

REPORT ON EXAMINATION
OF
SUNZ INSURANCE COMPANY
SARASOTA, FLORIDA
AS OF
DECEMBER 31, 2012

BY THE
FLORIDA OFFICE OF INSURANCE REGULATION

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January 31, 2014

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 690-138.005, 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, 2012, of the financial condition and corporate affairs of:

**SUNZ INSURANCE COMPANY
7405 N. TAMiami TRAIL
SARASOTA, FLORIDA 34243**

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, 2012. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2007. This examination commenced with planning at the Office on September 23, 2013, to September 27, 2013. The fieldwork commenced on October 8, 2013, and concluded as of January 31, 2014.

This financial examination was a multi-state 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

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination. Some of the findings noted during this examination period have been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

Reserve Estimates

The independent actuarial firm used several methods to estimate the ultimate losses. In most cases, the selected ultimate loss was very close to the lowest method available. While this may be appropriate in some cases, it is unlikely that it is appropriate in every case.

Prior Exam Findings

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2007.

SUBSEQUENT EVENTS

Board of Directors

Effective January 13, 2013, Adam Klein resigned from the Company Board of Directors. Effective February 7, 2013, Steve Herrig was appointed to the Company Board of Directors. Effective July 15, 2013, Christopher Jenkins resigned from the Company Board of Directors. Effective July 22, 2013, Nathan Ward resigned from the Company Board of Directors. As a result of the changes in the Board of Directors, the Company currently has only three directors of the Board and, therefore, was not in compliance with Section 628.231, Florida Statutes. The Company submitted two individuals for Office approval on January 6, 2014, as proposed Board members. The Office approved two new directors, Peter Daniel Arling and Michael Peter Welbes, on February 11, 2014.

The Company received a \$2,000,000 contribution in connection with a surplus note issued to related party Worklife America, Inc., paid in cash on February 26, 2013. The Company received a \$2,000,000 capital contribution from its direct parent, Sunz Holdings, LLC, paid in cash on February 28, 2013. The Company received a contribution of \$1,750,000 in connection with a surplus note issued to Palm Beach Capital Fund II, LLC, paid in cash on March 21, 2013.

Reserves

The Company strengthened its reserves by approximately \$1.7 million as of June 30, 2013.

Ownership/Surplus Notes

Effective August 1, 2013, Steve Herrig purchased a 90.4% ownership interest in Sunz Holdings, LLC from Palm Beach Capital. As a component of this transaction, Sunz Holdings, LLC entered into a Securities Purchase Agreement with the stockholders of Worklife America, Inc. wherein Sunz

Holdings, LLC purchased the surplus notes which total \$10,410,000, subsequently with a reduced face amount of \$1,600,000. This transaction was approved by the Office via issuance of Consent Order 144573-13-CO dated November 21, 2013.

HISTORY

General

The Company was incorporated in Florida on October 30, 1986, and commenced business on December 23, 1986, as Sunz Insurance Company. During the examination period, the Company underwent a merger with Brentwood National Insurance Company (Brentwood), effective December 30, 2009. As a result, the assets, liabilities and surplus of Brentwood and Sunz were combined.

The Company was party to Consent Order 80814-CO-05 filed March 24, 2005 with the Office regarding the application for the issuance of a Certificate of Authority. During the examination period, Sunz was party to Consent Orders 95686-08-CO filed August 22, 2008, 95976-08-CO issued June 13, 2008, and 107947-09-CO filed December 29, 2009 to address various corporate governance and operational requirements. The Company was in compliance with the provisions of all consent orders.

The Company was authorized to transact Workers' Compensation insurance coverage in Florida on October 26, 2009 and continued to be authorized as of December 31, 2012.

The Articles of Incorporation and the Bylaws were amended during the period covered by this examination as a result of the merger of Brentwood and the Company, effective on December 30, 2009. However, in substance there were no significant changes to the Articles of Incorporation or Bylaws. The amended Articles and Bylaws were filed with the Office on December 30, 2009.

Dividends to Stockholders

The Company declared and paid a \$370,000 dividend to its policyholders in 2008. This was the only dividend paid during the examination period and did not require regulatory approval.

Capital Stock and Capital Contributions

As of December 31, 2012, the Company's capitalization was as follows:

Number of authorized common capital shares	4,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$3,000,000
Par value per share	\$3.00

Control of the Company was maintained by its parent, Sunz Holdings, LLC, who owned 100% of the stock issued by the Company. The Company received a \$2,000,000 contribution in connection with a surplus note issued to related party Worklife America, Inc., paid in cash on February 26, 2013. The Company received a \$2,000,000 capital contribution from its direct parent, Sunz Holdings, LLC, paid in cash on February 28, 2013. The Company received a contribution of \$1,750,000 in connection with a surplus note issued to Palm Beach Capital Fund II, LLC, paid in cash on March 21, 2013.

Surplus Notes

The Company had \$8,410,000 in subordinated surplus debentures issued to Worklife America Inc. as of December 31, 2012. Worklife America, Inc. was a large Professional Employer Organization

policyholder of the Company that was also owned by one of the primary shareholders of Sunz, Palm Beach Capital as of December 31, 2012. An additional surplus note of \$2,000,000 to Worklife America Inc. was reported as of December 31, 2012 but not issued until February 26, 2013, when funds were received by the Company. This transaction was approved by the Office. All surplus notes bear annual interest at 3.25%. Of the \$62,510 interest accrued at December 31, 2012, \$47,613 was paid, as approved by the Office. Subsequently no further interest was approved or paid.

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

On July 17, 2009, the Company and its parent, Sunz Holdings, LLC, a Florida domiciled limited liability company, signed a merger agreement with Brentwood and its parent, Brentwood Services Holdings, Inc. The merger occurred on December 30, 2009 with Brentwood surviving, changing its name to Sunz Insurance Company, and redomesticating from Tennessee to Florida. As a result of the merger the assets, liabilities and surplus of Brentwood and Sunz were combined.

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 periodic 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. In 2013, Board member resignations reduced membership to three directors, resulting in non-compliance with Section 628.231 Florida Statutes, which requires five directors. Directors serving as of December 31, 2012, were:

Directors

Name and Location	Principal Occupation
Glen Joseph Distenfanso Riverview, Florida	Chief Operating Officer, Sunz Insurance Company
Chris Martin Jenkins (a) Richmond, Surrey United Kingdom	Divisional Director, BMS Group Ltd
Adam Peter Klein (b) Lake Worth, Florida	Chief Financial Officer, Palm Beach Capital
Douglas Francis Lilak Parrish, Florida	President, Sunz Insurance Company
Nathan Shawn Ward (c) West Palm Beach, Florida	Partner, Palm Beach Capital

(a) Resigned on July 15, 2013. This seat remains open.

(b) Resigned on January 1, 2013, and replaced by Steven Francis Herrig on February 7, 2013.

(c) Resigned on July 22, 2013. This seat remains open.

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

Senior Officers

Name	Title
Douglas Francis Lilak	President
Glen Joseph Distenfanso	Chief Operating Officer, Vice President and Secretary

The Company maintained one internal committee. Following were members as of December 31, 2012:

Audit Committee

Adam Klein ¹
Nathan Ward
Chris Jenkins

¹ Chairman

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

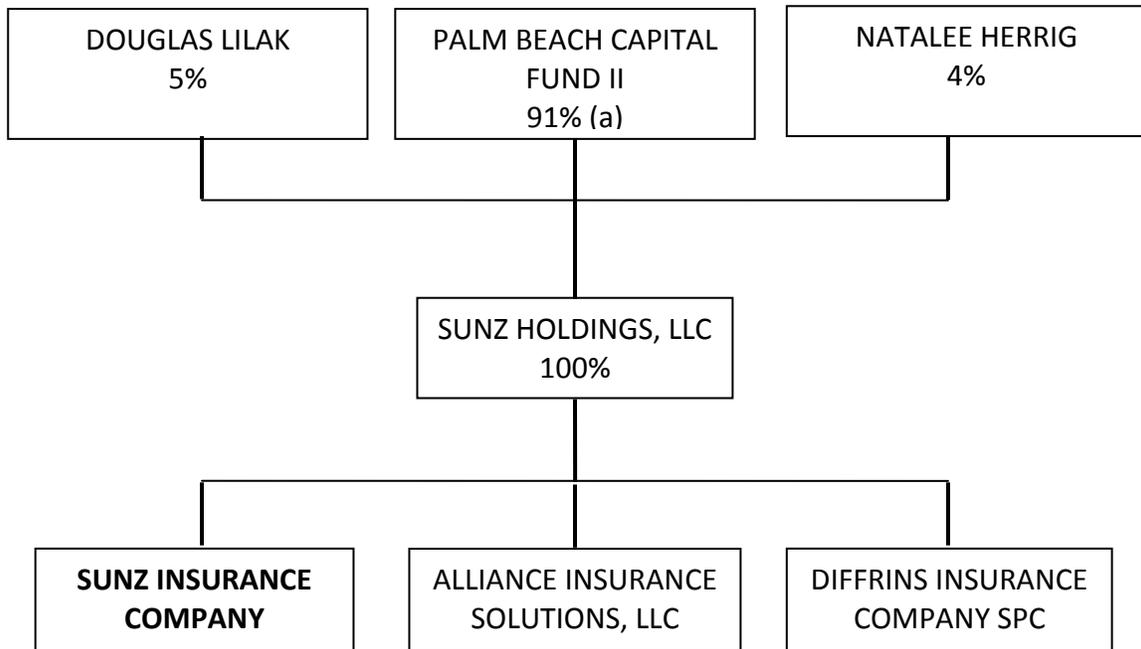
Affiliated Companies

The latest holding company registration statement was filed with the State of Florida on March 4, 2013, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code. The Company filed an updated Form A on August 30, 2013, with an effective date of the proposed change of ownership transaction as of August 1, 2013. With Office approval via issuance of Consent Order 144573-13-CO dated November 21, 2013, the update reflects the purchase of Palm Beach Capital's ownership interest by Steve Herrig. No other owners or affiliates were affected by this change.

An organizational chart as of December 31, 2012, reflecting the holding company system, is shown below. Schedule Y of the Company's 2012 annual statement provided a list of all related companies of the holding company group.

**SUNZ INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2012



(a) Ownership share acquired by Steven Herrig, effective August 1, 2013

The following agreement was in effect between the Company and its affiliate:

Managing General Agent Agreement

The Company entered into a Managing General Agency Agreement on September 29, 2008, with Alliance Insurance Solutions, LLC, (MGA) formerly known as JAAG Underwriting, LLC, an affiliated company owned 100% by Sunz Group, LLC. The agreement provided the MGA with the ability to enter into and issue on behalf of the Company insurance policies, binders, endorsements and other forms of insurance contracts. The agreement provided the MGA the full authority to collect premiums, and take necessary action, including legal proceedings and the cancellations of policies, with regard to the collection of premiums. The agreement authorized the MGA to pay claims and claims expense, either directly or through third party vendors meeting the approval of the Company. The MGA was responsible for maintaining a sufficient staff of competent, trained personnel and adequate supplies and equipment, to develop, underwrite, produce and supervise the business covered under the agreement. The compensation entitled to the MGA was 25% of the Company's direct earned premiums, less pass through surcharges, and net of cancellations payable within thirty (30) days after the end of each calendar month. Fees incurred under this agreement in 2012 were approximately \$5,205,000.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$2,000,000 with a deductible of \$100,000, which reached the suggested minimum as recommended by the NAIC.

The Company also maintained Directors and Officers (D&O) liability insurance in the amount of \$1,000,000 with a deductible of \$100,000 and Professional Liability insurance in the amount of \$1,000,000 with a deductible of \$150,000. Workers Compensation and Employers Liability insurance coverage included \$100,000 for each accident and disease, with policy limits of \$500,000. The Company also maintained Commercial Umbrella Liability in the amount of \$3,000,000 with no deductible.

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:

Alabama	Arizona	Arkansas
Delaware	Florida	Georgia
Indiana	Kentucky	Louisiana
Mississippi	Missouri	Montana
North Carolina	Oklahoma	Tennessee
Texas		

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 offered two types of workers' compensation policies in 2012, guaranteed cost and high deductible, as marketed by the Company through agents and brokers. However, the Company maintained all binding authority and served as sole underwriter. In 2012, the Company reported significant growth in earned premium, almost doubling its book of workers compensation business. A large portion of the business written from 2010 through 2012 was comprised of affiliated guaranteed cost policies, which is admittedly outside of the Company's niche of high deductible expertise. The Company experienced unfavorable one-year loss development of approximately \$7 million in 2012 due largely to the development of three catastrophic claims from accident years 2010 and 2011. The Company reported a net loss of \$12,292,888 at year-end 2012.

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.

	2012	2011	2010	2009	2008
Premiums Earned	22,507,742	11,748,933	5,055,758	1,827,030	3,629,534
Net Underwriting Gain/(Loss)	(10,996,708)	(1,872,391)	(4,496,166)	59,357	(2,958,482)
Net Income (Loss)	(12,292,888)	(300,361)	(3,274,571)	291,963	(1,517,726)
Total Assets	37,037,969	24,908,840	24,608,543	28,507,714	34,664,921
Total Liabilities	32,563,571	19,004,886	18,329,251	18,403,541	26,066,661
Surplus As Regards Policyholders	4,474,398	5,903,954	6,279,292	10,104,173	8,598,260

LOSS EXPERIENCE

During the current examination period, the Company showed favorable development, with the exception of the year ending December 31, 2012, in which the Company experienced unfavorable one-year loss development of approximately \$7 million. The significant adverse development in 2012 was largely due to the development of three catastrophic claims from accident years 2010 and 2011.

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 ceded risk on an excess of loss basis through three layers of reinsurance primarily with Aspen Re and Lloyds of London Syndicates throughout the exam period. The following is a summary by layer of reinsurance. The following contracts were for the period from February 1, 2012 to February 1, 2013.

First Excess – Section A of the first excess of layer coverage was limited to \$4,000,00 ultimate net loss per each occurrence in excess of \$1,000,000 ultimate net loss each occurrence above the original policy deductibles. Section B was limited to \$4,000,000 ultimate net loss each occurrence in excess of \$1,250,000 ultimate net loss per each occurrence. Both sections are subject to a maximum recoverable of 250% of reinsurance premium ceded but not more than \$8,000,000.

Second Excess – Section A of the second excess layer of coverage was limited to \$5,000,000 per occurrence in excess of \$5,000,000. Section B was limited to a \$5,000,000 per occurrence in excess of \$5,250,000.

Third Excess – Section A of the third excess layer of coverage was limited to \$10,000,000 per occurrence in excess of \$10,000,000. Section B was limited to a \$5,000,000 per occurrence in excess of \$10,250,000.

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 Sarasota, Florida.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2008, 2009, 2010, 2011 and 2012 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 and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with Fifth Third Bank effective on October 1, 2012. Under terms of the agreement, Fifth Third provides investment advisory services for a quarterly fee equal to 30 basis points on the first \$25,000,000, 25 basis points on the next \$25,000,000 and 10 basis points thereafter for assets under management. Fifth Third acts as the custodian for the investments held. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

TPA Agreement - Corvel

Effective May 10, 2010, the Company entered into a TPA service agreement with Corvel Enterprises Comp, Inc. to provide claims and case management services. The Company agreed to pay fees based on a defined fee schedule for various services included as part of the agreement. The Company retained the responsibility to approve claims in excess of authority limits and to authorize settlement amounts. The defined fee schedule underwent amendments effective September 1, 2011, October 21, 2012 and August 16, 2013.

Reinsurance Intermediary – BMS

Effective July 10, 2009, the Company entered in to a reinsurance intermediary agreement with BMS Intermediaries, Ltd. to provide reinsurance intermediary, risk management and consultancy services. The Company agreed to pay a brokerage commission in proportion to the reinsurance premium paid to the reinsurers or a straightforward fee. The agreement can be terminated at any time. The agreement was in compliance with Section 626.7492(4), Florida Statutes.

Independent Auditor Agreement

The Company contracted with an external independent CPA firm to perform the annual audit of its financial statements for 2012 and 2011 as required by Rule 69O-137.002 (7) (c), Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Scott Langstein, CISA, IT Manager, of Cerebres, 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	CD, 0.400%, 03/01/13	\$ 250,000	\$ 250,000
FL	CD, 0.490%, 07/01/13	750,000	750,000
FL	CD, 1.390%, 01/19/13	<u>500,000</u>	<u>500,000</u>
TOTAL FLORIDA DEPOSITS		\$ 1,500,000	\$ 1,500,000
AZ	USTNTS, 0.875%, 01/31/17	\$ 120,000	\$ 121,594
DE	USTNTS, 0.875%, 11/30/16	100,000	101,414
GA	Wells Fargo MM, 0,009%, n/a	75,033	75,033
IN	USTNTS, 1.625%, 08/15/22	100,000	99,344
NC	First Amer. TOF, n/a, n/a	<u>200,003</u>	<u>200,003</u>
TOTAL OTHER DEPOSITS		<u>\$ 595,036</u>	<u>\$ 597,388</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 2,095,036</u>	<u>\$ 2,097,388</u>

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2012, 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."

SUNZ INSURANCE COMPANY

Assets

DECEMBER 31, 2012

	Per Company	Examination Adjustments	Per Examination
Bonds	\$11,886,272	\$0	\$11,886,272
Stocks:			
Preferred	76,410		76,410
Real Estate:			
Properties			
occupied by Company	0		0
Other properties	0		0
Cash and Short-Term Investments	8,704,400		8,704,400
Other investments	0		0
Aggregate write-in for Investment income due and accrued	115,692		115,692
Agents' Balances:			
Uncollected premium	1,365,263		1,365,263
Deferred premium	1,106,427		1,106,427
Accrued retrospective premium	265,431		265,431
Reinsurance recoverable	447,577		447,577
Interest and dividend income due & accrued	0		0
Receivable from parents, subsidiaries and affiliates	389,677 0		389,677 0
Equities and deposits in pools and associations	0		0
Aggregate write-in for other than invested assets	12,680,820		12,680,820
	\$37,037,969	\$0	\$37,037,969
Totals	\$37,037,969	\$0	\$37,037,969

SUNZ INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2012

	Per Company	Examination Adjustments	Per Examination
Losses	\$17,267,247		\$17,267,247
Reinsurance payable	12,107		12,107
Loss adjustment expenses	2,855,002		2,855,002
Other expenses	45,058		45,058
Taxes, licenses and fees	701,653		701,653
Unearned premium	461,779		461,779
Advance premium	172,077		172,077
Ceded reinsurance premium payable	2,481,048		2,481,048
Amounts withheld	7,331,724		7,331,724
Aggregate write-ins for liabilities	1,235,876		1,235,876
Total Liabilities	\$32,563,571	\$0	\$32,563,571
Common capital stock	\$3,000,000		\$3,000,000
Surplus notes	10,410,000		10,410,000
Gross paid in and contributed surplus	8,429,493		8,429,493
Unassigned funds (surplus)	(17,365,095)		(17,365,095)
Surplus as regards policyholders	\$4,474,398	\$0	\$4,474,398
Total liabilities, surplus and other funds	\$37,037,969	\$0	\$37,037,969

SUNZ INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2012

Underwriting Income

Premiums earned		\$22,507,742
	Deductions:	
Losses incurred		\$21,811,163
Loss expenses incurred		4,196,633
Other underwriting expenses incurred		7,496,654
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$33,504,450</u>
Net underwriting gain or (loss)		(\$10,996,708)

Investment Income

Net investment income earned		\$303,806
Net realized capital gains or (losses)		23,811
Net investment gain or (loss)		<u>\$327,617</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off		(\$1,884,711)
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		260,914
Total other income		<u>(\$1,623,797)</u>
Net income before dividends to policyholders and before federal & foreign income taxes		(\$12,292,888)
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(\$12,292,888)
Federal & foreign income taxes		0
Net Income		<u><u>(\$12,292,888)</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$5,903,954
Net Income		(\$12,292,888)
Change in deferred income tax		3,809,804
Change in non-admitted assets		(5,211,472)
Change in provision for reinsurance		0
Change in surplus notes		10,050,000
Surplus adjustments: Paid in		2,000,000
Aggregate write-ins for gains and losses in surplus		215,000
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>(\$1,429,556)</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$4,474,398</u></u>

A comparative analysis of changes in surplus is shown below.

SUNZ INSURANCE COMPANY
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2012

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, 2012, per Annual Statement	\$4,474,398
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS: No Adjustment			\$0
LIABILITIES: No Adjustment			\$0
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2012, Per Examination			<u><u>\$4,474,398</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Losses and Loss Adjustment Expenses

\$20,122,249

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, 2012, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The examination actuary, Greg Wilson, FCAS, MAAA of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and he was not in concurrence with this opinion. The examination actuary concluded that the gross reserves as of December 31, 2012 were understated by approximately \$385 thousand and the net reserves as of December 31, 2012 were understated by approximately \$1.9 million. **Subsequent Event:** The Company strengthened its reserves by approximately \$1.7 million as of June 30, 2013.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$4,474,398, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes. Effective August 1, 2013, Steven Herrig purchased a 90.4% ownership interest in Sunz Holdings, LLC from Palm Beach Capital Fund II, LLC. As a component of this transaction, Sunz Holdings, LLC entered in to a Securities Purchase Agreement with the stockholders of Worklife America, Inc. wherein Sunz Holdings, LLC has purchased the surplus notes which total \$10,410,000, subsequently reducing the value to \$1,600,000. This transaction was approved by the Office via issuance of Consent Order 144573-13-CO dated November 21, 2013.

SUMMARY OF RECOMMENDATIONS

Reserve Estimates

We recommend that the Company should work with the independent actuary to ensure that the selected ultimate loss is not consistently derived from the method resulting in the lowest estimate.

Additionally, if the ultimate losses are based on different methods throughout the actuarial report, the reasons for the changes should be documented in the actuarial report.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Sunz Insurance Company** as of December 31, 2012, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$4,474,398, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Lindsey Pittman, CPA, CFE, Examiner-In-Charge and Amy Carter, CPA, AFE, and Sarah Lucibello, CPA, CFE, Participating Examiners, of Lewis and Ellis, Inc. participated in the examination. Greg Wilson, FCAS, MAAA, consulting actuary of Lewis & Ellis, Inc., and Scott Langstein, CISA, IT Manager of Cerebres, LLC also participated in the examination. In addition, Jonathan Frisard, Financial Examiner/Analyst Supervisor, Examination Manager, of the Office participated in the examination.

Respectfully submitted,

Robin Brown, CFE
Chief Examiner
Florida Office of Insurance Regulation