

**REPORT ON EXAMINATION**  
**OF**  
**SUNSHINE STATE INSURANCE COMPANY**  
**ST. AUGUSTINE, FLORIDA**

**AS OF**  
**DECEMBER 31, 2011**

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

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June 12, 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 and 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:

**SUNSHINE STATE INSURANCE COMPANY  
12724 GRAN BAY PARKWAY WEST, SUITE 150  
JACKSONVILLE, FLORIDA 32258**

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, 2007, through December 31, 2011. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2006. This examination commenced with planning at the Office on April 9, 2012 to April 12, 2012. The fieldwork commenced on April 16, 2012, and concluded as of June 12, 2012.

This financial examination was a multi-state 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 this examination.

### **Prior Exam Findings**

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2006, along with resulting action taken by the Company in connection therewith.

#### **Stock Certificate**

The Company did not amend its articles of incorporation, by-laws and capital stock record book to indicate the change in par value of its capital common stock from \$2,000 per share to \$100 per share, which was agreed to in the "Agreement and Plan of Merger", in order to comply with Section 628.081(d), Florida Statutes. **Resolution:** The Company amended its articles of incorporation, by-laws and capital stock record book during the current examination period.

### **Gross Written Premium Ratio**

The Company's gross written premium ratio was 12:1 which was higher than the maximum of 10:1 required by Section 624.4095, Florida Statutes. **Resolution:** The Company maintained a gross written premium ratio of 10:1 that met the requirements of Section 624.4095, Florida Statutes.

### **Corporate Minutes**

There was no documentation in the corporate minutes evidencing that the Company's Board of Directors reviewed the previous examination report of the Office as required by the NAIC Financial Condition Examiners Handbook. **Resolution:** The Company reviewed the 2006 examination report and maintained documentation of such in their corporate minutes.

## **HISTORY**

### **General**

The Company was incorporated in Florida on November 4, 1997, and commenced business on November 21, 1997 as Sunshine State Insurance Company.

**Subsequent Event:** The Company moved its home office to a new location, effective January 11, 2013. The new address of the Company is: 12724 Gran Bay Parkway, West, Suite 150, Jacksonville, Florida 32258.

On November 23, 2004, the Boards of Directors of QualSure Insurance Corporation, Sunshine State Holding Corporation and the Company approved the merger of QualSure Insurance Corporation with and into the Company. The Articles of Merger set the Company as the surviving entity. The Articles of Merger were executed December 31, 2004 and a consent order approving

the merger was obtained from the Florida Office of Insurance Regulation. In July 2007, QualSure Holding Corporation changed its name to Sunshine State Insurance Holding Corporation.

The Company was a party to Consent Order 83047-05-CO, which was filed on November 21, 2006 due to the Company's failure to submit two required rate filings within 30 days of ceasing recoupments of the FIGA factor, as required by Section 627.062(2)(a)2, Florida Statutes. An administrative fine of \$10,000 and costs of \$3,000 were assessed.

The Company was party to Consent Order 93543-07-CO filed January 2, 2008, approving the Company's planned assumption of 23,607 policies from Citizens Property Insurance Corporation (Citizens), which was to commence February, 2008. Terms of the order were to be effective for a three year period ending January 2, 2011.

The Company was party to Consent Order 97396-08-CO filed August 27, 2008, approving the Company's proposal to remove an additional 10,066 policies from Citizens, subject to the terms and conditions of the January Consent Order, 93543-07-CO, except where modified by the August Order.

The Company was party to Consent Order 96184-08-CO filed October 15, 2008 regarding the Company's failure to timely submit a Presumed Factor filing and submit a rate filing in 2006. A fine was imposed on the Company.

The Company was party to Consent Order 108977-10-CO filed April 1, 2010, in the matter of "Amendments to Take-Out Orders" issued between March 1, 2007 and March 1, 2010.

Language was removed from the original Take-Out Orders by the Office which had required insurers to renew Citizens policies for a time period of three years.

The Company was authorized to transact the following insurance coverage in Florida on dates of November 21, 1997, May 1, 2000, July 9, 2008 and continues to be authorized as of December 31, 2011.

Fire	Allied Lines
Homeowners Multi-Peril	Inland Marine
Other Liability	Mobile Home Multi Peril

The Articles of Incorporation and the Bylaws were amended during the period covered by this examination to change the Company's corporate address to the current address and to change the par value of the Common Stock to its current value of \$100 per share.

### **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	5,000,000
Number of shares issued and outstanding	15,200
Total common capital stock	\$1,520,000
Par value per share	\$100.00

Control of the Company was maintained by its parent, Sunshine State Holding Corporation a Delaware Corporation, who owned 100% of the stock issued by the Company, who in turn was 100% owned by Sunshine State Insurance Holding Corporation, a Delaware corporation.

The Company received a total of \$21,569,636 of surplus contributions during the examination period.

### **Surplus Notes**

The Company issued no surplus notes during the period of examination, but has an outstanding surplus note in the amount of \$3,000,000 held by Sunshine State Underwriting Agencies, Inc., which was issued in 2006. The Company cannot make any principal or interest payment on this note unless authorization is given by the Office.

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

In December 2009, the Company acquired 162,500 shares of Coastal American Insurance Company, domiciled in Mississippi, representing approximately 25% of the total issued and outstanding common stock. The Company is the only shareholder who owns 10% or more of the outstanding shares.

The Company had no other acquisitions, mergers, disposals, or 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 690-

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 690-138.001, 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**

<b>Name and Location</b>	<b>Principal Occupation</b>
Tal Patric Piccione Upper Saddle River, New Jersey	Director, Chairman, US RE Corporation, Inc.
Stephen Allen Korducki St. Augustine, Florida	Director, President & CEO, Sunshine State Insurance Company
Sanford Dewain Elsass New York, New York	Director, US RE Corporation, Inc.
John Anthony Gerson Madison, New Jersey	Paladin Realty Partners, LLC
Richard Ainsworth Hinckley Jr. Bryn Mawr, Pennsylvania	Fox School of Business, Temple University

John Nicholas Lombardo  
Naples, Florida

Retired

Peter Sayres Rawlings  
Villanova, Pennsylvania

Logan Capital

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

### Senior Officers

<b>Name</b>	<b>Title</b>
Stephen Allen Korducki	Chief Executive Officer
Richard Lee Ervin Jr.	Chief Financial Officer

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

<b>Audit Committee</b>	<b>Investment Committee</b>	<b>Compensation Committee</b>
Richard Ainsworth Hinckley Jr. <sup>1</sup>	Peter Sayres Rawlings <sup>1</sup>	Sanford Dewain Elsass <sup>1</sup>
John Anthony Gerson	John Anthony Gerson	Tal Patric Piccione
John Nicholas Lombardo	Richard Ainsworth Hinckley Jr.	John Anthony Gerson

<sup>1</sup> Chairman

The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes. The audit committee was independent in accordance with Rule 69O-137.002(14), Florida Administrative Code (Requirements of an Audit Committee).

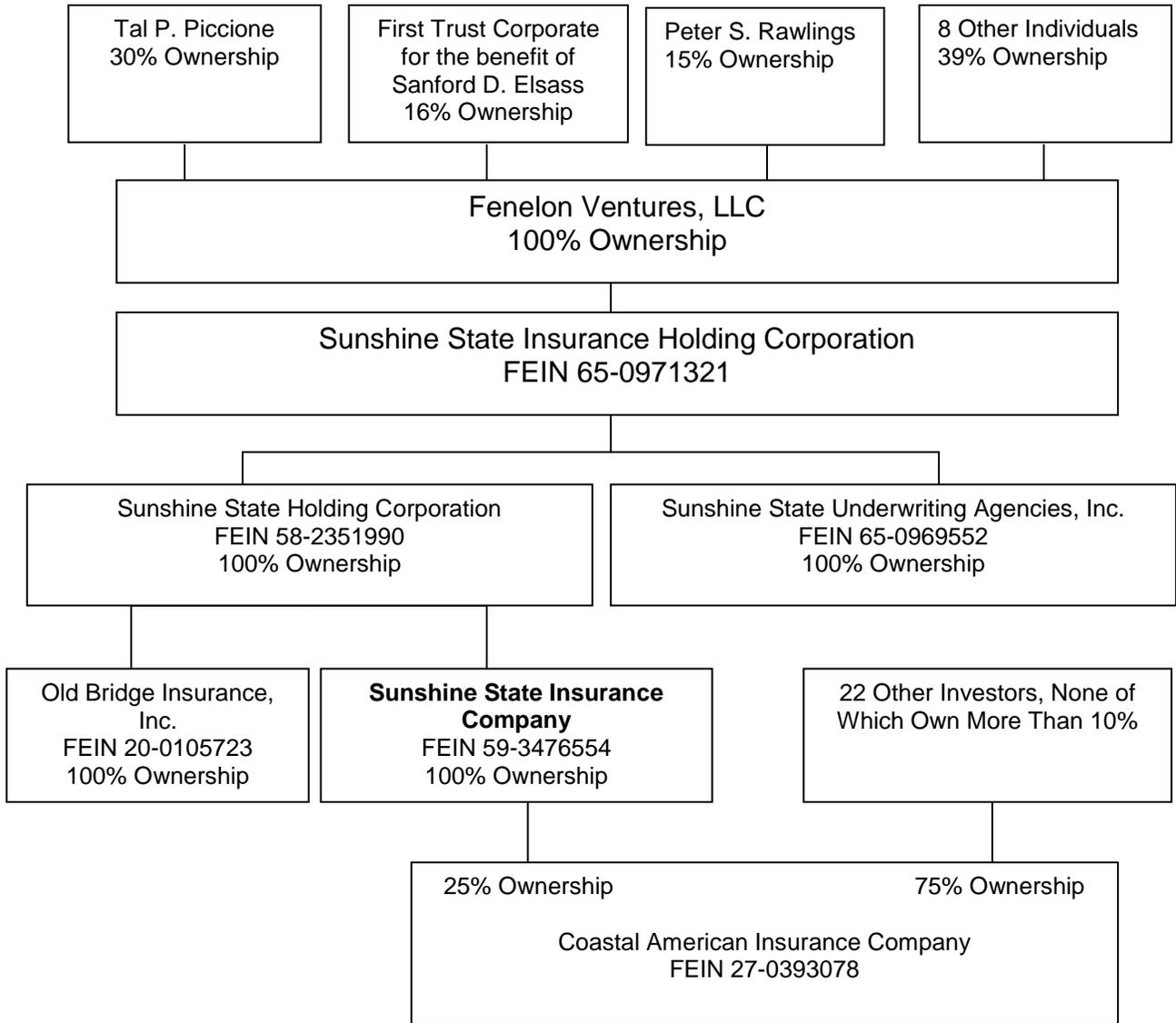
## **Affiliated Companies**

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. The Company had no subsequent changes in affiliates and, therefore, was not required to file an updated holding company registration statement.

An organizational chart as of December 31, 2011, reflecting the holding company system, is shown on the following page.

**SUNSHINE STATE 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 Sunshine State Holding Corporation, and affiliates, filed a consolidated federal income tax return. On December 31, 2011, the method of allocation between the Company and its parent was on a separate entity basis.

### **Management Agreement**

The Company entered into a Management Agreement with its parent, Sunshine State Holding Corporation (“Parent”). The Company retained the services of the Parent to provide administrative management services, investment services, premiums and banking arrangements, claims settlement, and reinsurance negotiations. This agreement was renewed on November 4, 2007.

### **Managing General Agent Agreement**

The Company entered into a Managing General Agent Agreement with its Parent, Sunshine State Holding Corporation on December 2, 2003. The Parent provided the following services to the Company; receipt of applications, issuance of policies, premium and billing collection, commission handling, policyholder services, data access/reporting to the Company, policy distribution, policy file maintenance, complaint log tracking and additional services as reasonable and necessary. The agreement renews annually and can be terminated by either party with written notice. During the examination period, the Company had an outsourcing agreement with Computer Science Corp (CSC) of South Carolina. CSC provided all the Company’s underwriting, policy issuance and customer service functions, cash collection and disbursement, and claim management system. On September 17, 2009, the Company assigned all rights of this agreement to its Parent.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained fidelity bond coverage up to \$900,000 with a deductible of \$25,000, which complied with the suggested minimum recommended by the NAIC. The Company also maintained Directors and Officers (D&O) liability insurance as well as Errors and Omissions (E&O) coverages.

## **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 in the following states:

Florida

Mississippi

South Carolina

### **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 seen a steady decline in Gross Premiums Written during the last few years of the examination period. This decline was attributed to the planned non-renewal of all Citizens policies. The Company worked toward this complete planned non-renewal for several years and plans to pursue growth through better underwriting as well as safer geographic areas of the state. Loss reserves increased during the period due to loss reserve commutations with quota share treaties. Reinsurance recoverables decreased during the period due to fewer catastrophic loss years in the latter years of the examination period. Reinsurance payables decreased as well due to the overall reduction in written premiums subject to the quota share treaties in effect. Increases in cash and invested assets were due to improved underwriting results during the latter years of the examination. An increase in contributed surplus was the result of underwriting losses incurred during the 2006 through 2010 period with Citizens assumptions and low rates named as contributing factors.

## Profitability of Company

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

	2011	2010	2009	2008	2007
Premiums Earned	(10,799,047)	10,110,778	7,926,501	223,828	(17,636,333)
Net Underwriting Gain/(Loss)	1,731,854	(3,700,111)	(7,715,279)	(5,405,638)	(10,088,001)
Net Income	2,672,616	(1,621,942)	(5,858,286)	(3,225,031)	(6,131,197)
Total Assets	27,309,877	29,907,129	47,698,070	35,865,758	24,527,647
Total Liabilities	13,729,552	19,243,749	35,593,541	24,230,803	18,398,107
Surplus As Regards Policyholders	13,580,325	10,663,381	12,104,528	11,634,955	6,129,540

## LOSS EXPERIENCE

During the current examination period, the Company showed favorable development overall. The heavy losses noted at the beginning of the period were due to heavy storm losses which occurred during the earlier years of the period.

## 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 did not assume any reinsurance during the period of this examination.

**Ceded**

The Company's homeowners line of business was reinsured through a multi-line 87.5% Quota Share Reinsurance Treaty with Transatlantic RE rated A by A.M. Best. Additionally, the Company maintained Catastrophe Reinsurance covering losses up to \$198 million, providing coverage for up to four major occurrences. The Company's net retained catastrophe loss was limited to \$400,000 per occurrence for the first two occurrences and \$1,000,000 each for a third and fourth event. The Company's Catastrophe and Per Risk Reinsurance covers were placed primarily with Lloyd's Syndicates, Renaissance RE, Davinci RE, Arch RE, Odyssey RE and Transatlantic RE, all rated A- or higher by A.M. Best, and through the Florida Hurricane Catastrophe Fund. The Company's maximum retention on a "per risk" loss was \$125,000 and \$1,000,000 for claims incurred after March 31, 2011 and prior to April 1, 2011, respectively. Sunshine State Insurance Company was an authorized Federal Flood carrier for the "Write Your Own" Flood program which was 100% reinsured through the Federal Government.

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 St. Augustine, Florida.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2007, 2008, 2009, 2010 and 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 system was Fiserv's Freedom Software. The Company used Sungard's iWorks suite for investment accounting. This application was hosted by Sungard. The user desktop environment and security of the connections were provided by Citrix.

The Company and non-affiliates had the following agreements:

### **Claims Administration and Building Inspection Services Agreement**

The Company entered into a Claims Administration and Building Inspection Services Agreement on December 11, 2009, with National Catastrophe Adjusters, Inc. (National). National was appointed the Company's exclusive claims administrator and non-exclusive building inspection services provider effective January 1, 2010. National provided claim guidelines in conjunction with Company representatives, claims investigation services, claims negotiation/settlement services, and catastrophic response teams.

### **Custodial Agreement**

The Company entered into a custodial agreement with US Bank on February 22, 2006. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

### **Investment Advisory Agreement**

The Company entered into an Investment Advisory Agreement with Logan Capital Management, Inc. (Logan Capital) on April 15, 2007. The Company appointed Logan Capital as investment adviser to supervise and manage the investment and reinvestment of such assets as were held by the custodian in the accounts.

## **INFORMATION TECHNOLOGY REPORT**

Tracy Gates, CISA, of Highland Clark, 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	FHLB, 2.00%, 2/23/18	\$ 300,000	\$ 300,780
FL	FHLB, 2.0%, 2/16/23	350,000	355,425
FL	FNMA, 1.63%, 8/10/15	250,000	250,375
FL	FNMA, 4.13%, 2/24/20	100,000	100,430
FL	US Treasury, 1%, 10/31/16	475,000	479,893
FL	US Treasury, 1%, 1/15/14	200,000	203,040
FL	US Treasury, 1.5%, 6/30/16	235,000	243,249
FL	FHLB, 5.63%, 6.13.16	250,000	298,725
FL	CD, .20%, 1/21/12	<u>300,000</u>	<u>300,000</u>
TOTAL FLORIDA DEPOSITS		\$2,460,000	\$ 2,531,917
SC	CD, .55%, 8/9/12	\$100,000	\$100,000
SC	CD, .2%, 1/22/12	<u>25,000</u>	<u>25,000</u>
TOTAL OTHER DEPOSITS		<u>\$ 125,000</u>	<u>\$ 125,000</u>
TOTAL SPECIAL DEPOSITS		<u>\$2,585,000</u>	<u>\$2,656,917</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."

**SUNSHINE STATE INSURANCE COMPANY**  
**Assets**

**DECEMBER 31, 2011**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Bonds	\$13,273,123		\$13,273,123
Stocks:			
Common	736,145		736,145
Cash and Short-Term Investments	2,477,877		2,477,877
Investment income due and accrued	68,987		68,987
Premiums and considerations			
Uncollected premium	498,427		498,427
Deferred premium	2,587,633		2,587,633
Reinsurance			
Amounts recoverable from reinsurers	2,619,362		2,619,362
Other amounts receivable under reinsurance	972,407		972,407
Current federal and foreign income tax	1,952,693		1,952,693
Net deferred tax asset	1,812,199		1,812,199
Electronic data processing equipment	112,500		112,500
Receivables from parent	198,524		198,524
Totals	\$27,309,877	\$0	\$27,309,877

**SUNSHINE STATE INSURANCE COMPANY**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2011**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Losses	\$9,671,582		\$9,671,582
Loss adjustment expenses	2,268,444		2,268,444
Commissions payable	546,160		546,160
Other expenses	204,455		204,455
Taxes, licenses and fees	103,618		103,618
Unearned premium	6,110,437		6,110,437
Advance premium	2,083,934		2,083,934
Ceded reinsurance premiums payable	(8,841,705)		(8,841,705)
Remittances and items not allocated	2,377		2,377
Aggregate write-ins for liabilities	1,580,250		1,580,250
Total Liabilities	\$13,729,552	\$0	\$13,729,552
Common capital stock	\$1,520,000		\$1,520,000
Surplus notes	3,000,000		3,000,000
Gross paid in and contributed surplus	74,662,322		74,662,322
Unassigned funds (surplus)	(65,601,997)		(65,601,997)
Surplus as regards policyholders	\$13,580,325	\$0	\$13,580,325
Total liabilities, surplus and other funds	\$27,309,877	\$0	\$27,309,877

**SUNSHINE STATE INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2011**

**Underwriting Income**

Premiums earned	(\$10,799,047)
	<b>Deductions:</b>
Losses incurred	\$1,450,730
Loss adjustment expenses incurred	1,835,010
Other underwriting expenses incurred	(15,816,641)
Total underwriting deductions	<u>(\$12,530,901)</u>
Net underwriting gain or (loss)	\$1,731,854

**Investment Income**

Net investment income earned	\$156,574
Net realized capital gains or (losses)	694,214
Net investment gain or (loss)	<u>\$850,788</u>

**Other Income**

Net gain or (loss) from agents' or premium balances charged off	(\$3,606)
Aggregate write-ins for miscellaneous income	(62,704)
Total other income	<u>(\$66,310)</u>

Net income before dividends to policyholders and before federal & foreign income taxes	\$2,516,332
Dividends to policyholders	
Net Income, after dividends to policyholders, but before federal & foreign income taxes	<u>\$2,516,332</u>
Federal & foreign income taxes	(156,284)
Net Income	<u><u>\$2,672,616</u></u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year	\$10,663,381
Net Income	\$2,672,616
Net transfers (to) from Protected Cell accounts	
Net unrealized capital gains or losses	(387,119)
Change in net unrealized foreign exchange capital gains	
Change in net deferred income tax	(4,199,869)
Change in nonadmitted assets	2,481,316
Surplus adjustments: Paid in	2,350,000
Change in surplus as regards policyholders for the year	<u>\$2,916,944</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$13,580,325</u></u>

A comparative analysis of changes in surplus is shown below.

**SUNSHINE STATE 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	\$13,580,325
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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>\$13,580,325</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### **Losses and Loss Adjustment Expenses**

\$11,940,026

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, 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 actuary, Dennis R. Henry, FCAS, MAAA of The Actuarial Advantage, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and was in concurrence with this opinion.

### **Capital and Surplus**

\$13,580,325

The amount of Capital and surplus reported by the Company of \$13,580,325, 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 **Sunshine State 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 \$13,580,325, which exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Sheri Kenney, CFE, Examiner-In-Charge and Bradley Hazelwood, Participating Examiner, of Highland Clark, LLC participated in the examination. In addition, Dennis R. Henry, FCAS, MAAA consulting actuary of The Actuarial Advantage, Inc., Tracy Gates, CISA, IT Manager of Highland Clark, LLC and Samita Lamsal, Financial Examiner/Analyst II of the Office also participated in the examination.

Respectfully submitted,

---

Mary James, CPE, CPM  
Financial Examiner  
Florida Office of Insurance Regulation