



**EXAMINATION REPORT
OF**

**Lion Insurance Company
Holiday, Florida**

NAIC Company Code: 11075

**as of
December 31, 2021**

**By
The Florida Office of Insurance Regulation**

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March 16, 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

Lion Insurance Company
2739 U.S. Highway 19 North
Holiday, Florida 34691

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, 2017 through December 31, 2021. The fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on June 15, 2022. The fieldwork concluded on March 16, 2023. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2012 through December 31, 2016.

The examination was a single state examination conducted in accordance with the 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.

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

The following is a summary of significant findings of fact including material adverse findings, significant non-compliance findings, such as non-compliance with state law(s), SSAPs, annual financial statement instructions, etc. or material changes in the financial statements.

Lack of Independent Audit Committee Member

The Company's president served on the Company's audit committee. This is not in accordance with Section 624.424(8)(c), FS.

CPA Awareness Letter

The Company did not file an independent CPA awareness letter by December 31 of the year subject to audit in accordance with Rule 690-137.002(6)(a), Florida Administrative Code ("FAC"). The CPA awareness letters for 2017 and 2018 were filed late on February 27, 2018, and February 26, 2019, respectively. This is a repeat finding. The prior examination noted that the Company did not file an Independent CPA Awareness Letter for 2014 and 2015 and its letter for 2016 was filed late.

Previous Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination:

Forms and Rate Filings

The Company did not establish to the satisfaction of the Office that it had keep the filings provided with to the Office current with evolving regulatory changes. The prior examiners noted that the last workers' compensation rate and form filed by the Company was 2003. Explanations were provided for each finding noted in the prior report to the current examiners and have been referred to the Rates and Forms Division of the Office for further discussions with the Company.

Holding Company Filings

The Company had various issues with some of its holding company filings during the prior exam period. The examiners confirmed these issues have been corrected during the current exam period and these findings have been resolved.

Audited Financial Statement

The Company did not file its 2013 Audited Financial Statement on the due date set forth in Section 624.424(8)(a), FS. All required Audited Financial Statements were filed on time during the current exam period. This finding has been resolved.

Actuarial Opinion Summary

The Company did not file its 2013 Actuarial Opinion Summary (“AOS”) on the due date set forth in Section 624.424(1)(b)(2), FS. All required AOSs were filed on time during the current exam period. This finding has been resolved.

COMPANY HISTORY

General

The Company is a stock insurance company, incorporated in Florida on June 17, 1986, and received its Certificate of Authority on December 1, 1992.

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	5,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

In 2020, the Company authorized an additional 3,000,000 shares of common capital shares and issued an additional 900,000 shares to parent, Jamestown Holdings Corporation, for a capital contribution of \$900,000.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under 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, 2021, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
John Anthony Porreca ⁽¹⁾	Odessa, Florida	President, Lion Insurance Company
Robert Brandeis Bennett	Apollo Beach, Florida	Attorney for Bennett, Jacobs & Adam, P.A.
Stephen Lowell Rohde	St. Petersburg, Florida	Retired
Carol Ann Ostapchuk ⁽²⁾	Tarpon Springs, Florida	President/Owner, Carol A. Ostapchuk & Associates
Mary Ann Stiles	Gulfport, Florida	Retired

(1) Chairman

(2) Torben Severin Madson III was appointed to the Board on January 20, 2023 to replace Carol Ann Ostapchuk who passed away on June 28, 2022.

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

Senior Officers		
Name	City, State	Title
John Anthony Porreca	Odessa, Florida	President, Lion Insurance Company
Grant Louis Dalgleish	New Port Richey, Florida	Secretary and Treasurer, Lion Insurance Company

The Company's Board appointed several 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.

Investment Committee		
John Anthony Porreca	Stephen Lowell Rohde	Carol Ann Ostapchuk ⁽¹⁾

(1) Robert Brandeis Bennett was appointed to the Investment Committee on September 9, 2022 to replace Ms. Ostapchuk who passed away on June 28, 2022.

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

Audit Committee		
Stephen Lowell Rohde	John Anthony Porreca ⁽¹⁾	Carol Ann Ostapchuk ⁽²⁾

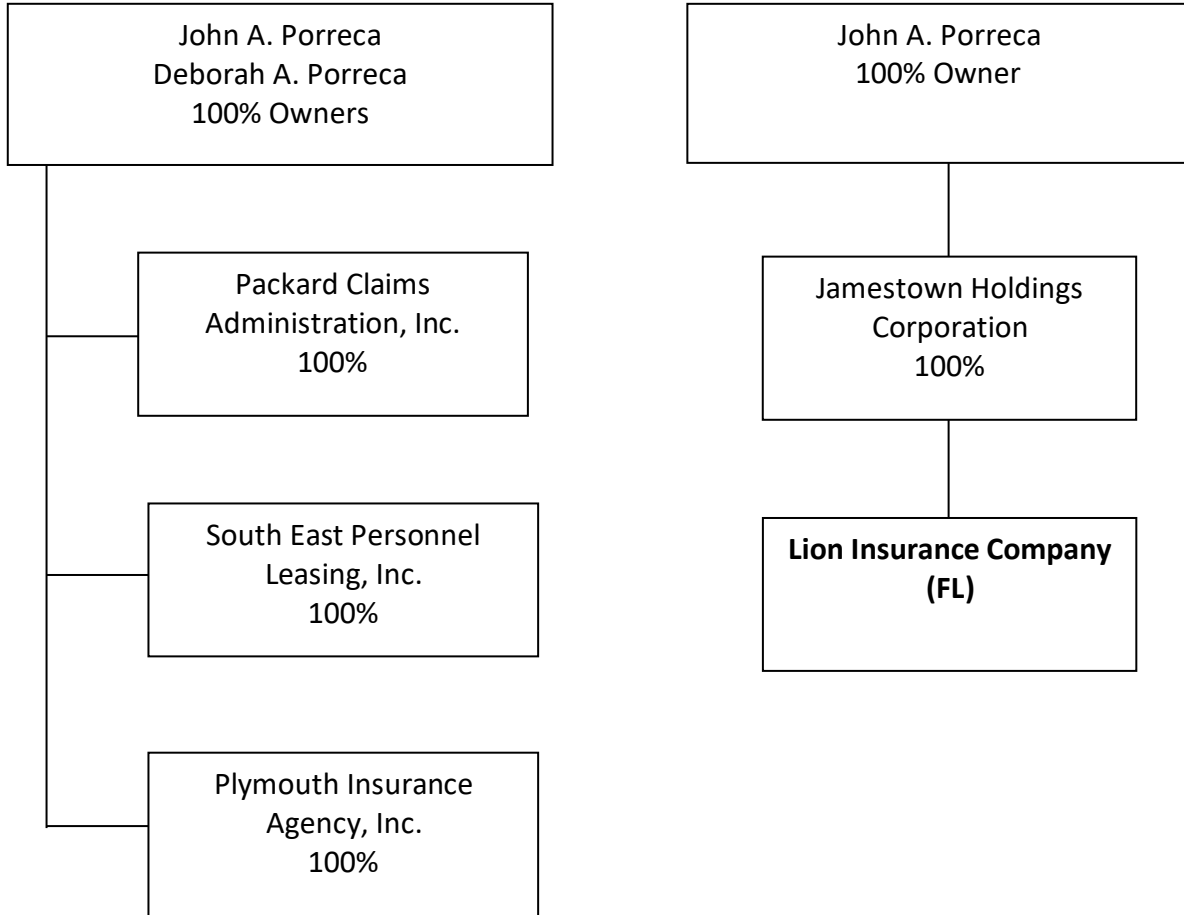
(1) The Company's president served on the Company's audit committee. This is not in accordance with Section 624.424(8)(c), FS.

(2) Robert Brandeis Bennett was appointed to the Audit Committee on September 9, 2022 to replace Ms. Ostapchuk who passed away on June 28, 2022.

Holding Company System

An 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.

**Organizational Chart
December 31, 2021**



Affiliate Agreements

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

Workers' Compensation Insurance

The Company provides workers' compensation insurance coverage to South East Personnel Leasing, Inc. (South East) and its subsidiaries.

Client Leasing Agreement

South East provides leased employees to the Company under a Client Leasing Agreement. Chargeable costs and services include salaries, payroll administration and taxes, group insurance, worker's compensation insurance and 401K contributions.

Expense Allocation Agreement

The Company has an Expense Allocation Agreement with South East. Allocated expenses include rent, phones, and investment interest income allocation (attributable to the Large Deductible Collateral fund).

Large Deductible Collateral Fund

The Company maintains a Large Deductible Collateral Fund that South East pays cash into based on actuarially determined cost of ultimate incurred claims. The Large Deductible Collateral Fund includes \$24,682,087 in excess of the required balance as of December 31, 2021. The collateral fund increased by a net amount of \$2,393,698 as a result of the following:

Fund balance, beginning of year	\$110,624,491
Cash paid into fund by South East	41,000,000
Losses and LAE paid from fund by Company	(38,606,302)
Fund balance, end of year	\$113,018,189

General Agency Agreement

The Company has a General Agency Agreement with Plymouth Insurance Agency, Inc. (Plymouth). Plymouth is used primarily for the brokering of the Southeast PEO business that is written by State National Insurance Company in California, Kentucky, and New York and assumed by the Company under the State National Quota Share Reinsurance Contract.

Claims Service Agreement

The Company has a Claims Service Agreement with Packard Claims Administration, Inc. (Packard). Per that agreement, Packard agreed to provide the Company claim payment and adjusting services. Each subsequent year, an addendum has been added to this agreement to cover the service fees charged for that year.

ACCOUNTS AND RECORDS

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

TERRITORY AND PLAN OF OPERATIONS

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

Florida	Alabama	Arizona
Colorado	Connecticut	Georgia
Hawaii	Illinois	Indiana
Kentucky	Louisiana	Maryland
Massachusetts	Mississippi	Nevada
New Jersey	New Mexico	North Carolina
Oklahoma	Pennsylvania	Rhode Island
South Carolina	Tennessee	Texas
Virginia	District of Columbia	

The states with the highest premium volumes were Florida with \$12,504,908 and Georgia with \$1,206,960 in 2021.

REINSURANCE

Reinsurance Assumed

The Company assumes business from State National Insurance Company, Inc. (State National). Overall, the Company's assumed reinsurance program has been consistent during the exam period.

Reinsurance Ceded

Since 2017, the structure of the reinsurance program has been consistent, with Guy Carpenter & Company, LLC (Guy Carpenter) as the reinsurance broker.

The program is comprised of an excess of loss treaty (XOL) program and a catastrophe XOL treaty program. The Company has no experience-based terms to any of the XOL contracts, and it is reasonably evident that there is sufficient risk transfer.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income or Summary 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 Office 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.)

Lion Insurance Company
Assets
December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$237,589,036		\$237,589,036
Common stocks	9,884,663		9,884,663
Cash and short-term investments	50,730,727		50,730,727
Subtotals, cash, and invested assets	298,204,426		298,204,426
Investment income due and accrued	1,399,049		1,399,049
Uncollected premiums and agents' balances	(111,289)		(111,289)
Deferred premiums, agents' balances, and installments	(1,291,653)		(1,291,653)
Amounts recoverable from reinsurer	311,367		311,367
Other amounts receivable under reinsurance contracts	17,280		17,280
Current federal and foreign income taxes recoverable and interest thereon	517,169		517,169
Net deferred tax asset	1,265,236	\$109,420	1,155,816
Receivables from parent, subsidiaries and affiliates	63,932		63,932
Aggregate write-in for other than invested assets	8,952,195		8,952,195
Totals	\$309,327,711	\$109,420	\$309,218,291

**Lion Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2021**

	Per Company
Losses	\$52,232,868
Reinsurance payable on paid losses and loss adjustment expenses	10,130
Loss adjustment expenses	13,537,068
Other expenses	46,808
Taxes, licenses and fees	257,790
Unearned premiums	50,580
Ceded reinsurance premiums payable	(301,321)
Payable to parent, subsidiaries and affiliates	136,107
Aggregate write-in for liabilities	113,043,189
Total liabilities	\$179,013,221
Common capital stock	\$2,500,000
Gross paid-in and contributed surplus	47,461,990
Unassigned funds (surplus)	80,243,081
Surplus as regards policyholders	\$130,205,071
Totals	\$309,218,291

**Lion Insurance Company
Statement of Income
December 31, 2021**

	Per Company
Underwriting Income	
Premiums earned	\$23,741,309
Deductions	
Losses Incurred	\$7,097,888
Loss adjustment expenses incurred	3,731,619
Other underwriting expenses incurred	7,836,880
Total Underwriting deductions	\$18,666,387
Net underwriting gain (loss)	\$5,074,922
Investment Income	
Net investment income earned	\$2,986,567
Net realized capital gains or (losses)	139,647
Net investment gain or (loss)	\$3,126,215
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(\$7,023)
Aggregate write-ins for miscellaneous income	52
Total other income	(\$6,970)
Federal & foreign income taxes incurred	1,498,825
Net Income	\$6,695,341
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$121,940,435
Net Income	\$6,695,341
Change in net unrealized capital gains or losses less capital gains tax	1,586,634
Change in net deferred income taxes	(282,586)
Change in non-admitted assets	265,247
Change in surplus as regards policyholders for the year	\$8,264,636
Surplus as regards policyholders, December 31, current year	\$130,205,071

**Lion Insurance Company
Reconciliation of Capital and Surplus
December 31, 2021**

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2016, per Company			\$89,987,135
	Increase	Decrease	
Net Income (loss)	\$35,998,672		
Change in net unrealized capital gain (loss)	\$2,110,747		
Change in net deferred income tax	\$1,265,236		
Change in non-admitted assets		\$56,720	
Change in paid in capital	\$900,000		
Net increase (or decrease)			\$40,217,936
Surplus at December 31, 2021, per Company			\$130,205,071

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$130,205,071 exceeded the minimum of \$17,887,384 required by Section 624.408, FS.

SUMMARY OF RECOMMENDATIONS

Lack of Independent Audit Committee Member

The Company's president served on the Company's audit committee. This is not in accordance with Section 624.424(8)(c), FS.

Late Filings - CPA Awareness Letter

The Examination recommended that the Company create a periodic filing to include the CPA Awareness Letter by December 31 of the year subject to audit in accordance with Rule 690-137.002(6)(a), Florida Administrative Code.

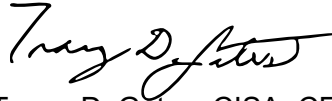
CONCLUSION

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

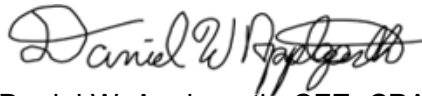
In addition to the undersigned, the following individuals from Highland Clark, LLC ("Highland"), Noble Consulting Services, Inc. ("Noble"), and The Actuarial Advantage, Inc. ("Actuarial Advantage") also participated in the examination:

Bobby Jackson	Exam Manager	Office
Lori G. Lewter, CISA	Examiner, IT Specialist	Highland
Aleksandreja H. Kulits	Examiner	Highland
Alan Kaliski, FCAS, MAAA	Reinsurance Specialist	Noble
Laura Martin, FCAS, MAAA	Exam Actuary	Actuarial Advantage

Respectfully submitted,



Tracy, D. Gates, CISA, CFE
Examiner in Charge, IT Specialist
Highland Clark, LLC
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation