost Allocation agreement with its parent, ShelterPoint Life Insurance Company, effective January 24, 2014. ShelterPoint Life will perform day-to-day administrative services to the Company, including, but not limited to, the services of ShelterPoint Life's personnel, office space, vendor contracts and use of equipment. ShelterPoint Life including its officers and employees, shall perform certain administrative, consulting, marketing, and operational services incidental to the conduct, management, and processing of the insurance business and overall business operations to be engaged in by the Company. Services include consultation and assistance in developing short and long-term operating plans, data management and data quality services; accounting and tax advice, underwriting services, policy and certificate issuance and renewals, premium collections, claims handling services, legal services, investment and asset management, financial reporting, internal audit and risk services, reinsurance administration and information technology and systems development and maintenance.

Net Worth Maintenance Agreement

The Company entered into a Net Worth Maintenance agreement with its parent, ShelterPoint Life Insurance Company, effective January 24, 2014. ShelterPoint Life agrees to maintain ShelterPoint Insurance Company's statutory capital and surplus equal to the minimum amount needed to maintain licenses and authority in all jurisdictions where the Company is licensed to conduct insurance business, or the amount of capital and surplus as shall be necessary to maintain an NAIC Risk Based Capital ratio of at least 500% on an ongoing basis. ShelterPoint Life shall cause the Company to have the liquidity necessary to enable it to meet its current

obligations on a timely basis provided, however, that such liquidity shall be provided in accordance with, and only to the extent permitted by, applicable law.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintained fidelity bond coverage of \$1,000,000 with a deductible of \$50,000 which adequately provided for the suggested minimum amount of coverage for the Company as recommended by the NAIC of \$700,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees and did not directly provide employee benefits nor sponsor retirement plans.

TERRITORY AND PLAN OF OPERATION

The primary business of the Company was in the direct writing and reinsurance of credit life and credit accident and health insurance to individuals who purchased vehicles from dealers. The Company ceased writing insurance effective December 31, 2006. During the period of this examination, the Company continued to administer its in-force business. As of December 31, 2013, all policies had expired. The Company was then purchased by ShelterPoint Life Insurance Company on January 24, 2014. On July 24, 2014, the Company submitted a Corporate Amendment Application requesting the addition of Ordinary Life line of business to its Florida Certificate of Authority and was approved on October 8, 2014. The Company was authorized to transact insurance in the District of Columbia and all U.S. states except California, Michigan and New York.

COMPANY GROWTH

The Company reported the following for years 2010 through 2014:

(Dollars are in millions.)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Premiums **	\$ (0.5)	\$ (0.3)	\$ (0.1)	\$ (0.1)	\$ -
Total Revenues	\$ (0.5)	\$ (0.3)	\$ (0.1)	\$ (0.1)	\$ -
Net income	\$ 5.1	\$ 3.0	\$ 0.6	\$ 2.7	\$ (0.1)
Shareholder dividends	\$ 15.0	\$ 10.0	\$ -	\$ -	\$ -
Paid in surplus received		\$ (8.0)	\$ (3.4)	\$ -	\$ 0.5
Admitted assets	\$ 33.8	\$ 12.7	\$ 11.2	\$ 7.9	\$ 7.9
Liabilities	\$ 11.2	\$ 5.0	\$ 2.8	\$ 0.1	\$ 0.2
Capital and surplus	\$ 22.5	\$ 7.7	\$ 8.3	\$ 7.7	\$ 7.7

REINSURANCE

The Company has a quota-share reinsurance treaty with its parent, ShelterPoint Life Insurance Company, which has been approved by both the Office and New York Department of Financial Services. Under this agreement, the Company will cede 100% of all premiums written to its parent, ShelterPoint Life Insurance Company and will receive a ceding commission in the amount of 47.5% for group life business and 42% for group health business. The ceding commission includes a premium tax and assessment reimbursement of 2.5%.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, F.S., and with other jurisdictions as required:

Holder	Description	Par Value	Market Value
Florida	Bonds	1,825,000	1,888,013
Florida	Bonds	300,000	320,296
Total Florida deposits		2,125,000	2,208,309
Georgia	U.S. Treasury bond	35,000	36,280
Massachusetts	U.S. Treasury bond	100,000	103,211
Nevada	Bond	212,000	215,383
New Hampshire	U.S. Treasury bond	106,000	109,876
New Mexico	U.S. Treasury bond	106,000	109,876
North Carolina	U.S. Treasury bond	510,000	516,455
Virginia	U.S. Treasury bond	250,000	258,027
Total deposits		\$3,444,000	\$3,557,417

ShelterPoint Insurance Company
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2014

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ 7,068,259	\$ -	\$ 7,068,259
Cash, cash equivalents and short-term investments	370,952	-	370,952
	7,439,211	-	7,439,211
Investment income due and accrued	41,525	-	41,525
Current income tax recoverable	368,785	-	368,785
Net deferred tax asset	103,071	-	103,071
Aggregate write-ins for other than invested assets	4	-	4
Total admitted assets	\$ 7,952,596	\$ -	\$ 7,952,596
Liabilities			
Claims unpaid	\$ -	\$ -	\$ -
Unpaid claims adjustment expenses	-	-	-
Aggregate health policy reserves	-	-	-
General expenses due or accrued	194,561	-	194,561
Asset valuation reserve	7,150	-	7,150
Payable to parent, subsidiaries, or affiliates	3,330	-	3,330
Aggregate write-ins for other liabilities	-	-	-
Total liabilities	205,041	-	205,041
Capital and Surplus			
Common capital stock	2,500,000	-	2,500,000
Gross paid in and contributed surplus	700,000	-	700,000
Unassigned funds (deficit)	4,547,555	-	4,547,555
Total capital and surplus	7,747,555	-	7,747,555
Total liabilities, capital and surplus	\$ 7,952,596	\$ -	\$ 7,952,596

ShelterPoint Insurance Company
Statement of Revenue and Expenses
(As reported by the Company)
Year Ended December 31, 2014

Net premium income	\$ -
Net Investment Income	39,585
<hr/> Total Revenue	<hr/> 39,585
General insurance expenses	797,430
Insurance taxes, licenses, and fees	230,718
<hr/> Total deductions	<hr/> 1,028,148
Income before federal income tax	(988,563)
Federal income tax	(368,785)
<hr/> Net income	<hr/> <hr/> \$ (619,778)

ShelterPoint Insurance Company
Statement of Changes in Capital and Surplus
Five Years Ended December 31, 2014

Capital and surplus - December 31, 2009	\$ 32,338,451
Net income	5,102,989
Change in net unrealized capital gains	114,429
Change in net deferred income tax	(329,900)
Change in nonadmitted assets	189,573
Change in liability for reinsurance in unauthorized companies	328,214
Change in asset valuation reserve	(4,535)
Dividends to stockholder	(15,000,000)
Aggregate write-ins for gains or (losses)	(156,961)
<hr/>	
Capital and surplus - December 31, 2010	22,582,260
Net income	3,021,267
Change in net unrealized capital gains	82,480
Change in net deferred income tax	(366,256)
Change in nonadmitted assets	272,000
Change in liability for reinsurance in unauthorized companies	122,522
Change in asset valuation reserve	21,495
Surplus paid in	(8,000,000)
Dividends to stockholder	(10,000,000)
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Capital and surplus - December 31, 2011	7,735,768
Net income	664,857
Change in net deferred income tax	(115,600)
Change in nonadmitted assets	80,865
Change in liability for reinsurance in unauthorized companies	25,084
<hr/>	
Capital and surplus - December 31, 2012	8,390,974
Net income	2,777,812
Change in net deferred income tax	(4,343)
Change in nonadmitted assets	3,544
Change in liability for reinsurance in unauthorized companies	3,650
Surplus paid in	(3,400,000)
<hr/>	
Capital and surplus - December 31, 2013	7,771,637
Net income	(619,778)
Change in net deferred income tax	481,037
Change in nonadmitted assets	(378,189)
Change in asset valuation reserve	(7,150)
Surplus paid in	500,000
<hr/>	
	7,747,557
Examination adjustments	-
<hr/>	
Capital and surplus - December 31, 2014	<u>\$ 7,747,557</u>

ShelterPoint Insurance Company
Comparative Analysis of Changes in Capital and Surplus
December 31, 2014

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital and surplus, December 31, 2014 - per annual statement			\$ 7,747,555
	Per Company	Per Examination	Increase (Decrease) In Capital & Surplus
Total assets	\$ 7,952,596	\$ 7,952,596	\$ -
Total liabilities	\$ 205,041	\$ 205,041	\$ -
Capital and surplus, December 31, 2014 - per examination			<u>\$ 7,747,555</u>

SUBSEQUENT EVENTS

The Company's Chief Operating Officer and Board of Director, Constantine Lappas resigned effective December 17, 2015.

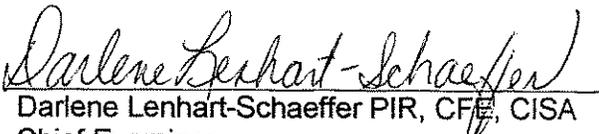
CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of ShelterPoint Insurance Company consistent with the insurance laws of the State of Florida.

At December 31, 2014, the Company's capital and surplus was \$7,747,555 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, F.S.

In addition to the undersigned, the following individuals participated in the examination: Luke Stavenau, Financial Examiner/Analyst; Cathy S. Jones, CPA, CFE, Examination Manager; and Lewis & Ellis, LLC.

Respectfully submitted,


Darlene Lenhart-Schaeffer PIR, CFE, CISA
Chief Examiner
Florida Office of Insurance Regulation