



EXAMINATION REPORT
OF
JOURNEY INSURANCE COMPANY

NAIC Company Code: 16423

ST. PETERSBURG, FLORIDA

as of December 31, 2019

BY THE FLORIDA OFFICE OF INSURANCE REGULATION

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January 20, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

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 (“the NAIC”), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

Journey Insurance Company
800 2nd Avenue South
St. Petersburg, Florida 33701

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

SCOPE OF EXAMINATION

This examination covered the period of September 17, 2018 through December 31, 2019 and commenced with planning at the Office on June 26, 2020. The fieldwork commenced on July 9, 2020 and concluded as of January 20, 2021. The Company was formed during the examination period, thus there was no previous examination.

The examination was a multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the examination is planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no material adverse findings, significant non-compliance findings or material changes in the financial statements in the Office's prior examination report as of December 31, 2019.

Prior Examination Findings

There was no previous examination conducted as the Company was formed during the examination period.

COMPANY HISTORY

General

The Company was formed on August 30, 2018, in strategic partnership with R.J. Kiln & Co. (No. 3) Limited (Kiln), a subsidiary of Tokio Marine Kiln Group Limited. Kiln owns a 33.3% noncontrolling interest in the Company. The Company is a property and casualty insurer licensed to write in the State of Florida, South Carolina, and Texas. The Company is a 66.7% majority-owned subsidiary of United Insurance Holdings Corp (UIHC).

The Articles of Incorporation and the Bylaws were approved by the Florida Office of Insurance Regulation during the period covered by this examination.

Dividends

No dividends were declared or paid during the examination period.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	6,000,000
Number of shares issued and outstanding	6,000,000
Total common capital stock	\$6,000,000
Par value per share	\$1

Surplus Notes

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

Acquisitions, Mergers, Disposals, and Dissolutions

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

MANAGEMENT AND CONTROL

Corporate Governance

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, 2019, are shown below with the chairman of the board being listed first:

Directors		
Name	City, State	Principal Occupation, Company Name
Gregory Croswell Branch ^(a)	Ocala, Florida	Chairman and Owner, Branch Properties Inc.
Bennett Bradford Martz	St. Petersburg, Florida	Chief Financial Officer, Journey Insurance Company
Robert Daniel Peed ^(a)	Spring, Texas	President and CEO, AmRisc
Paul Frederick DiFrancesco	St. Petersburg, Florida	Chief Underwriting Officer, Journey Insurance Company
John Leslie Forney ^(b)	St. Petersburg, Florida	President and CEO, Journey Insurance Company

(a) Effective July 1, 2020, Mr. Peed became the Chairman of the Board.

(b) Mr. Forney resigned on June 30, 2020 and his position on the Board was not replaced.

In accordance with the Company's bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
John Leslie Forney	St. Petersburg, Florida	President, Chief Executive Officer
Bennett Bradford Martz	St. Petersburg, Florida	Chief Financial Officer
Paul DiFrancesco	St. Petersburg, Florida	Secretary and Chief Operating Officer

The Company's Board appointed several internal committees. Following were the principal internal board committees and their members as of December 31, 2019. The first person listed for each committee is the chairman.

Finance and Investment Committee		
Name	City, State	Title
Alec Poitevint	Bainbridge, Georgia	Chairman and President, Southeastern Minerals, Inc.
William Hood	Palm Harbor, Florida	Sole Member, Hall Capital Holdings LLC
Patrick Maroney	Tallahassee, Florida	Professor Emeritus (Retired), Florida State University

Compensation and Benefits Committee		
Name	City, State	Title
Kent Whittemore	St. Petersburg, Florida	President and Shareholder, Whittemore Law Group
Alec Poitevint	Bainbridge, Georgia	Chairman and President, Southeastern Minerals, Inc.
Sherrill Hudson	Coral Gables, Florida	Chairman, TECO Energy, Inc.
Daniel Peed	Spring, Texas	President and CEO, AmRisc

Nominating & Corporate Governance Committee		
Name	City, State	Title
Kern Davis, M.D.	St. Petersburg, Florida	President, Pathology Associates Group
Kent Whittemore	St. Petersburg, Florida	President and Shareholder, Whittemore Law Group
Michael Hogan	Mussells Inlet, South Carolina	Insurance Agent

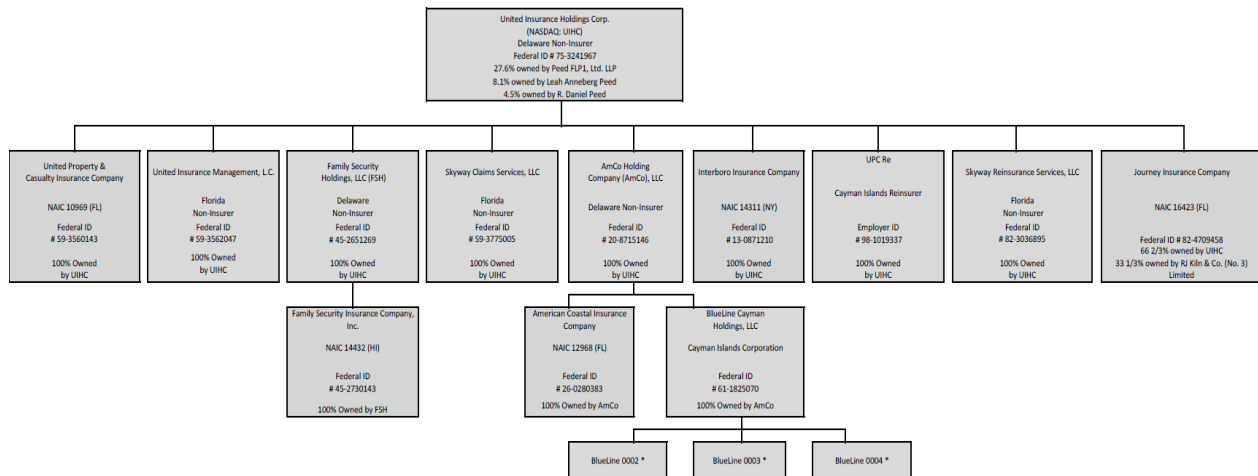
The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes.

Audit Committee		
Name	City, State	Title
Sherrill Hudson	Coral Gables, Florida	Chairman, TECO Energy, Inc.
Patrick Maroney	Tallahassee, Florida	Professor Emeritus (Retired),

		Florida State University
Kern Davis, M.D.	St. Petersburg, Florida	President, Pathology Associates Group

An organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the next page:

Holding Company System Organizational Chart December 31, 2019



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

Tax Allocation Agreement

Effective July 1, 2012, a tax allocation agreement was executed between the Company's parent, United Insurance Holdings Corporation, and its affiliated companies. This agreement was amended on February 3, 2015 and on September 19, 2018 to include additional affiliates. The Company, along with its parent, files a consolidated federal income tax return. Pursuant to the agreement, income taxes are allocated to each subsidiary in proportion to the amount of taxable income that each subsidiary contributed to the consolidated taxable return. For the year ended December 31, 2019, the Company incurred no tax allocations.

Managing General Agent Agreement

Effective September 17, 2018, the Company entered into a Managing General Agent Agreement with United Insurance Management, LC (UIM). Under the agreement, UIM provides the following functions including, but not limited to: claims administration, underwriting, policy administration, billing, collections, marketing, terminations, reinstatement, policy issuance, establishing loss reserves, accounting, and regulatory reporting. As part of providing these services, UIM subcontracted certain claims adjusting services for the Company, and affiliate United Property and Casualty Insurance Company, with another affiliate – Skyway Claims Services Under this agreement, the Company agrees to pay the MGA fees equal to 27.0% of gross earned premiums attributed to policyholders excluding federal flood policies. For the year ended December 31, 2019, the Company incurred no expenses.

Reinsurance Brokerage Service Agreement

Effective November 19, 2018, the Company became part of a Brokerage Services Agreement with non-affiliate TigerRisk Partners LLC (“TigerRisk”) and affiliate Skyway Reinsurance Services, LLC (“Skyway Re”). The agreement has an effective date of June 1, 2018 until May 31, 2021. As part of the agreement, TigerRisk and Skyway Re agree to provide reinsurance intermediary services. TigerRisk retains the first \$3,000,000 of brokerage fees earned and remits to Skyway Re the balance.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in St. Petersburg, Florida.

The Company and non-affiliates had the following agreements:

Independent Auditor Agreement

An independent CPA, Deloitte & Touche LLP (D&T) audited the Company’s statutory basis financial statements annually for the years 2018 and 2019, 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.

Non-Exclusive Managing Agency Agreement

Effective September 5, 2018, the Company entered into a Non-Exclusive Managing Agency Agreement with AmRisc, LLC (AmRisc), whereby AmRisc would provide certain services to include: underwriting and policy issuance, reinsurance advice, premium collection, regulatory

liaison, policy advisor and consultant, accounting, books and records, retention of accountants and actuaries, and marketing and agent relations. The Company is to pay a fee of 25% of net written premium. AmRisc may charge and retain a per-policy fee not to exceed \$25.00. During 2019, the Company incurred expenses of \$803,134 for commission and management fees under the contract.

R. Daniel Peed is the CEO and Chairman of the Board of Directors of the Company as of the date of this report. During 2018, he beneficially owned approximately 7.7% of AmRisc and was also the Chief Executive Officer of AmRisc. On December 31, 2018, Mr. Peed sold his interest in AmRisc and, effective January 1, 2019, became Non-Executive Vice Chairman of AmRisc's Board of Directors. Effective December 31, 2019, Mr. Peed resigned from his position as Non-Executive Vice Chairman.

Corporate Records Review

The recorded minutes of the Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code including the authorization of investments as required by Section 625.304, Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the States of Florida, Texas, and South Carolina. The Company commenced business in February 2019 and had only written business in Florida.

The Company was authorized to transact insurance in Florida on September 17, 2018 and is currently authorized for the following lines of business as of December 31, 2019:

Fire	Allied Lines
Homeowners Multi-Peril	Commercial Multi-Peril
Inland Marine	Other Liability
Earthquake	

The Company primarily writes allied lines in the State of Florida where it is licensed. Total direct premiums for Florida are as follows:

State	2019 Direct Premiums Written
Florida	\$2,846,243

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.

Reinsurance Assumed

Company did not assume any business during the examination period.

Reinsurance Ceded

The Company placed its reinsurance program for the 2019 treaty year beginning June 1, 2019 and ending on May 31, 2020. The agreements incorporate the mandatory coverage required by and placed with the Florida Hurricane Catastrophe Fund ("FHCF"). The FHCF is a Florida state-sponsored trust fund that provides reimbursement in Florida against storms that the National Hurricane Center designates as hurricanes. The Company's private reinsurance program provides coverage against severe weather events such as named or numbered windstorms and earthquakes.

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 Office, are reflected on the following pages.

Journey Insurance Company

Assets

December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$50,894,111	\$0	\$50,894,111
Cash and Short-Term Investments	11,839,825		11,839,825
Subtotal cash and invested assets	\$62,733,936		\$62,733,936
Investment income due & accrued	262,876		262,876
Uncollected premiums and agents balances in the course of collection	285,766		285,766
Net deferred tax asset	7,146		7,146
Totals	\$63,289,724	\$0	\$63,289,724

Journey Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Losses	\$124,391	\$0	\$124,391
Other expenses	88,638		88,638
Taxes, licenses and fees	3,120		3,120
Current federal and foreign income taxes	29,933		29,933
Unearned premiums	1,137,113		1,137,113
Ceded reinsurance premiums payable	505,485		505,485
Payable to parent	183,279		183,279
Total Liabilities	\$2,071,959	\$0	\$2,071,959
Common capital stock	6,000,000		6,000,000
Gross paid in and contributed surplus	54,000,000		54,000,000
Unassigned funds (surplus)	1,217,765		1,217,765
Surplus as regards policyholders	\$61,217,765	\$0	\$61,217,765
Total liabilities, surplus and other funds	\$63,289,724	\$0	\$63,289,724

Journey Insurance Company
Statement of Income and Capital and Surplus Account
December 31, 2019

Underwriting Income	
Premiums earned	\$597,115
Deductions	
Losses incurred	\$352,721
Other underwriting expenses incurred	1,013,621
Total underwriting deductions	\$1,366,342
Net underwriting gain or (loss)	\$(769,227)
Investment Income	
Net investment income earned	\$1,866,151
Net realized capital gains or (losses)	24,507
Net investment gain or (loss)	\$1,890,658
Net income before federal & foreign income taxes	\$1,121,431
Federal & foreign income taxes	(223,012)
Net Income	\$898,419
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$60,312,200
Net Income	\$898,419
Change in net deferred income tax	7,146
Change in surplus as regards policyholders for the year	\$905,565
Surplus as regards policyholders, December 31, current year	\$61,217,765

Journey Insurance Company
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Surplus at September 17, 2018			\$60,000,000
	Increase	Decrease	
Net income	1,210,619		\$1,210,619
Change in net deferred income tax	\$7,146		\$7,146
Net increase (or decrease)			\$1,217,765
Surplus at December 31, 2019 per examination			\$61,217,765

Analysis of Changes in Financial Statement Resulting from the Examination

December 31, 2019

No adjustments were made to surplus as regards to policyholders as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Losses and Loss Adjustment Expenses

Arthur R. Randolph, II, FCAS, MAAA, CPCU, ARM, ARe, of the actuarial firm Pinnacle Actuarial Resources, Inc., was appointed by the Board and rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

Kathryn R. Koch, FCAS, MAAA of Lewis & Ellis, Inc., representing the Office, reviewed the loss and loss adjustment expense work papers provided by the Company and she was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$107,709,635 exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Since December 31, 2019, there has been an outbreak of the novel strain of COVID-19, which has been declared a pandemic by the World Health Organization in March 2020. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, state and local “work from home” orders and social distancing, have caused material disruption to businesses globally. In addition, global equity markets have experienced significant volatility and weakness. The scope, severity and longevity of any potential business shutdowns or disruptions as a result of COVID-19 outbreak is highly uncertain and cannot be predicted at this time, as new information may continue to emerge concerning actions governments may take to contain or mitigate the spread of the virus or address its impact on individuals, businesses, and the economy. At this time, it is not possible to reasonably estimate the extent of the impact of the economic uncertainties on the financial results and conditions in future periods.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Journey Insurance Company** as of December 31, 2019, consistent with the insurance laws of the State of Florida.

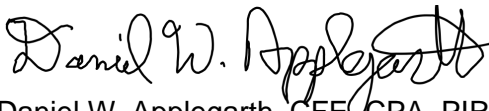
In addition to the undersigned, the following participated in the examination:

Christopher R. Brown, APIR	Participating Examiner	Office
Amy Carter, CFE, CPA	Participating Examiner	Lewis & Ellis, Inc.
Derek Petersen, CFE, MCM	Participating Examiner	Lewis & Ellis, Inc
Kathryn Koch, FCAS, MAAA	Actuary Specialist	Lewis & Ellis, Inc
David Palmer, CFE, MCM	Exam Manager	Lewis & Ellis, Inc
Lindsey Pittman, CFE, CPA, AES, CISA, MCM	IT Specialist	Lewis & Ellis, Inc.
Jenny Jeffers, AES, CISA, CFE	IT Specialist	Jennan Enterprises, LLC
Joanna Latham, AES, CISA, CPA, CFE, CRISC	IT Specialist	Jennan Enterprises, LLC

Respectfully submitted,



Omar D. Akel, CFE
Examiner-in-Charge
Lewis & Ellis, Inc.
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
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