REPORT ON EXAMINATION

OF

CENTAURI SPECIALTY INSURANCE COMPANY

SARASOTA, FLORIDA

AS OF

DECEMBER 31, 2013

BY THE

FLORIDA OFFICE OF INSURANCE REGULATION

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April 10, 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:

Centauri Specialty Insurance Company
5391 Lakewood Ranch Blvd., Suite 303
Sarasota, Florida 34240

Hereinafter referred to as the “Company”. Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This is a four-year examination covering 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 December 8, 2014 to December 11, 2014. The fieldwork commenced on December 15, 2014, and concluded as of April 10, 2015.

This financial examination was a multi-state 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

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.

Prior Exam Findings

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

SUBSEQUENT EVENTS

Effective April 8, 2014, the Company's CFO, Richard Primerano, resigned to pursue other opportunities. Jonathan Mark Jones was appointed Treasurer and CFO effective September 18, 2014 to replace Richard Primerano. Additionally, Brooke Adler was hired as Assistant General Counsel on September 2, 2014 and appointed as Assistant Secretary and Assistant

Vice President on December 2, 2014. Notices were properly provided to the Office in accordance with Section 628.261, Florida Statutes.

Subsequent to the date of the examination, the Company received approval to resume writing in the State of Florida on October 2, 2014, per Consent Order No. 160262-14. The Company also received capital contributions of $2 million on June 30, 2014 and $6 million on October 6, 2014.

Effective October 27, 2014, the Company was admitted to the Commonwealth of Massachusetts, licensed to transact fire, inland marine, liability (other than auto), burglary, robbery, theft, forgery and larceny, personal property floater, and dwellings.

In 2014, the Company added an in-house assistant general counsel to the Legal Department and also an additional actuary to the Actuarial Department to handle pricing and underwriting.

In response to anticipated growth, the Company created an Enterprise Risk Management (ERM) function that will become active in 2015. The ERM framework will be presented to the Board for review and approval at the Board's meeting on April 29, 2015. Once the framework is approved, the Company will establish and institutionalize the framework and begin a process of implementation in phases throughout the balance of 2015 and into 2016.

HISTORY

General

The Company was incorporated in Florida on April 24, 2006, and commenced business on

July 1, 2006, as ICAT Specialty Insurance Company (ICAT Specialty).

The Company initially wrote policies in two programs: Hawaii (HI) homeowners' hurricane wind and Florida (FL) Wrap Around 'Difference in Conditions' (DIC) policies to general commercial and residential risks. The HI policies provide coverage for direct physical loss of covered property resulting from windstorm occurring during a named hurricane. The FL policies provided coverage for wind/hail, terrorism (through TRIA), environmental/pollution, earthquake, and business interruption due to flood. On March 20, 2009, pursuant to Consent Order 102818-09, the Company agreed to discontinue issuing DIC coverage in Florida, effective July 1, 2009. There were no open claims as of December 31, 2013.

On June 2, 2009, the Company was acquired by Universal Insurance Holdings of North America, Inc. (Universal Insurance Holdings) from ICAT Holding, LLC, as approved by Consent Order 104592-09-CO issued by the Office. The sale transaction was retroactively effective April 1, 2009. In February 2010, Universal Insurance Holdings received approval to change the name of the Company to Universal Specialty Insurance Company (Universal Specialty).

The Company was authorized to transact the following insurance coverage in Florida on various dates in 2006, 2009 and 2010 and continued to be authorized in these lines of insurance as of December 31, 2013:

Fire	Homeowners Multi-peril
Commercial Multi-peril	Other Liability
Allied Lines	Inland Marine

On May 3, 2010, Universal Insurance Holdings transferred ownership of the Company to Universal Insurance Company of North America (Universal Insurance), a wholly owned subsidiary of Universal Insurance Holdings of North America, Inc.

Effective July 1, 2011, Universal Specialty was acquired from Universal Insurance Holdings by Centauri Specialty Insurance Holdings, Inc. On October 7, 2011, the Office provided consent to the acquisition and contemporaneously approved a name change to Centauri Specialty Insurance Company. The transaction officially closed October 22, 2011. The acquisition application and business plan included plans to not write in Florida for three years, due to a non-compete agreement with Universal Insurance. As the Company was restricted from competing with Universal Insurance with respect to certain lines of business (LOB) and areas where Universal Insurance conducts business, the Company was not required to remove this LOB from their Certificate of Authority. The Consent Order (No. 120822-11) also requires a minimum surplus of $12,000,000 to gain approval to write in Florida.

In 2011, the Company received a Certificate of Authority to transact residential property insurance in the state of Louisiana and in the states of Alabama, Mississippi and Oklahoma in 2012.

In 2013, the Office approved the Company’s expansion into Massachusetts, New York, North Carolina, South Carolina and Texas. The Company agreed to not commence business in these proposed states until it has provided evidence of an increase in policyholder surplus of $6.3 million. As of 12/31/2013, no polices had been written in these states.

On January 15, 2010, the Articles of Incorporation were changed to rename the Company to Universal Specialty Insurance Company. On October 11, 2011, the Articles of Incorporation were again changed to rename the Company to Centauri Specialty Insurance Company. All changes were approved by the Board of Directors and approved by the Office on October 14, 2011.

On October 11, 2011, the Bylaws were amended and restated to reflect the name change to Centauri Specialty Insurance Company. The number of required directors was reduced to no less than five from seven directors. The Bylaws were adopted by the shareholder and acknowledged by the Board of Directors and approved by the Office on October 14, 2011.

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	15,000,000
Number of shares issued and outstanding	3,000,000
Total common capital stock	$3,000,000
Par value per share	$1.00

Control of the Company was maintained by its parent, Centauri Specialty Insurance Holdings, Inc., who owned 100% of the stock issued by the Company, who in turn was owned as follows:

Ricardo A. Espino	9.9% (15.4% voting)
Seibels, Bruce & Company	21.1% (32.9% voting)
Shoreline Insurance Investments, LLC	21.1% (32.9% voting)

The Company received a $7 million capital contribution from its parent on December 16, 2013, to support the Company's expansion.

Surplus Notes

The Company did not have any surplus notes during the period of this examination.

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

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the period of this examination.

CORPORATE RECORDS

The recorded minutes of the Shareholder(s) and Board of Directors (Board) 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
Ricardo Antonio Espino Sarasota, Florida	President, CEO Centauri Specialty Insurance Company
Lora Schroer Rees Sarasota, Florida	COO, Secretary Centauri Specialty Insurance Company
Derrick Allen Irby Smith's Parrish, Bermuda	Executive Vice President XL RE LTD
Kyle Lee Redfearn Tallahassee, Florida	Owner/General Counsel Redfearn Law, PLLC
Joseph Edward Dondanville Anthem, Arizona	Consultant

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

Senior Officers

Name	Title
Ricardo Antonio Espino	President, CEO
Lora Schroer Rees	COO, Secretary
Richard Bruno Primerano (a)	CFO, Treasurer

Petra Lynn Charbonneau	Vice President
Victoria Ashley Gomez	Vice President
Marshall Brock Howard	Vice President

(a) Resigned effective April 8, 2014. Jonathan Mark Jones became CFO and Treasurer effective September 18, 2014. The Office received notice in accordance with Section 628.261, Florida Statutes. The Company's President, Ricardo Espino, acted as the Treasurer in the interim.

The Company's Board appointed two internal committees. Following were the principal internal Board committees and their members as of December 31, 2013:

Audit and Actuarial Committee	**Investment Committee**
Ricardo Antonio Espino[1]	Ricardo Antonio Espino[1]
Derrick Allen Irby	Derrick Allen Irby
Kyle Lee Redfearn	Kyle Lee Redfearn
Lora Schroer Rees	Lora Schroer Rees
Joseph Edward Dondanville	Joseph Edward Dondanville

[1] Chairman

The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes. While Section 624.424 (8) (c) Florida Statutes is written to allow board discretion in these appointments, Rule 69O-137.002(14) Florida Administrative Code, also makes a provision for the Office to recommend audit committee independence for companies that do not meet premium thresholds.

Affiliated Companies

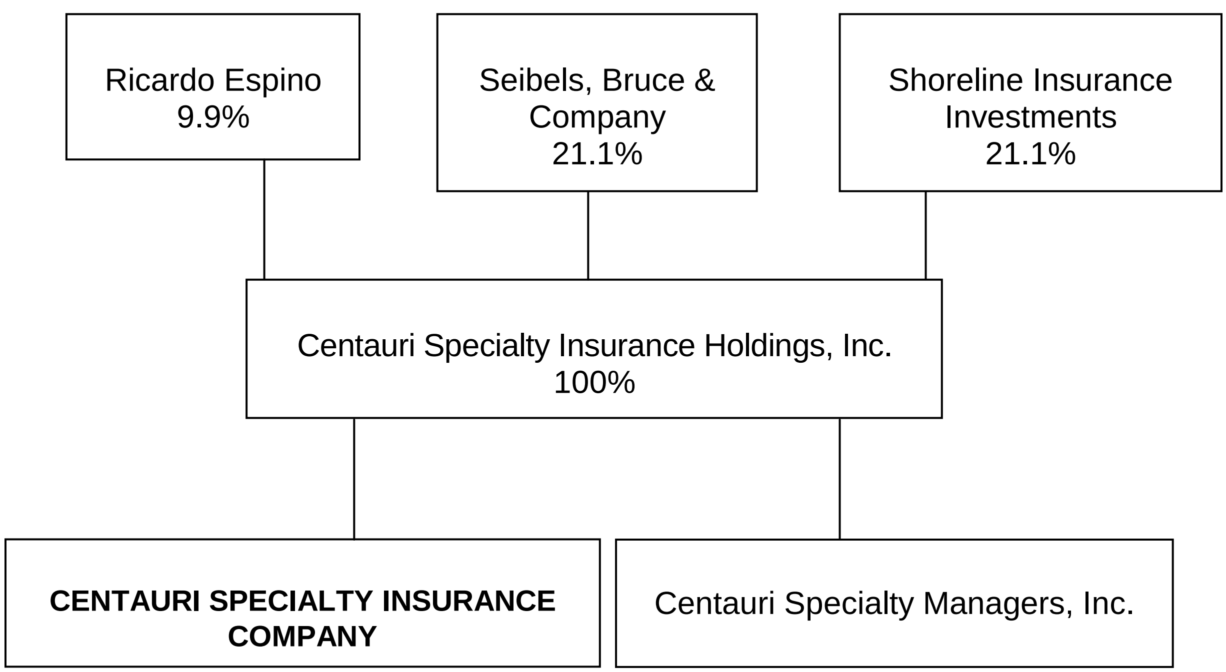
The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on February 28, 2014, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2013, reflecting the holding company system, is shown below:

Centauri Specialty Insurance Company

SIMPLIFIED ORGANIZATIONAL CHART

December 31, 2013



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

Executive Management Services Agreement

The Company has an Executive Management Services Agreement with an affiliate, Centauri Specialty Managers, Inc. (Centauri Specialty Managers), effective July 1, 2011. The initial term of the agreement is three years unless terminated within the guidelines of the agreement. The agreement renews automatically for one year periods commencing after the initial three year period. Services provided include corporate records management, accounting, legal and IT services, marketing services, human resource management and general executive services management. Compensation is 7.5% of written premium, payable monthly. The Company paid Centauri Specialty Managers management and services fee totaling $3,802,405 for 2013.

Managing General Agency and Claims Administration Agreement

Effective December 1, 2011, the Company entered into a Managing General Agent (MGA) agreement with Centauri Specialty Managers. This agreement shall continue for a period of ten years unless terminated within the guidelines of the agreement. The MGA has the option to renew the agreement for additional five year periods. Pursuant to this agreement, Centauri Specialty Managers agreed to market, produce, underwrite, quote, issue and administer the Company's insurance policies, binders and endorsements in all states in which the Company is licensed. The terms of the agreement give Centauri Specialty Managers the authority for underwriting, premium collection, binding authority, claims adjustment and claims payment.

As commission for the MGA services, Centauri Specialty Managers shall retain 17.5% of written premium. The Company paid claims fees, policy and inspection fees, and installment fees to

Centauri Specialty Managers totaling $1,899,924 for 2013. The Company also incurred MGA commission expense of $5,020,819 for 2013.

Cost Sharing Agreement

Effective July 1, 2011, the Company entered into a cost sharing agreement with its parent, Centauri Specialty Insurance Holdings, Inc. (Centauri Specialty Insurance Holdings), and an affiliate, Centauri Specialty Managers. This agreement is continuous unless terminated within the guidelines of the agreement. The intent of the agreement is to share all costs incurred for services performed on behalf of the other parties that are not included in the MGA/Claims Administration Agreement. Such services include the sharing 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 or 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.

Tax Sharing Agreement

The Company and its affiliate, Centauri Specialty Managers, entered into a tax sharing agreement with its common parent, Centauri Specialty Insurance Holdings, effective July 1, 2011. This agreement is continuous unless terminated within the guidelines of the agreement. The method of allocation among the companies is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains fidelity bond coverage up to $250,000 per single occurrence. The Company is also included in a group management and professional liability insurance policy, which includes directors & officers (D&O), employment practices liability, fiduciary liability, and insurance company professional liability. Pursuant to the policy, the aggregate limit of liability for all loss claims is $5,000,000 and up to a retention of $350,000. The D&O and Employment Practices Liability policy is written in the parent company's name, Centauri Specialty Insurance Holding; the Company is a named insured on this policy.

The Company is also insured under an Umbrella Policy issued to its affiliate, Centauri Specialty Managers. Each occurrence limit is $2,000,000 with a deductible of $10,000.

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

At December 31, 2013, the Company was authorized to transact insurance in the following nine states:

Alabama	Louisiana	Oklahoma
Florida	Mississippi	South Carolina
Hawaii	North Carolina	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. During the examination period, Centauri's Third Party Administrators (TPA) used their proprietary, internal claims best practices manual that was subject to audit by Centauri pursuant to the service agreements with the TPA.

COMPANY GROWTH

Since 2011, the Company has expanded into nine states and grown from a single state carrier (HI Hurricane Only) to a full service insurance company focusing on the property lines of business.

Starting December 1, 2011, the Company assumed 941 Louisiana policies that cover named hurricane and wind events. In 2012, the Company started writing homeowners coverage in Louisiana, Alabama and Mississippi through its MGA, Centauri Specialty Managers and Arrowhead General Insurance Agency (Arrowhead). Writings increased 63% from prior year end, resulting in higher net premiums. Net premiums earned increased $13.8 million in 2013 due to the Company's continued expansion in the Gulf States, with the majority of this growth in the states of Louisiana and Alabama.

The Company reported net income of $1.7 million, an increase from 2012's balance of ($1.1 million). Net losses incurred have increased $4.4 million, which corresponds to the Company's increase in net premium written of 63%.

In August 2013, the Office approved the Company's expansion into Massachusetts, New York, North Carolina, South Carolina and Texas. The Company agreed to not commence business in these proposed states until it has provided evidence of an increase in policyholder surplus of $6.3 million. As a result, written and earned premiums are projected to increase. The Company is focusing on maintaining a steady rate of growth of approximately 5% with its existing Hawaiian Windstorm lines, while looking to expand into new products in new states.

The Company is subject to Consent Order No. 108448-10, which states that prior to the commencement or acquisition of any business in the Fire, Homeowners Multi-Peril, Commercial Multi-Peril and Other Liability lines of business, the Company shall have and maintain surplus of not less than $12 million as of the end of each quarterly financial reporting period.

Additionally, pursuant to Consent Order No. 120822-11, the Company is required to not write in Florida for a period of three years until July 2014, due to a non-compete agreement with Universal Insurance Company of North America.

Surplus has increased $8.7 million since the 2012 year-end. The increase was due primarily to a $7 million capital contribution from the parent company, Centauri Specialty Insurance Holdings, to support expansion along with the Company's 2013 net operating gain.

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	21,954,816	8,177,297	6,180,946	1,194,908
Net Underwriting Gain/(Loss)	2,096,698	(1,809,393)	2,177,112	(1,460,125)
Net Income	1,658,482	(1,137,462)	1,736,227	(247,819)
Total Assets	48,166,980	27,369,172	18,947,040	12,695,299
Total Liabilities	29,744,610	17,695,729	8,639,191	4,239,379
Surplus As Regards Policyholders	18,422,370	9,673,442	10,307,849	8,455,920

LOSS EXPERIENCE

During the current examination period, the Company showed favorable loss development. The one-year net loss development at the end of the current examination period was favorable at $(162,000). In 2013, the Company's net losses incurred increased $4.4 million to $6.2 million from $1.8 million in 2012. The increase in net incurred losses was primarily attributed to the increased exposure resulting from premium growth in the Gulf States as the Company expanded its operations.

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 was exposed to low frequency, high severity events, such as hurricanes. However, due to the relatively narrow coverage terms offered under the Company's policies and use of reinsurance, the Company was largely protected from adverse development on net loss and loss adjustment expense reserves. The Company's ceded reinsurance consisted of property and casualty quota share and catastrophe excess of loss contracts.

The Company's reinsurance program included catastrophe excess of loss protection and a 35% quota share for Hawaii on a cut off basis. Catastrophe coverage was purchased in excess of 1 in 200 year Probable Maximum Loss, and retained losses from any one catastrophic event were limited to a $2 million pre-tax retention. The reinsurers' liability was limited to a maximum of $300 million per occurrence and $600 million in the aggregate.

During 2013, the Company purchased catastrophe excess of loss coverage limiting its catastrophe retention to $2 million with coverage up to $110 million covering all in-force policies. Additional protection ($40 million excess $110 million) was purchased by the Company covering residential named hurricane policies in the state of Hawaii.

The Company entered into a new quota share reinsurance agreement effective June 1, 2013. Under the new agreement, the Company cedes 20% of all business after deducting the cost of inuring reinsurance business. This contract effectively reduced the Company's catastrophe retention from $2 million to $1.6 million. In February 2013, catastrophe PCS 92 occurred in Louisiana. This event was not subject to the net quota share reinsurance recovery as it occurred prior to the reinsurance effective date.

Effective April 1, 2012, the Company purchased multiline per risk excess of loss reinsurance limiting the per risk retention to $250,000 with coverage up to $1,500,000. The multiline per risk excess of loss reinsurance covers personal property and liability losses, excluding tropical storm and hurricane events. This contract was renewed in 2013 with coverage up to $1 million in excess of the $250,000 retention. Facultative reinsurance is purchased for property risks in excess of $1 million.

Effective July 1, 2012, the Company renewed a reinsurance assumption agreement with Universal North America Insurance Company (Universal North America), a subsidiary of Universal Insurance Holdings of North America, Inc., to assume 100% of Universal North America's Hawaii hurricane peril premiums and liabilities. The quota share was canceled on a cut off basis effective June 30, 2013. The cancellation led to the return of all unearned assumed premium which resulted in a year to date assumed written premium of ($78,450).

On December 1, 2012, the Company assumed approximately 470 wind-only peril policies from the Louisiana Citizens Property Insurance Company. These properties were offered coverage directly from the Company on their respective renewal effective date, which began March 2013.

The reinsurance contracts did not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts past due. Anticipated recoverables due from reinsurers relating to unpaid losses and loss adjustment expenses under these treaties totaled $475,893 at December 31, 2013. There were no balances over ninety days past due or considered uncollectible at December 31, 2013.

The maximum amount of return commissions that would have been due back to reinsurers if all reinsurance were canceled with the return of unearned premium reserve at December 31, 2013 was $3,565,617.

The Company has unsecured reinsurance recoverables with the following authorized, unauthorized, or certified reinsurers at December 31, 2013 that exceed 3% of capital and surplus:

Reinsurer	Amount
Lloyd's Syndicate Number 4242	$ 1,806,658
XL Re, Ltd	1,063,253
Total	**$ 2,869,911**

The Company ceded $28,267,482 and $15,547,320 in reinsurance premiums written in 2013 and 2012, respectively.

ACCOUNTS AND RECORDS

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

The Company's books and records are maintained by electronic processing equipment. The accounting system, which was fully automated, produced a general ledger, subsidiary ledgers and other reports as required for the preparation of financial statements and other management and regulatory reporting. The Company's accounting records provided an adequate audit trail.

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.

Custodial Agreement

The Company maintained a custodial agreement with Salem Trust Company executed on November 10, 2011, effective November 1, 2011. The custodial agreement lacked the clause indicating that the securities of the Company be properly segregated and held separately from the securities of the custodian, pursuant to the requirements of Rule 69O-143.042.(2)(a), Florida Administrative Code. The examiner verified with the custodian that securities are kept separate and are held in nominee name Family Business Office of the Company. However, the agreement indicated that securities are held as part of a fungible bulk of securities in a filing of securities by issue (FOSBI) arrangement.

Subsequent Event: The Company provided a supplemental response on April 1, 2015 with an amendment to the custody agreement that included the provision that the Company's securities shall be separately held and segregated from the securities of the custodian, thus conforming to the requirements of Rule 69O-143.042(2)(a), Florida Administrative Code.

General Agency Agreements

The Company has general agency agreements with International Catastrophe Insurance Managers, LLC, (ICAT), Seibels (through Centauri Specialty Managers, who provides MGA services for the Company), and Arrowhead, which provide premium writing and collection services to the Company.

Claims Administration Agreements

The Company has a claims administration agreement with Boulder Claims, LLC (through ICAT), Seibels (through Centauri Specialty Managers, who performs claims administration services for the Company), and American Claims Management, Inc. (through Arrowhead), which provide claims processing services for the Company.

Investment Management Agreement

General Re - New England Asset Management, Inc., (GR-NEAM) is authorized to maintain the Company's investment account and conduct securities transactions in compliance with the client approved investment policy. The Company utilizes GR-NEAM schedules as a basis for their entries to record investment income, entries to record the balances and fair value of investments, their schedule D, and their footnote disclosures. GR–NEAM is a global investment advisor that specializes in offering capital and investment management services primarily to the insurance industry.

INFORMATION TECHNOLOGY REPORT

Tracy Gates, CFE, CISA of Highland Clark, 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	Cash	$330,000	$330,000
FL	WASHINGTON ST, 5.0%, 08/01/2021	300,000	345,639
FL	BATTLE GROUND WA SCH DIST, 4.0%, 12/01/2012	275,000	293,827
FL	HYLAND HILLS CO PARK & REC, 4.25%, 12/15/2022	500,000	543,125
FL	TAOS NM MUNI SCH DIST, 5.0%, 09/01/2019	350,000	379,435
TOTAL FLORIDA DEPOSITS		$1,755,000	$1,892,026
NC	NC STATE UNIV, 5.0%, 10/01/2022	300,000	343,179
TOTAL OTHER DEPOSITS		300,000	343,179
TOTAL SPECIAL DEPOSITS		$2,055,000	$2,235,205

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.

Centauri Specialty Insurance Company

Assets

December 31, 2013

	Per Company	Examination Adjustments	Per Examination
Bonds	$26,210,935		$26,210,935
Stocks:			
Preferred	392,212		$392,212
Common	706,193		706,193
Cash and Short-Term Investments	16,694,020		16,694,020
Receivables for securities	5,596		5,596
Aggregate write-in for invested assets	17,670		17,670
Investment income due and accrued	185,836		185,836
Agents' Balances:			
Uncollected premium	1,650,702		1,650,702
Deferred premium	1,147,181		1,147,181
Reinsurance recoverable	389,637		389,637
Net deferred tax asset	717,173		717,173
Aggregate write-in for other than invested assets	49,825		49,825
Totals	$48,166,980	$0	$48,166,980

Centauri Specialty Insurance Company

Liabilities, Surplus and Other Funds

December 31, 2013

	Per Company	Examination Adjustments	Per Examination
Losses	$1,307,953		$1,307,953
Loss adjustment expenses	115,686		115,686
Other expenses	151,005		151,005
Taxes, licenses and fees	970,133		970,133
Current federal and foreign income taxes	437,748		437,748
Unearned premium	12,179,474		12,179,474
Advance premium	927,588		927,588
Ceded reinsurance premiums payable	12,072,492		12,072,492
Payable to parent, subsidiaries and affiliates	250,592		250,592
Payable for securities	766,146		766,146
Aggregate write-ins for liabilities	565,793		565,793
Total Liabilities	$29,744,610	$0	$29,744,610
Common capital stock	$3,000,000		$3,000,000
Gross paid in and contributed surplus	13,300,000		13,300,000
Unassigned funds (surplus)	2,122,370		2,122,370
Surplus as regards policyholders	$18,422,370	$0	$18,422,370
Total liabilities, surplus and other funds	$48,166,980	$0	$48,166,980

Centauri Specialty Insurance Company

Statement of Income

December 31, 2013

Underwriting Income	
Premiums earned	$21,954,816
Deductions:	
Losses incurred	$6,222,506
Loss expenses incurred	1,952,189
Other underwriting expenses incurred	11,683,423
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$19,858,118
Net underwriting gain or (loss)	$2,096,698
Investment Income	
Net investment income earned	$414,719
Net realized capital gains or (losses)	17,878
Net investment gain or (loss)	$432,597
Other Income	
Net gain or (loss) from agents' or premium balances charged off	($22,282)
Finance and service charges not included in premiums	75,756
Aggregate write-ins for miscellaneous income	0
Total other income	$53,474
Net income before dividends to policyholders and before federal & foreign income taxes	$2,582,769
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$2,582,769
Federal & foreign income taxes	924,287
Net Income	$1,658,482
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$9,673,442
Net Income	$1,658,482
Net unrealized capital gains or losses	2,747
Change in deferred income tax	87,413
Change in non-admitted assets	286
Change in provision for reinsurance	0
Change in excess statutory over statement reserves	0
Surplus adjustments: Paid in	7,000,000
Aggregate write-ins for gains and losses in surplus	0
Examination Adjustment	
Change in surplus as regards policyholders for the year	$8,748,928
Surplus as regards policyholders, December 31 current year	$18,422,370

Centauri Specialty 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				$18,422,370
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS: No Adjustment				
LIABILITIES: No Adjustment				
Net Change in Surplus:				0
Surplus as Regards Policyholders December 31, 2013, Per Examination				$18,422,370

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses	$ 1,423,639

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 $18,422,370 exceeded the minimum of $5,000,000 required by Section 624.408, Florida Statutes. The Company policyholder's surplus has increased $8.7 million since year-end 2012 and represents a 90.4% increase. The increase was primarily due to a $7 million capital contribution from the parent company, Centauri Specialty Insurance Holdings, to support the Company's expansion along with the Company's 2013 net operating gain.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Centauri Specialty 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 $18,422,370 which exceeded the minimum of $5,000,000 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, participated in the examination. We also recognize, Dennis Henry, FCAS, MAAA, consulting actuary of The Actuarial Advantage, John Romano, CPA, CFE, Examination Manager, of Baker Tilly Virchow Krause, LLP, and Jeff Rockwell and Kyra Brown, Participating Examiners of the Office, participated in the examination.

Respectfully submitted,

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Robin Brown
Chief Examiner
Florida Office of Insurance Regulation