

REPORT ON EXAMINATION
OF
TOWER HILL SIGNATURE INSURANCE
COMPANY
GAINESVILLE, FLORIDA

AS OF
DECEMBER 31, 2013

BY THE
FLORIDA OFFICE OF INSURANCE REGULATION

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April 2, 2015

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2013, of the financial condition and corporate affairs of:

**TOWER HILL SIGNATURE INSURANCE COMPANY
7201 N.W. 11th PLACE
GAINESVILLE, FLORIDA 32605**

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, 2010 through December 31, 2013. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2009. This examination commenced with planning at the Office on July 21, 2014 to July 25, 2014. The fieldwork commenced on July 28, 2014, and concluded as of April 2, 2015.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

SUMMARY OF SIGNIFICANT FINDINGS

Current Exam Findings

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

Related Party Activities

The examination noted within open UCC filing #201104462840 for secured transactions of Royal Palm Insurance Holdings, Inc. (now known as Tower Hill Signature Insurance Holdings, Inc.) on April 22, 2011, that the consolidated holding company registration statements for Tower Hill Insurance Group did not disclose the pledging of Company stock to Security State Bank, which was not in compliance with Rule 69O-143.046 (2) (d), Florida Administrative Code.

Additionally, the Company did not timely update its consolidated holding company registration statements for Tower Hill Insurance Group to include the reinsurance data compilation agreement among affiliates executed on July 24, 2014, which was not in compliance with Rule 69O-143.046 (4), Florida Administrative Code. The Company also did not notify the Office of its intention to enter into this agreement at least 30 days prior to the execution of the agreement, which was not in compliance with Rule 69O-143.047(4), Florida Administrative Code.

Prior Exam Findings

There were no findings, exceptions, or corrective actions to be taken by the company for the examination as of December 31, 2009.

SUBSEQUENT EVENTS

The Company filed an updated holding company registration statement on October 15, 2014 which included several changes to management of the Company subsequent to the examination date. Joseph DiMartino resigned from his position as Chief Operating Officer (COO) from all Companies. In response to Mr. DiMartino's resignation, Donald Matz, Jr., assumed the position of interim COO. Subsequently, Ronald Laconi was appointed as COO. Joel Curran resigned from his positions as Chief Underwriting Officer (CUO) and Chief Compliance Officer (CCO) from all Companies to become Chief Commercial Officer of affiliate Tower Hill Prime Insurance Company. In response to Mr. Curran's resignation, Stephen Allnutt assumed the position of CUO for all Companies and Scott Rowe, Internal Counsel, assumed the position of CCO for all Companies. Brian Elsmore resigned from his position as Chief Technology Officer (CTO). In response to Mr. Elsmore's resignation, Ralph Kubicsek, former Assistant Vice President of Operations, assumed the position of CTO.

HISTORY

General

The Company was incorporated in Florida on March 31, 2006 as Royal Palm Insurance Company (Royal Palm). The Company began writing direct business in 2007, providing homeowner's and dwelling insurance in Florida. The Company initially assumed approximately 120,000 in-force policies from Allstate Floridian Insurance Company and Allstate Floridian Indemnity Company (renamed Castle Key Insurance Company in 2009), which had elected to reduce Allstate's

exposure in Florida following hurricane losses. The Allstate assumption allowed access to the Allstate agency force of approximately 1,500 agents.

Effective December 4, 2008, the Company entered into a second Managing General Agency agreement whereby Tower Hill Insurance Group covered only back office operations. Commencing January 1, 2009, Tower Hill Insurance Group began processing Royal Palm's entire book of business. On February 24, 2011, an affiliate of Tower Hill Insurance Group purchased all of the issued and outstanding shares of capital stock in Royal Palm from its parent company Ritchie Risk-Linked LLC. On May 19, 2011, the name was changed to Tower Hill Signature Insurance Company and renewal of policies on all Allstate business was offered on the Company's paper. The Company, together with the other four Tower Hill Insurance Companies, share common management and collectively represented the fourth largest homeowner's writer in the state of Florida in 2013.

The Company was authorized to transact the following insurance coverage in Florida on various dates in 2006 and 2010 and continued to be authorized as of December 31, 2013:

Homeowners Multi Peril
Allied Lines

Fire
Inland Marine

Subsequent to the acquisition described on page 4, the Articles of Incorporation were amended on May 4, 2011 to reflect the name, address and officer changes. The Bylaws were not amended during the period covered by this examination.

Dividends to Stockholders

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

Capital Stock and Capital Contributions

As of December 31, 2013, the Company's capitalization was as follows:

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	55,000
Total common capital stock	\$5,500,000
Par value per share	\$100.00

Control of the Company was maintained by its parent, Tower Hill Signature Insurance Holdings, Inc., who owned 100 percent of the stock issued by the Company, who in turn was 75 percent owned by Tower Hill Insurance Holdings, LLC and 25 percent owned by RenaissanceRe Ventures Ltd. Tower Hill Insurance Holdings, LLC was wholly owned by William and Patricia Shively.

The parent contributed \$7,000,000 and \$1,000,000 in cash to the Company in 2010 and 2012, respectively.

Surplus Notes

On March 30, 2006, the Company received the proceeds from a \$35,000,000 surplus note in the form of cash issued by its former parent, Richie Risk-Linked Strategies Trading, Ltd., a Bermuda Corporation. The note was amended and restated on June 29, 2007. The Company paid the sum of \$15,000,000 to the Parent in two payments made in 2008. The Company remained indebted to the Parent under the note in the amount of \$20,000,000 prior to acquisition. The outstanding amount was recorded to surplus immediately prior to the sale of the Company as part of the terms of the Purchase Agreement which was previously filed with the Office. The transaction itself was a reclassification between a surplus note and unassigned surplus and per the Agreement was to become permanent capital prior to the Company being acquired.

In December, 2006, the Company received the proceeds from a \$25,000,000 20-year surplus note issued by the State of Florida under the Insurance Capital Build-Up Incentive Program. Interest is based on the constant maturity treasury index and is adjusted quarterly and the outstanding amount of the note was \$18,702,866 as of December 31, 2013.

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

On February 24, 2011, the Company was purchased by an affiliate of Tower Hill Insurance Group and its name was changed to Tower Hill Signature Insurance Company on May 19, 2011.

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 adopted 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.

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, 2013, were:

Directors

Name and Location	Principal Occupation
William John Shively Lexington, Kentucky	Chief Executive Officer, Chairman of the Board Tower Hill Signature Insurance Company
Donald Carl Matz, Jr. Gainesville, Florida	President Tower Hill Signature Insurance Company
Joel Philip Curran Gainesville, Florida	Chief Underwriting Officer Tower Hill Signature Insurance Company
James Nicholas Smith St. Petersburg, Florida	Director Tower Hill Signature Insurance Company
George Gregory King Fort Meyers, Florida	Director Tower Hill Signature Insurance Company
Timothy Arthur Bienek Flower Mound, Texas	Director Tower Hill Signature Insurance Company

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

Senior Officers

Name	Title
William John Shively	Chief Executive Officer
Donald Carl Matz, Jr.	President
Joseph Francis DiMartino (a)	Chief Operating Officer
Joel Philip Curran (b)	Chief Underwriting Officer, Chief Compliance Officer
Benjamin Lane Bussey, III	Chief Financial Officer, Treasurer
Scott Parker Rowe	Secretary

- (a) Replaced by Ronald Bruce Laconi on November 19, 2014, pending Office approval.
- (b) Replaced by Stephen Eric Allnutt as Chief Underwriting Officer and by Scott Philip Rowe as Chief Compliance Officer on October 1, 2014, pending Office approval.

The Holding Company's internal committees were all maintained at the MGA level.

Audit Committee

Timothy Arthur Bienek ¹
George Gregory King
James Nicholas Smith

¹ Chairman

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 December 15, 2014, as required by Section 628.801, Florida Statutes.

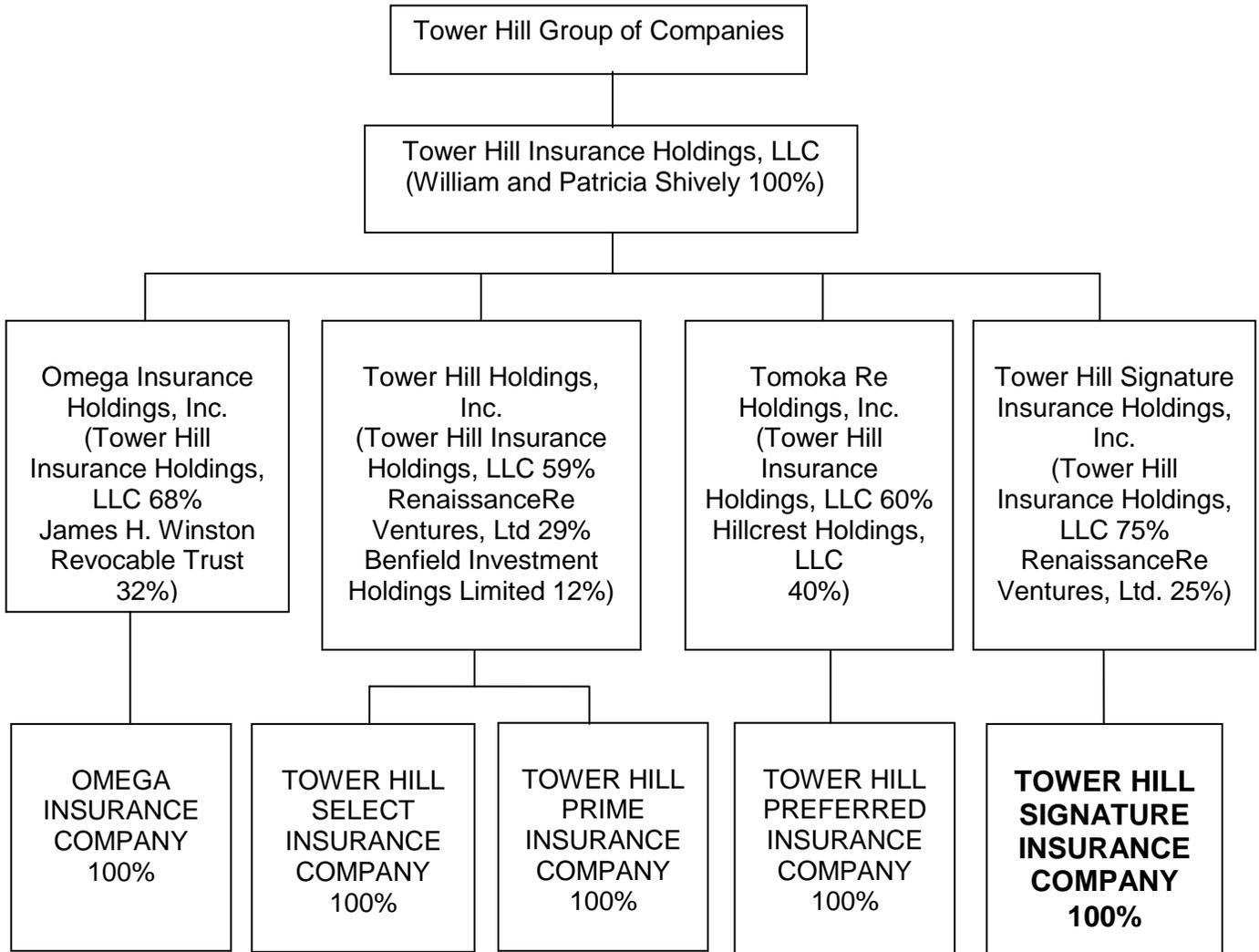
The Company did not timely update its consolidated holding company registration statements for Tower Hill Insurance Group to include the reinsurance data compilation agreement among affiliates executed on July 24, 2014, which was not in compliance with Rule 69O-143.046(4), Florida Administrative Code.

A simplified organizational chart as of December 31, 2013, reflecting the holding company system, is shown on the following page.

Schedule Y of the Company's 2013 annual statement provided a list of all related companies of the holding company group.

**TOWER HILL SIGNATURE INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2013



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

Tax Allocation Agreement

The Company, along with its parent, filed a consolidated federal income tax return. The consolidated return is prepared as if each individual corporation filed a separate return based on the income, losses, deductions and credit of such individual corporation. Tax payments by the Company were made to the Parent.

Claims Service Agreement

The Company entered into a Claims Services Agreement with its affiliate, Tower Hill Claims Management, Inc., and effective July 16, 2008. The agreement was effective for 3 years and automatically renewed for successive three-year periods unless terminated within the guidelines of the agreement. Claims services included administration, investigation, adjusting, payment, and litigation supervision. Fees were based upon claim amount with a maximum fee of \$1,500. The total amount incurred under this agreement amounted to \$1,220,100 for 2013.

Management Agreement

The Company entered into a Management Agreement with its parent, Tower Hill Holdings, Inc., effective February 24, 2011. The agreement was effective for five years and automatically renewed for successive five-year periods unless terminated within the guidelines of the agreement. Services provided under the agreement included legal counsel, executive management, reinsurance oversight, resource management, audit services, technology, marketing, purchasing, central operations and processing. On a monthly basis, the Company paid its parent a management and services fee totaling approximately \$2,692,082 for 2013.

Managing General Agent Agreement

The Company entered into a Managing General Agency Agreement (MGA) with its affiliate, Tower Hill Insurance Group, Inc., effective January 1, 2011. The agreement is effective for 3 years and automatically renewed for successive three-year periods unless terminated within the guidelines of the agreement. On a monthly basis, the Company paid policy and inspection fees to Tower Hill Insurance Group, Inc. totaling \$2,933,477 for 2013. The Company also incurred MGA commission expense of \$31,603,850 for 2013.

Reinsurance Data Compilation Agreement

The Company entered into a Reinsurance Data Compilation Agreement with its affiliate, Tomoka Reinsurance Intermediaries, Inc. effective July 24, 2014 whereby the affiliate prepared and provided the Reinsurance Broker, TigerRisk Partners, LLC (TigerRisk), with underwriting exposure and modeling data per industry standards for all reinsurance placements made on the Company's behalf. Fees are on a commission basis of fifty percent of brokerage revenue.

The Company did not notify the Office of its intention to enter into this agreement at least 30 days prior to the execution of the agreement, which was not in compliance with Rule 69O-143.047(4), Florida Administrative Code.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$3,000,000 per policy period, which reached the suggested minimum as recommended by the NAIC.

The Company also maintained Directors and Officers (D&O) liability coverage with limits of \$6,500,000 per policy period with a deductible of \$300,000 each claim.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

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

TERRITORY AND PLAN OF OPERATIONS

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

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

COMPANY GROWTH

The Company's gross written premium decreased \$4.3 million and its ceded written premium decreased \$11.0 million resulting in a net written premium increase of \$6.7 million, during the period of examination.

The Company's gross paid losses decreased \$25.7 million and ceded paid losses decreased \$13.1 million resulting in a net paid loss decrease of \$38.8 million during the period under examination due, in part, to quota share reinsurance changes as discussed in the reinsurance section of the report.

The Company's other underwriting expenses incurred expenses increased by \$4.6 million during the period under examination, due in part, to increased volume.

Surplus increased by \$2 million during the period under examination.

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.

	2013	2012	2011	2010
Premiums Earned	26,842,731	13,743,491	9,744,768	69,250,899
Net Underwriting Gain/(Loss)	5,461,594	1,179,822	(9,008,050)	(18,792,359)
Net Income	5,475,957	4,985,102	(7,950,178)	(10,702,433)
Total Assets	114,764,078	97,925,244	103,572,587	325,281,463
Total Liabilities	72,537,401	57,241,997	65,530,407	285,053,042
Surplus As Regards Policyholders	42,226,676	40,683,247	38,042,180	40,228,421

LOSS EXPERIENCE

During the current examination period, the Company showed unfavorable development overall. The one and two-year net loss developments were unfavorable \$837,000 and \$820,000 unfavorable, respectively. As of December 31, 2013, the Company has recorded their ultimate reserves at the top end of their independent actuary's range to prevent any more unfavorable development.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Assumed

In November 2013, the Company participated in the Citizens Property Insurance Corporation (Citizens) depopulation program, and assumed a related unearned premium reserve of approximately \$17,816,000.

Ceded

The Company has entered into several reinsurance contracts to protect itself from excessive homeowners' multiple peril losses and from catastrophic events. During the years ended December 31, 2013 and 2012, the Company ceded premiums under quota share, catastrophe excess of loss, and accident year excess of loss reinsurance agreements.

The Company entered a new quota share reinsurance agreement effective on June 1, 2013. Under the new quota share, the Company will cede 70 percent of new, renewal and in-force business while retaining 30 percent. Previously, the Company ceded 80 percent while retaining 20 percent. The Company's affiliated captives, Tower Hill Re & Orange Grove Re Ltd., each have 2.5 percent participation in the June 1, 2013 quota share. The new quota share change resulted in an increase in the net reserve for unearned premiums of approximately \$6,643,000 and a decrease in amounts due to reinsurers (written premiums less related expenses) of approximately \$2,989,000, which is settled within 90 days. The effect of winding out of the old quota-share agreement on the statutory statements of operations was a decrease in underwriting income of approximately \$4,458,000 pre-tax. This was primarily the result of the immediate recognition of commissions ceded associated with the change in unearned premiums (as required by statutory accounting). The after-tax effect on surplus was a change of approximately \$2,898,000.

Along with the quota share, the Company retroceded its November 2013 Citizens assumptions to its affiliates, Tower Hill Re & Orange Grove Re, at 50 percent participation each. The underlying CAT allowance and ceding commission from these retrocessions were similar to the regular quota share terms and each Company also deferred their ceding commissions related to these retrocessions.

The Company ceded \$115,686,024 and \$114,114,951 in reinsurance premiums earned in 2013 and 2012, respectively.

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 Gainesville, Florida.

The Company's accounting records were maintained on fully integrated electronic systems by the Managing General Agent, utilizing purchased and customized Microsoft Dynamics SL (Solomon) for their accounting software.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with JP Morgan Chase Bank, N.A., entered into on April 1, 2011. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

Reinsurance Brokerage Agreement

The Company maintained a brokerage agreement effective June 10, 2010 with TigerRisk. Pursuant to the agreement, TigerRisk negotiated agreements and placed reinsurance as directed by the Company for customary brokerage commissions.

Asset Management Agreement

The Company maintained an asset management agreement with Conning Asset Management Company (Conning) effective March 1, 2002. Pursuant to the agreement, Conning provided investment advisory and portfolio management services in accordance with the investment guidelines of the Company.

Financial Management Agreement

The Company maintained a financial management agreement with BlackRock Financial Management, Inc. (BlackRock) effective October 21, 2013. Pursuant to the agreement, BlackRock provided investment advisory and portfolio management services in accordance with the investment guidelines of the Company.

Analytics Service Agreement

The Company maintained an analytics service agreement with Clearwater Analytics (Clearwater) effective February 1, 2010.

Pursuant to the agreement, Clearwater provides licensed access to investment data and accounts management services.

Independent Auditor Agreement

An independent CPA audited the Company's statutory basis financial statements annually for all years under examination, 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

Tracy Gates, CFE, CISA, 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	Cash	<u>\$2,334,688</u>	<u>\$2,334,688</u>
TOTAL FLORIDA DEPOSITS		\$2,334,688	\$2,334,688
TOTAL OTHER DEPOSITS		<u>0</u>	<u>0</u>
TOTAL SPECIAL DEPOSITS		<u>\$2,334,688</u>	<u>\$2,334,688</u>

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2013, and the results of its operations for the year then ended as determined by this examination.

TOWER HILL SIGNATURE INSURANCE COMPANY
Assets

DECEMBER 31, 2013

	Per Company	Examination Adjustments	Per Examination
Bonds	\$23,198,288		\$23,198,288
Stocks:			
Common	3,093,045		3,093,045
Cash and Short-Term Investments	79,896,653		79,896,653
Investment income due and accrued	107,379		107,379
Agents' Balances:			
Uncollected premium	4,487,885		4,487,885
Reinsurance recoverable	1,770,464		1,770,464
Net deferred tax asset	2,205,300		2,205,300
Receivable from parents, subsidiaries and affiliates	3,407		3,407
Aggregate write-in for other than invested assets	1,657		1,657
Totals	<u>\$114,764,078</u>	<u>\$0</u>	<u>\$114,764,078</u>

TOWER HILL SIGNATURE INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2013

	Per Company	Examination Adjustments	Per Examination
Losses	\$13,703,993		\$13,703,993
Reinsurance payable on paid losses	155		155
Loss adjustment expenses	2,677,472		2,677,472
Commissions payable	260,900		260,900
Other expenses	190,239		190,239
Taxes, licenses and fees	1,040,271		1,040,271
Current federal and foreign income taxes	35,337		35,337
Unearned premium	23,751,490		23,751,490
Ceded reinsurance premiums payable	25,429,140		25,429,140
Amounts withheld	1,472,297		1,472,297
Aggregate write-ins for liabilities	3,976,107		3,976,107
Total Liabilities	\$72,537,401	\$0	\$72,537,401
Common capital stock	\$5,500,000		\$5,500,000
Surplus notes	18,702,866		18,702,866
Gross paid in and contributed surplus	77,500,000		77,500,000
Unassigned funds (surplus)	(59,476,190)		(59,476,190)
Surplus as regards policyholders	\$42,226,676	\$0	\$42,226,676
Total liabilities, surplus and other funds	\$114,764,077	\$0	\$114,764,077

TOWER HILL SIGNATURE INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2013

Underwriting Income

Premiums earned		\$26,842,731
	Deductions:	
Losses incurred		\$8,905,944
Loss expenses incurred		4,681,939
Other underwriting expenses incurred		7,793,254
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$21,381,137
Net underwriting gain or (loss)		\$5,461,594

Investment Income

Net investment income earned		(\$274,380)
Net realized capital gains or (losses)		243,110
Net investment gain or (loss)		(\$31,270)

Other Income

Net gain or (loss) from agents' or premium balances charged off		(\$32,782)
Finance and service charges not included in premiums		283,333
Aggregate write-ins for miscellaneous income		0
Total other income		\$250,551

Net income before dividends to policyholders and before federal & foreign income taxes		\$5,680,875
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$5,680,875
Federal & foreign income taxes		204,918
Net Income		\$5,475,957

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$40,683,247
Net Income		\$5,475,957
Net unrealized capital gains or losses		340,764
Change in net deferred income tax		(2,088,400)
Change in non-admitted assets		381
Change in provision for reinsurance		228,000
Change in surplus notes		(2,413,273)
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		\$1,543,429
Surplus as regards policyholders, December 31 current year		\$42,226,676

A comparative analysis of changes in surplus is shown below.

TOWER HILL SIGNATURE INSURANCE COMPANY
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2013

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, 2013, per Annual Statement \$42,226,676

	<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, 2013, Per Examination			<u><u>\$42,226,676</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$16,381,465

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, 2013, 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 Henry, FCAS, MAAA of The Actuarial Advantage, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$42,226,676 exceeded the minimum of \$6,953,836 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

Related Party Activities

We recommend that the Company timely amend its consolidated holding company registration statement to disclose all affiliate transactions in accordance with Rule 69O-143.046, Florida Administrative Code and timely notify the Office of all applicable affiliate transactions in accordance with Rule 69O-143.047, Florida Administrative Code.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Tower Hill Signature Insurance Company** as of December 31, 2013, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$42,226,676 which exceeded the minimum of \$6,953,836 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Tracy Gates, CFE, CISA, Examiner-In-Charge and IT specialist, Travis Harrison, CPA, and Sam Hebert, Participating Examiners, of Highland Clark, LLC participated in the examination. We also recognize, Dennis Henry, FCAS MAAA, consulting actuary of The Actuarial Advantage, Jonathan Frisard, Examination Manager and Jeff Rockwell, Participating Examiner of the Office participated in the examination.

Respectfully submitted,

Robin Brown, CFE
Chief Examiner
Florida Office of Insurance Regulation