

**REPORT ON EXAMINATION**

**OF**

**WINDHAVEN INSURANCE COMPANY**

**DORAL, FLORIDA**

**AS OF**

**DECEMBER 31, 2014**

**BY THE**

**FLORIDA OFFICE OF INSURANCE REGULATION**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL .....</b>	<b>1</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>1</b>
<b>SUMMARY OF SIGNIFICANT FINDINGS .....</b>	<b>2</b>
CURRENT EXAM FINDINGS.....	2
PRIOR EXAM FINDINGS.....	2
<b>HISTORY .....</b>	<b>4</b>
GENERAL .....	4
DIVIDENDS TO STOCKHOLDERS.....	5
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	5
SURPLUS NOTES .....	5
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS, AND PURCHASE OR SALES THROUGH REINSURANCE .....	6
<b>CORPORATE RECORDS .....</b>	<b>6</b>
CONFLICT OF INTEREST.....	6
<b>MANAGEMENT AND CONTROL.....</b>	<b>7</b>
MANAGEMENT .....	7
AFFILIATED COMPANIES .....	8
ORGANIZATIONAL CHART.....	9
EXECUTIVE MANAGEMENT AND CLAIMS ADMINISTRATION AGREEMENT.....	10
MANAGING GENERAL AGENCY AGREEMENTS.....	10
COST ALLOCATION AGREEMENT.....	11
<b>TERRITORY AND PLAN OF OPERATIONS.....</b>	<b>12</b>
TREATMENT OF POLICYHOLDERS .....	12
<b>REINSURANCE.....</b>	<b>12</b>
ASSUMED.....	12
CEDED .....	12
QUOTA SHARE.....	13
AUTO LIABILITY EXCESS OF LOSS.....	13
COMBINATION CATASTROPHE AND EXCESS OF LOSS.....	14
ADP PROPERTY CATASTROPHE.....	14
<b>ACCOUNTS AND RECORDS .....</b>	<b>14</b>
CUSTODIAL AGREEMENT.....	14
INDEPENDENT AUDITOR AGREEMENT.....	15
INVESTMENT AGREEMENT.....	15
CLAIM SEARCH AGREEMENT.....	15
LEGAL SERVICE AGREEMENT.....	15
<b>INFORMATION TECHNOLOGY REPORT .....</b>	<b>16</b>
<b>STATUTORY DEPOSITS .....</b>	<b>17</b>

**FINANCIAL STATEMENTS PER EXAMINATION.....18**  
ASSET.....19  
LIABILITIES, SURPLUS AND OTHER FUNDS .....20  
STATEMENT OF INCOME .....21  
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS.....22  
**COMMENTS ON FINANCIAL STATEMENTS.....23**  
LIABILITIES .....23  
CAPITAL AND SURPLUS .....23  
**CONCLUSION.....24**

March 17, 2016

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, 2014, of the financial condition and corporate affairs of:

**Windhaven Insurance Company**  
**8850 N.W. 33rd Street**  
**Suite 400**  
**Doral, Florida 33122**

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, 2014. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of January 1, 2009 through December 31, 2009. This examination commenced with planning at the Office on August 24, 2015, to August 27, 2015. The fieldwork commenced on September 8, 2015, and concluded on March 17, 2016.

This financial examination is 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. No other states participated in the examination.

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 the examination as of December 31, 2014.

### **Prior Exam Findings**

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2009, along with resulting action taken by the Company in connection therewith:

#### **General**

The Company was a party to Consent Order No. 85477-06-CO, filed March 29, 2006, regarding the application for the issuance of a Certificate of Authority. (1) The Company did not make full disclosure of all companies owned directly, or indirectly, in the updates to the Holding Company Registration Statement; (2) did not have written and approved agreements in place for all

affiliated transactions; and (3) did not have a formal, written security policy in place. Therefore the Company was not in compliance with Articles 17, 18, and 19 of this Consent Order.

**Resolutions:**

- 1) Article 17 - The Company now updates Schedule Y on a quarterly basis and the Holding Company Registration Statement as changes occur as evidenced by the many HSRS filings.
- 2) Article 18 - Written agreements for affiliated transactions have been approved.
- 3) Article 19 - The Company provided the formal, written security policy with the IT submissions.

**Management**

The recorded minutes of the Investment Committee or Board of Directors (Board) did not adequately document the authorization or approval of Investments as required by Section 625.304, Florida Statutes.

**Resolution:**

The Investment Committee, which consists of three of the board members, assures that transactions are in accordance with the Investment Policy Statement that was originally approved by the Board. The Investment Committee also reports to the Board regarding compliance. In addition, to further clarify, beginning with 2014 and 2015 Investment Committee minutes, and the 2015 Board minutes, it was specifically stated that transactions were approved. The Company stated it would ensure that the more specific language continues in future meetings.

## HISTORY

### General

The Company was organized and incorporated as a property and casualty insurance company in Florida on December 23, 2005 and commenced business on February 1, 2006, as Windhaven Insurance Company.

The Company was granted a Certificate of Authority by the Office on March 29, 2006 and began writing insurance policies on May 1, 2006. The Company primarily writes private passenger automobile liability and physical damage coverage at surcharged rates in the Florida non-standard market. The Company issues policies for the state required minimum coverage for six-month policy terms.

The Company is a wholly owned subsidiary of Windhaven Managers, Inc. (a Florida corporation) ("Managers"), which in turn is a wholly owned subsidiary of Windhaven Holdings, Ltd. (a Bermuda corporation). Jimmy E. Whited, the Company's president, is the sole shareholder of Windhaven Holdings, Ltd.

In addition to its ownership role, Managers is the Company's current sole provider of claims adjustment services. Windhaven Underwriters, LLC ("WU") and Windhaven Select, LLC ("WS") are managing general agents for the Company. Jimmy E. Whited owns a 38.5% interest in WU as its managing member and owns 100% interest in WS as its sole member.

The Articles of Incorporation were amended during the period covered by this examination. On October 27, 2013, the Authorized Shares were amended to add authorization of 150,000 shares

of Preferred Shares with a par value of \$100.00 per share. 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, 2014, the Company's capitalization was as follows:

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	62,000
Total common capital stock	\$6,200,000
Par value per share	\$100.00
Number of authorized preferred capital shares	150,000
Number of shares issued and outstanding	50,000
Total preferred capital stock	\$5,000,000
Par value per share	\$100.00

Control of the Company is maintained by its parent, Windhaven Managers, Inc.

### **Surplus Notes**

The Company issued the following surplus debentures during the period under examination:

Date Issued	Interest Rate	Par Value	Carrying Value	Date of Maturity
05/11/2012	8.00%	\$1,350,000	\$1,350,000	3/31/2017
08/06/2012	8.00%	1,100,000	1,100,000	6/30/2017
11/14/2012	8.00%	1,200,000	1,200,000	6/30/2017
02/27/2013	8.00%	1,500,000	1,500,000	6/30/2017
05/14/2013	5.00%	1,900,000	1,900,000	6/30/2018
08/14/2013	5.00%	850,000	850,000	9/30/2018
	Total	\$7,900,000	\$7,900,000	

The surplus debentures were issued to Windhaven Holdings, Limited, an affiliate, in exchange for cash. The repayment of principal and interest on the surplus debentures may only be made with the prior approval of the Office, only to the extent the Company has sufficient surplus, excluding capital, and only if the Company is in compliance with the Florida Insurance Code.

The Company did not pay any interest on the Surplus Notes in 2014.

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

The Company had no acquisitions, mergers, disposals, and 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 69O-138.001, Florida Administrative Code.

### **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 Sections 628.231, Florida Statutes. Directors serving as of December 31, 2014, were:

#### Directors

<b>Name and Location</b>	<b>Principal Occupation</b>
Jimmy Eric Whited Coral Gables, Florida	President, Chief Executive Officer and Treasurer, Windhaven Insurance Company
John Marshall Lie-Nielsen Miami, Florida	Financial Services Executive Assurance Management Group
Benjamin Joel Turner Austin, Texas	Actuarial Executive Texas Mutual Insurance Company
Susan Beth Wollenberg Overland Park, Kansas	Chief Financial Officer Spencer Capital Advisors, Inc.
Donald Royce Moser* Weston, Florida	Chief Operating Officer Windhaven Insurance Company

\* Hugh O'Donnell replaced Donald Moser on the Board on October 9, 2015

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

#### Senior Officers

<b>Name</b>	<b>Title</b>
Jimmy Eric Whited	Chairman, President. Chief Executive Officer and Treasurer

John Marshall Lie-Nielsen

Secretary

The Company's Board appointed two internal committees. Following were the principal internal board committees and their members as of December 31, 2014:

**Audit Committee**

Susan Beth Wollenberg (1)  
Benjamin Joel Turner  
John Marchall Lie-Nielsen

**Investment Committee**

Jimmy Eric Whited (1)  
Susan Beth Wollenberg  
Benjamin Joel Turner

<sup>1</sup> Chairman

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

**Affiliated Companies**

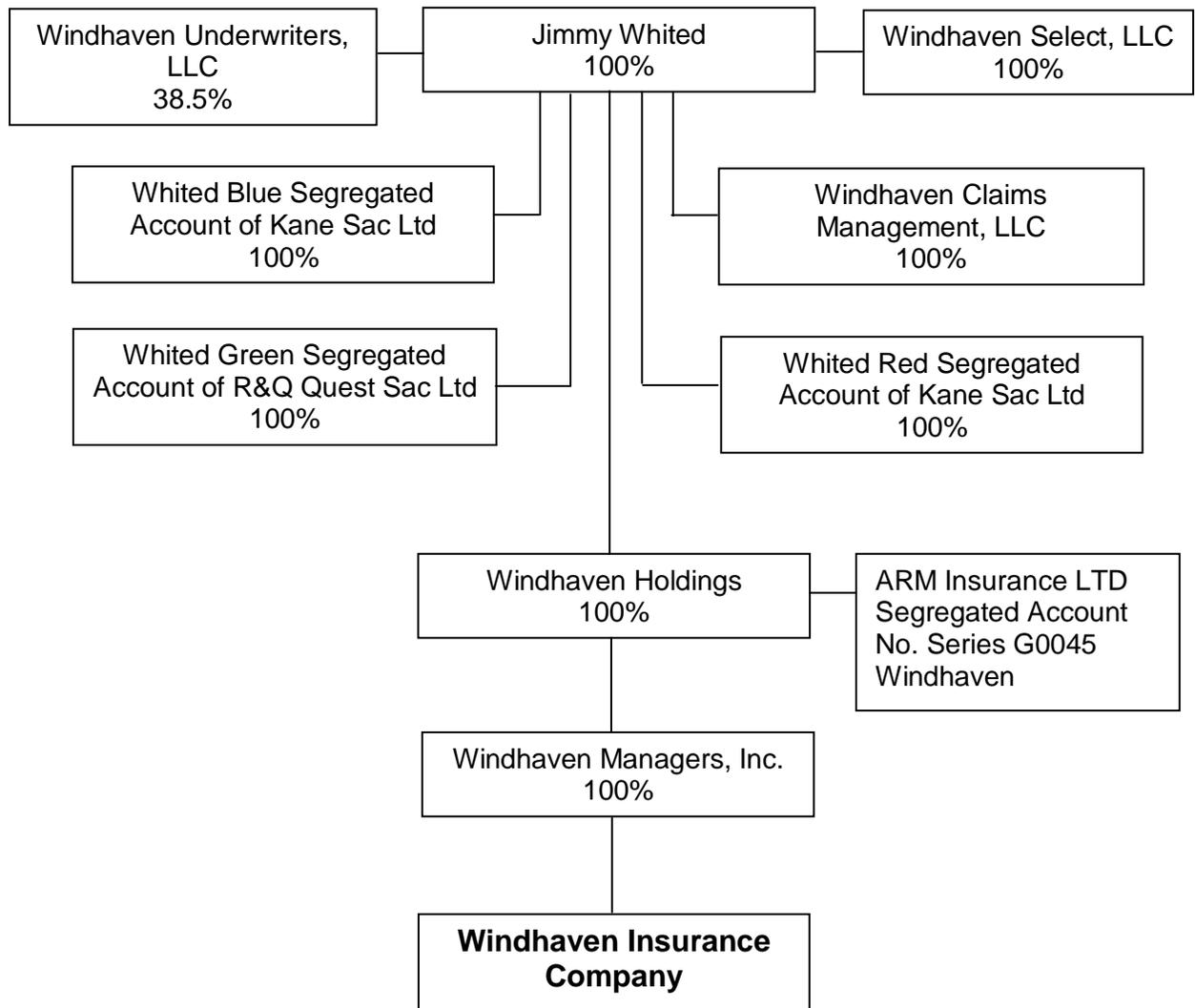
The most recent holding company registration statement was filed with the Office on February 27, 2015, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2014, reflecting the holding company system, is shown on the following page:

# Windhaven Insurance Company

## ORGANIZATIONAL CHART

December 31, 2014



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

### **Executive Management and Claims Administration Agreement**

The Company entered into a Management and Claims Administration Agreement with its parent, Windhaven Managers, Inc. (Managers) on February 1, 2006, being further amended on November 1, 2007 and October 1, 2010 adjusting the fee schedule. Under terms of the agreement, Managers performs all executive management services on behalf of the Company for the administrative and managerial oversight of the two MGA Agreements with affiliates; claims administration services; and certain claim services not covered by the MGA Agreements. Additionally, its duties include regulatory and governmental compliance services; the administration and supervision of third party vendors; the development of marketing and business plans; and overall oversight of Windhaven's operations. The term of the agreement was stated at three years with successive three year renewal terms. The costs incurred in 2014 for claims adjustment and other services were \$17,106,028.

### **Managing General Agency Agreements**

The Company writes business through an outside licensed Florida MGA, Windhaven Underwriters, LLC ("WU"), (which was formerly known as) American Southwest Insurance Managers of Florida, LLC ("ASIM Florida") and Windhaven Select, LLC, ("WS"), pursuant to Managing General Agency agreements ("MGA Agreement"). WU and WS are full service MGAs that handle marketing, underwriting and systems. The companies are based in Miami, and currently have exclusive relationships with the Company. Furthermore, WU and WS handle all negotiations and placement regarding the Company's non-standard private passenger auto reinsurance program for Florida.

The agreement with WU was effective December 30, 2005 and was amended on January 1, 2007; November 1, 2007; August 1, 2009; January 1, 2011; and again on September 1, 2011. The 4th amendment restricted the maximum annual net written premium to \$60 million in any year without approval from the Company. Amendments 1, 2, 3, and 5 reflect adjustments to the commission fees charged. In accordance to the 5th amendment, WU was paid commission of 14.5% of the annual direct collected premium, plus managing general agency per policy fees, and other compensation which totaled \$16,785,204 in 2014.

The agreement with WS was effective January 1, 2012, and further amended on May 1, 2013 and again July 1, 2014. The 2nd amendment increased the maximum annual net written premium from \$30 million to \$60 million in any year without approval from the Company and increased the commission rate from 14% to 16%. The 3rd amendment increased the annual net written premium volume from \$60 million to \$120 million. WS was paid commission and managing general agency per policy fees and charges which totaled \$ \$17,215,222 in 2014.

### **Cost Allocation Agreement**

Effective October 1, 2011, the Company entered into a cost allocation agreement with Windhaven Managers, Inc., WU, and WS. This agreement is continuous unless terminated within the guidelines of the agreement. The intent of the agreement is to allocate all costs incurred for services performed on behalf of the other parties that are not included in the Executive Management/Claims Administration Agreement. Such services include the allocation of certain office space, facilities, furniture and equipment, computer hardware and software, and certain technical, administrative, financial and regulatory services performed on behalf of one both of the other parties. Allocation of costs includes all directly and indirectly allocable costs

incurred in providing such services that are reasonably and equitably determined to be incurred on behalf of the other party. Costs are determined monthly and payable within sixty days.

## **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.

## **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, through its reinsurance broker, Guy Carpenter, has utilized traditional quota share reinsurance. Initially, the Company entered into 85% quota share agreements. In late

2012, the Company reduced the quota share to 75% due to improved profitability of its book of business. In late 2013, the Company further reduced the quota share to 60% due to improved profitability of its book of business. In late 2014, the Company increased the quota share slightly to 65%. Additionally, the Company purchased excess of loss reinsurance for catastrophes and extra contractual obligations.

### **Quota Share**

The Company typically obtains a quota share reinsurance agreement each year. The most recent for 2014 began July 1, 2014. This is a 65% quota share. The agreement also includes extra contractual obligations (ECO) coverage of \$2 million per occurrence, not to exceed 3% of net earned premium in the aggregate. All quota share treaties since October 1, 2011 have been with reinsurers Greenlight Reinsurance Ltd. and Greenlight Reinsurance Ireland.

### **Auto Liability Excess of Loss**

Effective June 9, 2014 through June 30, 2015, the agreement covers liability of bodily injury (BI), physical damage (PD), and uninsured motorist (UM) on the ICON higher limits program (credit scoring auto program) which exceed \$50,000 each loss occurrence, not to exceed \$350,000 each loss occurrence. The reinsurer is Maiden Reinsurance North America, Inc.

### **Combination Catastrophe and Excess of Loss**

Effective July 1, 2014 through June 30, 2015, this agreement covers private passenger auto (PPA) catastrophe and excess of loss claims. The retention is \$2 million each occurrence (starts at limit under the quota share) and the limit is \$3 million each occurrence with a \$3 million

maximum. The reinsurers are Greenlight Reinsurance Ltd. and Kane Sac (Whited Blue), an affiliated captive.

### **Private Passenger Auto (PPA) Physical Damage Property Catastrophe**

Effective July 1, 2014 through June 30, 2015, this agreement covers PPA physical damage comprehensive catastrophe claims. The retention is \$5 million each occurrence (starts at limit under the combination CAT and excess of loss) and the limit is \$3 million each occurrence with a \$6 million maximum. The reinsurers are Endurance Specialty Insurance Limited, Odyssey Reinsurance Company, and Lloyds Syndicates.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Doral, Florida.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with Comerica Bank & Trust, National Association, executed on May 21, 2013. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

### **Independent Auditor Agreement**

An independent CPA, Dixon Hughes Goodman, LLP, audited the Company's statutory basis financial statements annually for the 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.

### **Investment Agreement**

UBS Financial Services is authorized to maintain the Company's investment account and conduct securities transactions in compliance with the client approved investment instructions.

### **Claim Search Agreement**

The Company has a claim search agreement with Insurance Services Office, Inc. (ISO) originally dated February 18, 2008 and renewed effective July 21, 2014. Under this agreement, ISO searches claims in its database and delivers a score and information regarding the basis of the score to facilitate the identification of meritorious and questionable claims.

### **Legal Services Agreement**

Under this agreement, Greenberg Traurig, LLP provides legal and governmental consulting and/or regulatory services to the Company.

## **INFORMATION TECHNOLOGY REPORT**

Tracy Gates, CFE, 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:

STATE	Description	Par Value	Market Value
FL	Certificate of Deposit	<u>\$750,000</u>	<u>\$750,000</u>
TOTAL FLORIDA DEPOSITS		<u>\$750,000</u>	<u>\$750,000</u>
TOTAL OTHER DEPOSITS		<u>0</u>	<u>0</u>
TOTAL SPECIAL DEPOSITS		<u><u>\$750,000</u></u>	<u><u>\$750,000</u></u>

## **FINANCIAL STATEMENTS**

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

# Windhaven Insurance Company

## Assets

December 31, 2014

	Per Company	Examination Adjustments	Per Examination
Bonds	\$40,488,748		\$40,488,748
Stocks:			
Preferred	1,651,127		\$1,651,127
Common	4,409,659		4,409,659
Cash and Short-Term Investme	7,692,177		7,692,177
Agents' Balances:			
Uncollected premium	2,990,473		2,990,473
Deferred premium	37,101,067		37,101,067
Reinsurance recoverable	7,115,744		7,115,744
Current federal and foreign incc	1,553,720		1,553,720
Net defered tax asset	1,775,025		1,775,025
Interest and dividend income due & accrued	420,214		420,214
Receivable from parents, subsidiaries and affiliates	2,230,638		2,230,638
Aggregate write-in for other than invested assets	332,585		332,585
Totals	<u>\$107,761,177</u>	\$0	<u>\$107,761,177</u>

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

**December 31, 2014**

	Per Company	Examination Adjustments	Per Examination
Losses	\$19,395,661		\$19,395,661
Loss adjustment expenses	15,182,027		15,182,027
Other expenses	16,985		16,985
Taxes, licenses and fees	843,240		843,240
Unearned premium	17,725,421		17,725,421
Ceded reinsurance premiums payable	26,931,435		26,931,435
Provision for reinsurance	3,000		3,000
Payable to parent, subsidiaries and affiliates	<u>2,905,142</u>		<u>2,905,142</u>
Total Liabilities	<u>\$83,002,911</u>	\$0	<u>\$83,002,911</u>
Common capital stock	\$6,200,000		\$6,200,000
Preferred capital stock	5,000,000		5,000,000
Surplus notes	7,900,000		7,900,000
Gross paid in and contributed surplus	500,000		500,000
Unassigned funds (surplus)	<u>5,158,266</u>		<u>5,158,266</u>
Surplus as regards policyholders	<u>\$24,758,266</u>	\$0	<u>\$24,758,266</u>
Total liabilities, surplus and other funds	<u>\$107,761,177</u>	\$0	<u>\$107,761,177</u>

**Windhaven Insurance Company**  
**Statement of Income**  
**December 31, 2014**

**Underwriting Income**

Premiums earned		\$74,072,004
	<b>Deductions:</b>	
Losses incurred		\$40,805,515
Loss expenses incurred		16,438,550
Other underwriting expenses incurred		17,837,910
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$75,081,975
Net underwriting gain or (loss)		(\$1,009,971)

**Investment Income**

Net investment income earned		\$829,796
Net realized capital gains or (losses)		333,123
Net investment gain or (loss)		\$1,162,919

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		\$0
Net income before dividends to policyholders and before federal & foreign income taxes		\$152,948
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$152,948
Federal & foreign income taxes		165,137
Net Income		(\$12,189)

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$21,907,910
Net Income		(\$12,189)
Net unrealized capital gains or losses		282,003
Change in net deferred income tax		65,254
Change in non-admitted assets		(22,712)
Change in provision for reinsurance		38,000
Capital changes: Paid in		2,500,000
Examination Adjustment		
Change in surplus as regards policyholders for the year		\$2,850,356
Surplus as regards policyholders, December 31 current year		\$24,758,266

A comparative analysis of changes in surplus is shown below.

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

**December 31, 2014**

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2014, per Annual Statement	\$24,758,266
---	--------------

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
<b>ASSETS:</b>			
<b>No Adjustment</b>			
<b>LIABILITIES:</b>			
<b>No Adjustment</b>			
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2014, Per Examination			<u>\$24,758,266</u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

Losses and Loss Adjustment Expenses	\$ 34,577,688
-------------------------------------	---------------

An outside actuarial firm Dee Dee Mays, Perr & Knight appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2014, made a reasonable provision for all unpaid loss and loss 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 \$24,758,266 exceeded the minimum of \$5,230,611 required by Section 624.408, Florida Statutes. The Company policyholder's surplus has increased \$2.85 million since year-end 2013 and represents a 13% increase. The increase was primarily due to the issuance of preferred stock in exchange for cash as capital contributions from the parent company to support the Company's growth.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Windhaven Insurance Company as of December 31, 2014, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$24,758,266 which exceeded the minimum of \$5,230,611 required per entity by Section 624.408, Florida Statutes.

In addition to the undersigned, Mark Jaster, CFE, Examiner in Charge, Tracy Gates, CFE, CISA, IT specialist, Travis Harrison, CPA, and Sam Hebert, Participating Examiners, of Highland Clark, LLC, also participated in the examination. Members of the Office who participated in the examination include Jeff Rockwell and Connie Hare, Examination Managers, and Paula Bowyer, APIR, Participating Examiner. Additionally, Dennis Henry, FCAS, MAAA, consulting actuary of The Actuarial Advantage, is recognized for participation in the examination.

Respectfully submitted,

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