



**EXAMINATION REPORT
OF**

**Centauri Specialty Insurance Company
Sarasota, FL**

NAIC Company Code: 12573

**as of
December 31, 2021**

**By
The Florida Office of Insurance Regulation**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL	2
DIVIDENDS	3
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	3
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	4
MANAGEMENT AND CONTROL	4
CORPORATE GOVERNANCE	4
HOLDING COMPANY SYSTEM	6
SIMPLIFIED ORGANIZATIONAL CHART	7
TAX ALLOCATION AGREEMENT.....	7
AMENDED AND RESTATED COST SHARING AGREEMENT	7
FIRST AMENDED EXECUTIVE MANAGEMENT SERVICES AGREEMENT	8
FIRST AMENDED MANAGING GENERAL AGENCY AND CLAIMS AGREEMENT	8
ACCOUNTS AND RECORDS	9
TERRITORY AND PLAN OF OPERATIONS	9
REINSURANCE	10
REINSURANCE ASSUMED.....	10
REINSURANCE CEDED.....	10
FINANCIAL STATEMENTS	12
ASSETS.....	13
LIABILITIES, SURPLUS AND OTHER FUNDS	14
STATEMENT OF INCOME	15
RECONCILIATION OF CAPITAL AND SURPLUS.....	16
ANALYSIS OF CHANGES IN FINANCIAL STATEMENT RESULTING FROM THE EXAMINATION	17
COMMENTS ON FINANCIAL STATEMENT ITEMS	18
CAPITAL AND SURPLUS	18
FINANCIAL CONDITION OF THE ENTITIES IN THE GROUP	18
SUBSEQUENT EVENTS	19
SUMMARY OF RECOMMENDATIONS	20
CONCLUSION	21

August 31, 2023

Michael Yaworsky
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, 2021, of the financial condition and corporate affairs of

Centauri Specialty Insurance Company

4081 Lakewood Ranch Blvd, Suite 200

Sarasota, FL 34240

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, 2019 through December 31, 2021 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on May 9, 2022. The fieldwork concluded as of August 31, 2023. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2014 through December 31, 2018.

The examination was conducted in accordance with the NAIC (“NAIC”) Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be 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.

The examination was a multi-state, coordinated risk-focused process. The lead state for this exam was California and states that participated in this exam are as follows: Florida, Louisiana, New Mexico, New York, Oklahoma, and Texas. The Company has business or licenses in multiple states.

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 the NAIC Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), 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 significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings as a result of the examination, as of December 31, 2018.

COMPANY HISTORY

General

The Company was incorporated in Florida on April 24, 2006, and obtained its Certificate of Authority from the Office on May 4, 2006. The Company commenced business on July 1, 2006, as ICAT Specialty Insurance Company.

On June 2, 2009, ICAT Specialty Insurance Company was acquired by Universal Insurance Holdings of North America, Inc. ("UIHNA"). The acquisition was approved by Consent Order 104591-09-CO issued by the Office, and the Company was renamed Universal Specialty Insurance Company ("USIC"). On May 3, 2010, UIHNA transferred ownership of the Company to Universal Insurance Company of North America ("UICNA"), a wholly owned subsidiary of UIHNA.

Effective July 1, 2011, UICNA sold 100% of the outstanding stock of USIC to Centauri Specialty Insurance Holdings, Inc. ("CSIH"). On October 7, 2011, the Office approved the acquisition by Consent Order No. 120822-11, and contemporaneously approved a name change from USIC to Centauri Specialty Insurance Company ("CSIC"). The transaction officially closed on October 22, 2011. The acquisition application and business plan included plans to not write in Florida for three (3) years, due to a non-compete agreement with Universal Insurance Company of North America. The Consent Order No. 120822-11 also required a minimum surplus of \$12 million for the Company to gain approval to write policies in Florida.

The Company received approval to resume writing in the State of Florida on October 2, 2014, under the terms of Consent Order No. 160262-14.

In September 2016, the Company began the process of creating a subsidiary, Centauri National Insurance Company (“CNIC”), domiciled in Louisiana. The Office issued a no objection letter regarding the creation of the subsidiary, and subsequently CSIC acquired 100% of CNIC’s outstanding shares. CNIC commenced business on June 27, 2017.

Effective January 1, 2021, the Office approved the indirect acquisition of the Company by AU Holding Company, Inc. (“AUH”) on November 16, 2020. As a result of this transaction, a surplus note in the amount of \$9,200,000 was executed between the Company and an affiliate in the AU group, in February 2021, but recorded to surplus as of December 31, 2020. See details below in the Surplus Notes section of this report.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2021, the Company’s capitalization was as follows:

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

Surplus Notes

A surplus note in the amount of \$9,200,000 was executed between the Company and Continental Indemnity Company (“CNI”) on February 5, 2021, and is recorded in the December 31, 2020 annual statement surplus under SSAP 72, *Surplus and Quasi-Reorganization*. The balance, which equals it’s carrying value, of \$9,200,000, was collected by the Company in February 2021. The note was approved by the Office and recorded as an admitted receivable from affiliate as of December 31, 2020. The surplus note bears interest from the date of contribution at a rate of 2.5% per annum on the unpaid principal balance, payable quarterly, beginning on January 1, 2022 with any unpaid interest and principal payable in full on December 31, 2040. All payments made, including principal and interest, must be approved by the Office. In the event of reorganization,

dissolution, 100% reinsurance or liquidation of the Company after the retirement of all its outstanding obligations other than subordinated debentures, the holders of the note are entitled to preferential right in remaining assets of the Company equal to the unpaid principal balance plus accrued interest, before any distribution of such assets to shareholders or other owners pursuant to section 631.271 of Florida Statutes.

Acquisitions, Mergers, Disposals, Dissolutions

The Office approved the acquisition of CSIH, a Delaware Corporation, by AUH on November 16, 2020, and effective January 1, 2021. As a result of this acquisition, the Company, its subsidiary, CNIC, and another affiliate, Centauri Specialty Managers, Inc. (“CSM”) are indirectly owned subsidiaries of AUH.

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, 2021, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Ricardo Antonio Espino ^(a)	Sarasota, Florida	President and Chief Executive Officer for CSIC and CNIC
Marcia Ann Lamb ^(b)	Bradenton, Florida	Chief Financial Officer for CSIC and CNIC
Steve Michael Menzies	Omaha, Nebraska	Chairman of the Board, Founder Applied Underwriters and AU Holdings
Jeffrey Alan Silver	Omaha, Nebraska	General Counsel, AU Holdings; Secretary for CSIC and CNIC
Jamie Ryan Sahara	Omaha, Nebraska	President, Applied Underwriters

(a) Replaced by Robert Howard Courtemanche effective March 30, 2023.

(b) Resigned effective November 14, 2022, and was replaced by Justin Nicholas Smith.

In accordance with the Company’s Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Ricardo Antonio Espino ^(a)	Sarasota, Florida	President and Chief Executive Officer
Marcia Ann Lamb ^(b)	Bradenton, Florida	Chief Financial Officer
Timothy Scott Stroble	Bradenton, Florida	Executive Vice President
Thomas James Brady	Sarasota, Florida	Vice President
Jeffrey Alan Silver	Omaha, Nebraska	Secretary

(a) Replaced as Chief Executive Officer by Robert Howard Courtemanche effective March 30, 2023, and Steven Michael Menzies, as President.

(b) Resigned effective November 14, 2022, and was replaced by Jessica Leigh Barclay.

*Officers added subsequent to the examination date include Traci Marie Stillwagon, Vice President of Operations; Bianca Hoshina, Chief Reinsurance Officer; Suzanne Morrow, Vice President of Marketing and Sales

The Company's Board appointed two internal committees. The following were the principal internal board committees and their members as of December 31, 2021. The first person listed for each committee is the chairman.

Audit and Actuarial Committee		
Derrick Allen Irby ^(a)	Joseph Edward Dondanville ^(a)	Kyle Lee Redfearn ^(a)

(a) Subsequent to the examination date, the committee members were replaced by Steven Michael Menzies, Jamie Ryan Sahara, and Jeffrey Alan Silver.

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

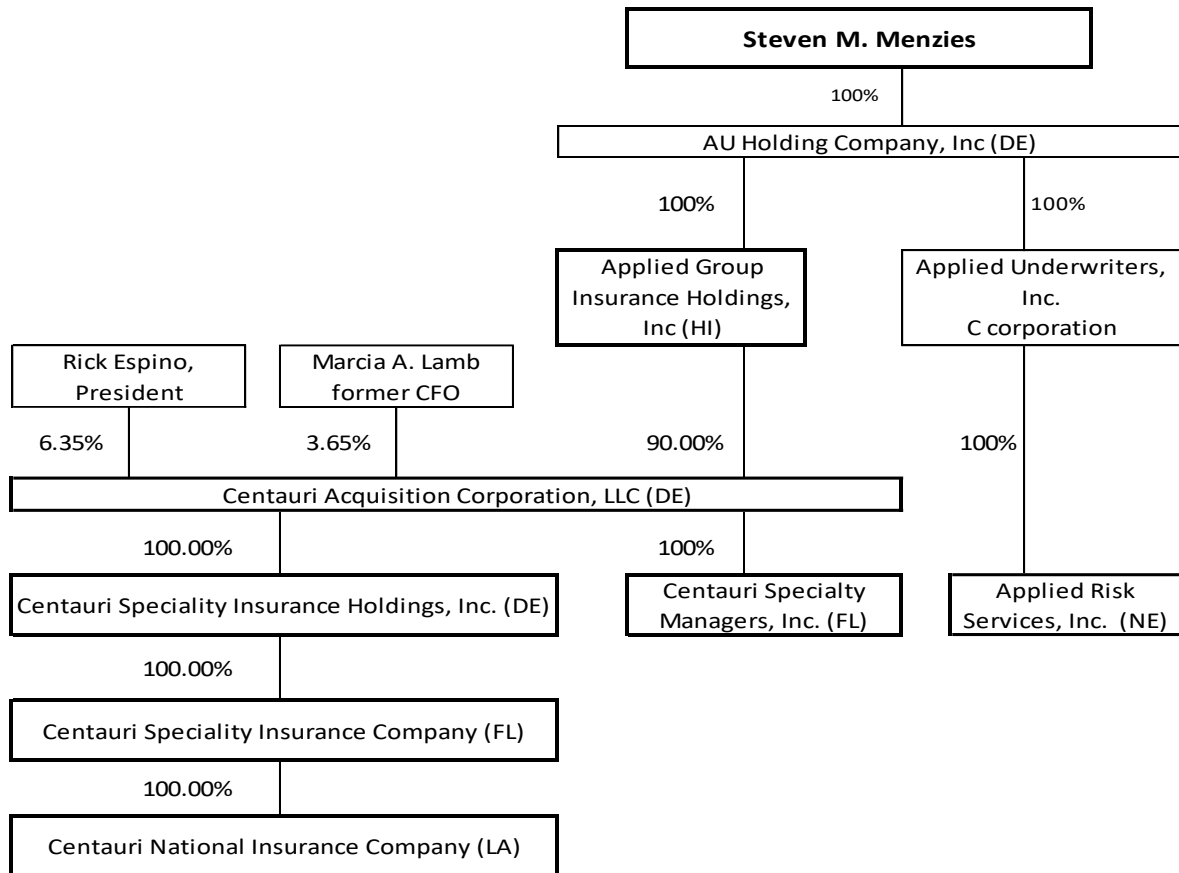
Investment Committee		
Ricardo Antonio Espino ^(a)	Lora Schroer Rees ^(a)	Derrick Allen Irby ^(a)
Joseph Edward Dondanville ^(a)	Kyle Lee Redfearn ^(a)	

(a) Subsequent to the examination date, the committee members were replaced by Steven M. Menzies, Jamie Sahara, Jeffrey A. Silver, Robert Courtemanche and Jessica Barclay.

Holding Company System

A simplified organizational chart as of December 31, 2021, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2021 annual statement provided a list of all related companies of the holding company group.

**Centauri Specialty Insurance Company
Simplified Organizational Chart
December 31, 2021**



The following agreements were in effect between the Company and its affiliates on December 31, 2021:

Tax Allocation Agreement

The Company is party to a Consolidated Federal Income Tax Allocation Agreement with AUH and CNIC, effective January 1, 2021. AUH will pay all federal income tax liabilities for parties to the agreement, included in the consolidated federal tax return and will be reimbursed based on the parties' stand-alone tax liability.

Amended and Restated Cost Sharing Agreement

The Company has a Cost Sharing Agreement ("CSA") with its Parent, CSIH, and affiliate, CSM. Effective July 6, 2017, CSIC amended the CSA to include CNIC, the Company's wholly owned

subsidiary. The intent of the CSA is to share all costs incurred for services performed on behalf of the other parties who are not included in the Managing General Agent and Claims Administration Agreement. The CSA allows for the sharing of office space, facilities, furniture and equipment, and computer hardware and software. The CSA also provides for sharing services performed on behalf of one or more of the other parties. These services are technical, administrative, financial, and regulatory. Allocation of costs incurred is done on a direct and indirect basis. Costs are determined monthly and payable within 60 days.

First Amended Executive Management Services Agreement

The Company has an Executive Management Services Agreement (“EMS”) with an affiliate, CSM, effective July 1, 2011, amended on September 1, 2016, and again on July 6, 2017. The initial term of the EMS was three years unless terminated within the guidelines of the agreement. The EMS renews automatically for one-year periods commencing after the initial three-year period. Services provided include corporate records management, accounting, legal and information technology services, marketing services, human resource management, and general executive services management. Compensation is seven and a half percent (7.5%) of written premium, payable monthly.

First Amended Managing General Agency and Claims Agreement

The Company entered into a Managing General Agency and Claims (“MGA”) Agreement with its affiliate, CSM effective September 1, 2016. The agreement was amended effective July 6, 2017 to include CNIC. The agreement continues in force for a term of ten (10) years and parties to the agreement have the option to renew for successive five (5) year periods, unless otherwise terminated within the guidelines of the agreement. Pursuant to this agreement, CSM 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 MGA agreement give CSM the authority for underwriting, premium collection, binding authority, claims adjustment, and claims payment.

ACCOUNTS AND RECORDS

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

In accordance with 624.318 (2), Florida Statutes, “every person being examined or investigated, and its officers, attorneys, employees, agents, and representatives, shall make freely available to the department or office or its examiners or investigators the accounts, records, documents, files, information, assets, and matters in their possession or control relating to the subject of the examination or investigation.” Throughout the course of the examination, the Company has failed to comply with its statutory obligations. It is recommended that the Company provide timely and free access to all books, records, accounts, papers, documents, and any or all computer or other recordings relating to the property, assets, business, and affairs of the companies being examined and implement procedures to ensure future compliance with 624.318 (2), Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states:

- Alabama
- Louisiana
- North Carolina
- Texas
- Florida
- Massachusetts
- Oklahoma
- Hawaii
- Mississippi
- South Carolina

The Company was authorized to transact insurance in Florida on May 4, 2006, and is currently authorized for the following lines of business in Florida as of December 31, 2021:

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

The Company primarily writes homeowners policies in the states where it is licensed or eligible, with Florida writing fifty-five percent (55%) of the total premium and each of the other states writing less than fifteen percent (15%) of the total premium.

REINSURANCE

The material reinsurance agreements reviewed, as part of this examination, complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines. The Company assumes a material amount of reinsurance from its subsidiary, CNIC, as well as an immaterial amount from another affiliate and non-affiliate reinsurers.

The Company limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risks with reinsurers on an automatic basis under general reinsurance contracts. The Company's reinsurance program consisted of quota share and excess of loss reinsurance agreements, as described below under "Reinsurance Ceded."

Reinsurance Assumed

Effective September 1, 2019, the Company entered into a quota share reinsurance agreement to assume 100% of CNIC's direct written premium and loss and loss adjustment expenses, excluding National Flood Insurance Program premiums and loss and loss adjustment expenses. The Company receives a ceding commission in the amount of twenty-five percent (25%).

The Company assumes an immaterial amount of reinsurance from non-affiliates as well as from an affiliate, Continental Indemnity Company.

Reinsurance Ceded

Effective June 1, 2021, the Company purchased catastrophe excess of loss coverage limiting its catastrophe retention to \$5 million with coverage up to \$310 million covering all in-force policies with additional coverage in Florida up to \$386.3 million and Louisiana up to \$380 million. This policy expires on May 31, 2022.

Effective October 2021, the Company purchased a multi-year excess of loss coverage wherein the Company's per loss occurrence retention shall be \$5,000,000 and the reinsurer's per loss occurrence limit and aggregate limit of liability for all loss occurrences shall be \$5,000,000.

The Company renewed six net quota share reinsurance agreements in 2021 with Continental Indemnity Company (CNI), an affiliated reinsurer. Terms for each net quota share agreement are:

Effective Date	Expiration Date	Participation	CAT Coverage
1/1/2022	1/1/2023	22.50%	(1)
6/1/2022	6/1/2023	25.00%	(1)
6/1/2022	6/1/2023	10.00%	—
6/30/2022	6/30/2023	10.00%	—
6/30/2022	6/30/2023	5.00%	(1)
12/31/2022	5/31/2023	17.50%	—

(1) Per the respective quota share reinsurance agreements, the amount of CAT coverage is 12.5% of the subject premium earned.

The Company also writes insurance policies under the National Flood Insurance Program's Write Your Own Program in which 100% of the premiums and related losses are ceded to the Federal Government. The Company retains an expense allowance set by the program for the acquisition costs incurred on the policies it writes and the claims it processes.

CSIC maintained quota share agreements through June 2021 with unaffiliated reinsurers in which 40% of the premiums written and related losses are ceded for private flood coverage endorsements to its policies.

Effective September 30, 2020, CSIC purchased an Adverse Development Reinsurance ("ADR") contract from CNI. The contract provides relief for adverse development of ultimate net losses and LAE, after all other reinsurance, in excess of \$11,847,250. Covered losses included only those losses arising out of accidents occurring as of September 30, 2020 and prior, up to a limit of \$6,000,000. The estimated gain on this contract is \$5,980,000 and is recorded in special surplus funds as of December 31, 2021 with an equal amount recorded as a contra-write-in liability.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus, and Other Funds; statutory Statement of Income and the statutory Analysis of Changes in Surplus for the year ended December 31, 2021. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2021. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Centauri Specialty Insurance Company
Assets
December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$14,993,733		\$14,993,733
Stocks			
Preferred stocks	317,969		317,969
Common stocks	10,379,943		10,379,943
Real Estate			
Properties occupied by the company	7,990,044		7,990,044
Cash and short-term investments	9,123,894		9,123,894
Subtotals, cash and invested assets	42,805,583		42,805,583
Investment income due and accrued	116,822		116,822
Premiums and considerations			
Uncollected premiums and agents' balances	6,342,498	84,755	6,257,743
Deferred premiums, agents' balances and installments	2,511,463		2,511,463
Reinsurance			
Amounts recoverable from reinsurers	35,395,080		35,395,080
Funds held by or deposited with reinsured companies	675,000		675,000
Current federal and foreign income taxes recoverable and interest thereon	1,266,871		1,266,871
Net deferred tax asset	478,827		478,827
Receivable from parent, subsidiaries and affiliates	20,565,174		20,565,174
Aggregate write-in for other than invested assets	1,732,327	94,328	1,638,089
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	111,889,645	178,993	111,710,652
Total	\$111,889,645	178,993	\$111,710,652

Centauri Specialty Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2021

	Per Company
Losses	\$8,280,135
Reinsurance payable on paid losses and loss adjustment expenses	9,184,049
Loss adjustment expenses	3,706,087
Other expenses	136,294
Taxes, licenses and fees	732,171
Unearned premiums	7,082,206
Advance premiums	1,863,415
Ceded reinsurance premiums payable	56,688,514
Funds held by company under reinsurance treaties	43,271
Remittances and items not allocated	962,718
Aggregate write-in for liabilities	(6,000,000)
Total liabilities excluding protected cell liabilities	82,678,860
Total liabilities	82,678,860
Aggregate write-ins for special surplus funds	6,000,000
Common capital stock	3,000,000
Surplus notes	9,200,000
Gross paid-in and contributed surplus	43,300,000
Unassigned funds (surplus)	(32,468,208)
Surplus as regards policyholders	29,031,792
Totals	\$111,710,652

Centauri Specialty Insurance Company
Statement of Income
December 31, 2021

	Per Company
Underwriting Income	
Premiums earned	\$(2,587,877)
Deductions	
Losses incurred	15,198,603
Loss adjustment expenses incurred	10,331,473
Other underwriting expenses incurred	(21,593,710)
Total underwriting deductions	3,936,366
Net underwriting gain (loss)	(6,524,243)
Investment Income	
Net investment income earned	509,161
Net realized capital gains or (losses)	453,890
Net investment gain or (loss)	963,051
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(81,160)
Finance and service charges not included in premiums	100,881
Total other income	19,721
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(5,541,471)
Dividends to policyholders	
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(5,541,471)
Federal & foreign income taxes incurred	(1,387,526)
Net Income	\$(4,153,945)
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$32,007,522
Net Income (loss)	(4,153,945)
Change in net unrealized capital gains or losses less capital gains tax	830,979
Change in net deferred income taxes	421,971
Change in non-admitted assets	(74,736)
Change in surplus as regards policyholders for the year	(2,975,731)
Surplus as regards policyholders, December 31, current year	\$29,031,792

Centauri Specialty Insurance Company
Reconciliation of Capital and Surplus
December 31, 2021

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2018, per Company			\$28,250,521
	Increase	Decrease	
Net income (loss)		16,620,216	
Change in net unrealized capital gain (loss)	873,551		
Change in net deferred income tax		2,537,161	
Change in non-admitted assets		134,903	
Change in surplus notes	9,200,000		
Change in paid in surplus	10,000,000		
Net increase (or decrease)			781,271
Surplus at December 31, 2021 per Company			\$29,031,792

Centauri Specialty Insurance Company
Analysis of Changes in Financial Statement Resulting from the Examination
December 31, 2021

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$29,031,792 exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

Financial Condition of the Entities in the Group

Examination adjustments were made to the other insurers in the AU Holding Company Group. The details of the examination adjustments are reflected in the Report of Examination as of December 31, 2021 for California Insurance Company (“CIC”), Applied Underwriters Captive Risk Assurance Company, Inc. (“AUCRA”), Continental Indemnity Company (“CNI”), Illinois Insurance Company (“IIC”), Pennsylvania Insurance Company (“PIC”), and Constitution Insurance Company (“CTIC”). The table below is a summary of the examination adjustments, adjusted surplus as regards policyholders, and adjusted Risk-Based Capital (“RBC”) for each insurer:

<u>Company</u>	<u>Examination Adjustments</u>	<u>Adjusted Surplus as Regards Policyholders</u>	<u>Adjusted RBC</u>
CIC	\$ (210,507,858)	\$ 434,077,769	684%
AUCRA	(139,706,050)	(68,574,957)	(611%)
CNI*	(159,016,267)	(41,916,645)	(356%)
IIC	(46,703,461)	(11,227,594)	(321%)
PIC	(47,100,078)	2,125,126	60%
CTIC	(365,658)	22,804,467	912%
Total	\$ (603,399,372)		

As a result of the examination adjustments above, the RBC ratios for AUCRA, CNI, IIC, and PIC are now below the “mandatory control level” as defined by New Mexico Statute 59A-5A-7 and requires the insurers to file a risk-based capital plan with the New Mexico Office of Superintendent of Insurance.

*The adjustments made to CNI may have an impact on the Company as the Company ceded a material amount of business to CNI as of December 31, 2021. The impact to the Company is not known as of the date of this report.

SUBSEQUENT EVENTS

Subsequent to the examination date, and prior to the conclusion of field work, the examination team was provided with the Company's 2022 audited financial statements, as well as the communication of internal control related matters to the Company. The auditors identified various errors requiring adjusted journal entries to properly state the Company's statutory financial statements. As a result, the following internal control deficiencies that give rise to a material weakness were identified: management did not maintain adequate internal controls over financial reporting, including effective reconciliation of significant accounts, adequate historical process documentation, and segregation of duties as a result of significant and untimely management turnover which, collectively, did not prevent or detect material errors to the statutory financial statements timely; and management did not maintain effective controls over the conversion of a core system application, STAR, to prevent or detect material misstatements to the statutory financial statements timely. The adjustments made to the December 31, 2022 audited financial statements total \$6,300,297, which negatively impacts surplus as of December 31, 2022. These adjustments relate to the improper recording of transactions regarding claims, premiums, and expenses specific to affiliate transactions.

Subsequent to the examination date, there was significant turnover in the Board of Directors and senior management, as noted in the "Management and Control" section of this report (page 5).

Subsequent to the examination date, the Company was approved for a \$5,000,000 increase in the existing surplus note as discussed in this report under "Surplus Notes" (page 3).

Subsequent to the examination date, the Company and its subsidiary, CNIC, entered into a Minimum Surplus Agreement with Applied Underwriters, Inc. ("AUI") effective July 25, 2022, which states that the Company and CNIC will maintain the statutorily required minimum capital and surplus. In the event the Company and/or CNIC fail to maintain the minimum required capital and surplus, AUI and management of the Company and/or CNIC will provide Demotech, Inc. with a plan to remedy the deficiency. Demotech, Inc. may, at its sole discretion, assign, withdraw, or modify the Financial Stability Rating assigned to the Company or CNIC at any time.

SUMMARY OF RECOMMENDATIONS

Accounts and Records (Page 9): It is recommended that the Company provide timely and free access to all books, records, accounts, papers, documents, and any or all computer or other recordings relating to the property, assets, business, and affairs of the companies being examined and implement procedures to ensure future compliance with 624.318 (2), Florida Statutes.

CONCLUSION

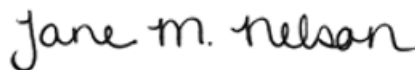
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Centauri Specialty Insurance Company as of December 31, 2021, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following individuals also participated in the examination: Kelly Willison, CPA, CFE, CFE (Fraud), Examination Manager, INS Regulatory Insurance Services, Inc. and Dan Applegarth, Chief Financial Examiner, Florida Office of Insurance Regulation.

Respectfully submitted,



Renee Hanshaw, CPA, CFE
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.
Representing the Florida Office of Insurance Regulation



Jane Nelson, PIR
Director
Bureau of Property & Casualty Financial Oversight
Florida Office of Insurance Regulation