



# ANNUAL STATEMENT

## For the Year Ended DECEMBER 31, 2016

### OF THE CONDITION AND AFFAIRS OF THE

# SOUTHERN OAK INSURANCE COMPANY

NAIC Group Code 0000 , 0000 NAIC Company Code 12247 Employer's ID Number 02-0733996  
(Current Period) (Prior Period)

Organized under the Laws of Florida , State of Domicile or Port of Entry FL

Country of Domicile United States of America

Incorporated/Organized 11/30/2004 Commenced Business 11/30/2004

Statutory Home Office 816 A1A North, Suite 302 , Ponte Vedra Beach, FL, 32082  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 816 A1A North, Suite 302  
(Street and Number)

Ponte Vedra Beach, FL, 32082 (904)353-4000  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 816 A1A North, Suite 302 , Ponte Vedra Beach, FL, 32082  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 816 A1A North, Suite 302  
(Street and Number)

Ponte Vedra Beach, FL, 32082 (904)353-4000  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.southernoakins.com

Statutory Statement Contact Tony Alexander Loughman (904)353-4000  
(Name) (Area Code)(Telephone Number)(Extension)

tony.loughman@southernoakins.com (904)353-4026  
(E-Mail Address) (Fax Number)

### OFFICERS

Name	Title
Tony Alexander Loughman	President
Sallyn Shilling Pajcic	Secretary
Stephen John Pajcic III	Treasurer
Ronald Everett Natherson Jr.	Chief Operating Officer
Daniel Michael Kutzer	Chief Financial Officer
Kimberly Ann Chaney	Vice-President

### OTHERS

### DIRECTORS OR TRUSTEES

Anne Kelley Pajcic	Stephen John Pajcic III
Ronald Everett Natherson Jr.	Tony Alexander Loughman
Sallyn Shilling Pajcic	

State of Florida  
 County of St. Johns ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ (Signature) Tony Alexander Loughman _____ (Printed Name) 1. President _____ (Title)	_____ (Signature) Daniel Michael Kutzer _____ (Printed Name) 2. Chief Financial Officer _____ (Title)	_____ (Signature) _____ (Printed Name) 3. _____ (Title)
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Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2017

- a. Is this an original filing? \_\_\_\_\_
- b. If no, 1. State the amendment number \_\_\_\_\_  
 2. Date filed \_\_\_\_\_  
 3. Number of pages attached \_\_\_\_\_

Yes[X] No[ ]

\_\_\_\_\_  
 (Notary Public Signature)

## ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols.1-2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	92,728,181		92,728,181	88,666,328
2. Stocks (Schedule D):				
2.1 Preferred stocks .....				
2.2 Common Stocks .....	16,949,148		16,949,148	15,127,899
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2 Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3 Properties held for sale (less \$.....0 encumbrances) .....				
5. Cash (\$.....(4,136,710), Schedule E Part 1), cash equivalents (\$.....411,744, Schedule E Part 2) and short-term investments (\$.....2,343,597, Schedule DA) .....	(1,381,369)		(1,381,369)	2,796,124
6. Contract loans (including \$.....0 premium notes) .....				
7. Derivatives (Schedule DB) .....				
8. Other invested assets (Schedule BA) .....				
9. Receivables for securities .....				
10. Securities Lending Reinvested Collateral Assets (Schedule DL) .....				
11. Aggregate write-ins for invested assets .....				
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	108,295,960		108,295,960	106,590,351
13. Title plants less \$.....0 charged off (for Title insurers only) .....				
14. Investment income due and accrued .....	861,824		861,824	928,333
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	4,550,707	52,710	4,497,997	4,952,419
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums) .....				
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0) .....				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	(954,808)		(954,808)	
16.2 Funds held by or deposited with reinsured companies .....				
16.3 Other amounts receivable under reinsurance contracts .....	587,368		587,368	(346,209)
17. Amounts receivable relating to uninsured plans .....				
18.1 Current federal and foreign income tax recoverable and interest thereon .....	414,266		414,266	
18.2 Net deferred tax asset .....	1,512,130		1,512,130	2,237,120
19. Guaranty funds receivable or on deposit .....				
20. Electronic data processing equipment and software .....				
21. Furniture and equipment, including health care delivery assets (\$.....0) .....				
22. Net adjustment in assets and liabilities due to foreign exchange rates .....				
23. Receivables from parent, subsidiaries and affiliates .....	117,577		117,577	106,913
24. Health care (\$.....0) and other amounts receivable .....				
25. Aggregate write-ins for other than invested assets .....	52,261	37,309	14,952	45,689
26. TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	115,437,285	90,018	115,347,267	114,514,615
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
28. TOTAL (Lines 26 and 27) .....	115,437,285	90,018	115,347,267	114,514,615
<b>DETAILS OF WRITE-INS</b>				
1101. ....				
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....				
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....				
2501. Prepaid Expense .....	37,788	37,309	479	
2502. 2012 FIGA Assessment Recoverable .....	14,473		14,473	45,689
2503. Assumed Premiums Receivable .....				
2598. Summary of remaining write-ins for Line 25 from overflow page .....				
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	52,261	37,309	14,952	45,689

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8) .....	17,913,846	17,102,554
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9) .....	2,916,260	2,222,611
4. Commissions payable, contingent commissions and other similar charges .....		
5. Other expenses (excluding taxes, licenses and fees) .....	253,521	202,329
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	(439,205)	(731,441)
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)) .....		864,247
7.2 Net deferred tax liability .....		
8. Borrowed money \$.....0 and interest thereon \$.....0 .....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$.....10,170,443 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act) .....	37,430,205	42,773,132
10. Advance premiums .....	2,117,932	2,283,859
11. Dividends declared and unpaid:		
11.1 Stockholders .....		
11.2 Policyholders .....		
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	7,402	(891,570)
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....	64,538	64,538
14. Amounts withheld or retained by company for account of others .....		
15. Remittances and items not allocated .....		
16. Provision for reinsurance (including (\$.....0 certified)) (Schedule F, Part 8) .....		
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		
18. Drafts outstanding .....		
19. Payable to parent, subsidiaries and affiliates .....		
20. Derivatives .....		
21. Payable for securities .....	213,334	299,616
22. Payable for securities lending .....		
23. Liability for amounts held under uninsured plans .....		
24. Capital notes \$.....0 and interest thereon \$.....0 .....		
25. Aggregate write-ins for liabilities .....	610,108	548,686
26. TOTAL Liabilities excluding protected cell liabilities (Lines 1 through 25) .....	61,087,942	64,738,560
27. Protected cell liabilities .....		
28. TOTAL Liabilities (Lines 26 and 27) .....	61,087,942	64,738,560
29. Aggregate write-ins for special surplus funds .....		
30. Common capital stock .....	6,500,100	6,500,100
31. Preferred capital stock .....		
32. Aggregate write-ins for other than special surplus funds .....		
33. Surplus notes .....		
34. Gross paid in and contributed surplus .....	11,749,000	11,749,000
35. Unassigned funds (surplus) .....	36,010,225	31,526,955
36. Less treasury stock, at cost:		
36.1 .....0 shares common (value included in Line 30 \$.....0) .....		
36.2 .....0 shares preferred (value included in Line 31 \$.....0) .....		
37. Surplus as regards policyholders (Lines 29 to 35, minus 36) (Page 4, Line 39) .....	54,259,325	49,776,055
38. TOTALS (Page 2, Line 28, Column 3) .....	115,347,267	114,514,615
<b>DETAILS OF WRITE-INS</b>		
2501. Assumed Premiums Payable .....	610,108	548,686
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page .....		
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	610,108	548,686
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page .....		
2999. TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....		
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page .....		
3299. TOTALS (Lines 3201 through 3203 plus 3298) (Line 32 above) .....		

## STATEMENT OF INCOME

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4)	65,104,117	70,671,948
<b>DEDUCTIONS</b>		
2. Losses incurred (Part 2, Line 35, Column 7)	24,220,189	22,145,759
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	16,257,098	15,429,032
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	19,918,792	21,241,231
5. Aggregate write-ins for underwriting deductions		
6. TOTAL Underwriting Deductions (Lines 2 through 5)	60,396,079	58,816,021
7. Net income of protected cells		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	4,708,038	11,855,927
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	330,521	260,044
10. Net realized capital gains (losses) less capital gains tax of \$.....0 (Exhibit of Capital Gains (Losses))	104,066	(120,570)
11. Net investment gain or (loss) (Lines 9 + 10)	434,587	139,475
<b>OTHER INCOME</b>		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0)	(27,066)	(2,803)
13. Finance and service charges not included in premiums	230,508	247,593
14. Aggregate write-ins for miscellaneous income		
15. TOTAL Other Income (Lines 12 through 14)	203,441	244,791
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	5,346,066	12,240,193
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	5,346,066	12,240,193
19. Federal and foreign income taxes incurred	1,201,487	3,590,080
20. Net income (Line 18 minus Line 19) (to Line 22)	4,144,579	8,650,113
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	49,776,055	41,534,466
22. Net income (from Line 20)	4,144,579	8,650,113
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....373,379	724,798	(120,101)
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(351,609)	(276,119)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets Line 28, Column 3)	(34,497)	(12,304)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Line 36.1 and 36.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	4,483,270	8,241,589
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37)	54,259,325	49,776,055
<b>DETAILS OF WRITE-INS</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)		
1401.		
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		
3701. PRIOR YEAR REFUND FROM IRS		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Lines 37 above)		

**CASH FLOW**

	1 Current Year	2 Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....	60,015,855	70,247,312
2. Net investment income .....	2,133,352	2,213,748
3. Miscellaneous income .....	203,441	244,791
4. TOTAL (Lines 1 through 3) .....	62,352,648	72,705,851
5. Benefit and loss related payments .....	22,454,089	23,758,294
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	35,138,812	39,047,803
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	2,479,998	3,545,000
10. TOTAL (Lines 5 through 9) .....	60,072,899	66,351,098
11. Net cash from operations (Line 4 minus Line 10) .....	2,279,748	6,354,753
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	22,888,433	20,852,725
12.2 Stocks .....	2,891,149	11,503,624
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		(246)
12.7 Miscellaneous proceeds .....	1,425	318,772
12.8 TOTAL Investment proceeds (Lines 12.1 to 12.7) .....	25,781,007	32,674,875
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	28,679,870	27,894,942
13.2 Stocks .....	3,518,321	11,977,193
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....	86,282	
13.7 TOTAL Investments acquired (Lines 13.1 to 13.6) .....	32,284,472	39,872,135
14. Net increase (decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(6,503,465)	(7,197,260)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....		
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....	46,223	(254,570)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	46,223	(254,570)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	(4,177,494)	(1,097,077)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	2,796,124	3,893,202
19.2 End of year (Line 18 plus Line 19.1) .....	(1,381,369)	2,796,124

**Note: Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:**

20.0001			
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## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1 - PREMIUMS EARNED

	1	2	3	4
Line of Business	Net Premiums Written Per Column 6, Part 1B	Unearned Premiums Dec. 31 Prior Year - per Column 3, Last Year's Part 1	Unearned Premiums Dec. 31 Current Year - per Column 5, Part 1A	Premiums Earned During Year (Columns 1 + 2 - 3)
1. Fire .....	14,684,885	11,561,942	9,051,739	17,195,088
2. Allied lines .....				
3. Farmowners multiple peril .....				
4. Homeowners multiple peril .....	45,076,305	31,211,190	28,378,466	47,909,029
5. Commercial multiple peril .....				
6. Mortgage guaranty .....				
8. Ocean marine .....				
9. Inland marine .....				
10. Financial guaranty .....				
11.1 Medical professional liability - occurrence .....				
11.2 Medical professional liability - claims-made .....				
12. Earthquake .....				
13. Group accident and health .....				
14. Credit accident and health (group and individual) .....				
15. Other accident and health .....				
16. Workers' compensation .....				
17.1 Other liability - occurrence .....				
17.2 Other liability - claims-made .....				
17.3 Excess Workers' Compensation .....				
18.1 Products liability - occurrence .....				
18.2 Products liability - claims-made .....				
19.1 19.2 Private passenger auto liability .....				
19.3 19.4 Commercial auto liability .....				
21. Auto physical damage .....				
22. Aircraft (all perils) .....				
23. Fidelity .....				
24. Surety .....				
26. Burglary and theft .....				
27. Boiler and machinery .....				
28. Credit .....				
29. International .....				
30. Warranty .....				
31. Reinsurance-Nonproportional Assumed Property .....				
32. Reinsurance-Nonproportional Assumed Liability .....				
33. Reinsurance-Nonproportional Assumed Financial Lines .....				
34. Aggregate write-ins for other lines of business .....				
35. TOTALS .....	59,761,190	42,773,132	37,430,205	65,104,117
<b>DETAILS OF WRITE-INS</b>				
3401. ....				
3402. ....				
3403. ....				
3498. Summary of remaining write-ins for Line 34 from overflow page .....				
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....				

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1A - RECAPITULATION OF ALL PREMIUMS

	1 Amount Unearned (Running One Year or Less From Date of Policy) (a)	2 Amount Unearned (Running More Than One Year From Date of Policy) (a)	3  Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 Total Reserve For Unearned Premiums Columns 1 + 2 + 3 + 4
Line of Business					
1. Fire .....	9,051,739				9,051,739
2. Allied lines .....					
3. Farmowners multiple peril .....					
4. Homeowners multiple peril .....	28,378,466				28,378,466
5. Commercial multiple peril .....					
6. Mortgage guaranty .....					
8. Ocean marine .....					
9. Inland marine .....					
10. Financial guaranty .....					
11.1 Medical professional liability - occurrence .....					
11.2 Medical professional liability - claims-made .....					
12. Earthquake .....					
13. Group accident and health .....					
14. Credit accident and health (group and individual) .....					
15. Other accident and health .....					
16. Workers' compensation .....					
17.1 Other liability - occurrence .....					
17.2 Other liability - claims-made .....					
17.3 Excess Workers' Compensation .....					
18.1 Products liability - occurrence .....					
18.2 Products liability - claims-made .....					
19.1 19.2 Private passenger auto liability .....					
19.3 19.4 Commercial auto liability .....					
21. Auto physical damage .....					
22. Aircraft (all perils) .....					
23. Fidelity .....					
24. Surety .....					
26. Burglary and theft .....					
27. Boiler and machinery .....					
28. Credit .....					
29. International .....					
30. Warranty .....					
31. Reinsurance-Nonproportional Assumed Property .....					
32. Reinsurance-Nonproportional Assumed Liability .....					
33. Reinsurance-Nonproportional Assumed Financial Lines .....					
34. Aggregate write-ins for other lines of business .....					
35. TOTALS .....	37,430,205				37,430,205
36. Accrued retrospective premiums based on experience .....					
37. Earned but unbilled premiums .....					
38. Balance (Sum of Lines 35 through 37) .....					37,430,205
<b>DETAILS OF WRITE-INS</b>					
3401. ....					
3402. ....					
3403. ....					
3498. Summary of remaining write-ins for Line 34 from overflow page .....					
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....					

(a) State here basis of computation used in each case: Daily pro rata

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 1B - PREMIUMS WRITTEN

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Columns 1+2+3+4-5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire .....	22,284,707		1,362,296		8,962,118	14,684,885
2. Allied lines .....						
3. Farmowners multiple peril .....						
4. Homeowners multiple peril .....	68,728,680		3,857,487		27,509,863	45,076,305
5. Commercial multiple peril .....						
6. Mortgage guaranty .....						
8. Ocean marine .....						
9. Inland marine .....						
10. Financial guaranty .....						
11.1 Medical professional liability - occurrence .....						
11.2 Medical professional liability - claims-made .....						
12. Earthquake .....						
13. Group accident and health .....						
14. Credit accident and health (group and individual) .....						
15. Other accident and health .....						
16. Workers' compensation .....						
17.1 Other liability - occurrence .....						
17.2 Other liability - claims-made .....						
17.3 Excess Workers' Compensation .....						
18.1 Products liability - occurrence .....						
18.2 Products liability - claims-made .....						
19.1 19.2 Private passenger auto liability .....						
19.3 19.4 Commercial auto liability .....						
21. Auto physical damage .....						
22. Aircraft (all perils) .....						
23. Fidelity .....						
24. Surety .....						
26. Burglary and theft .....						
27. Boiler and machinery .....						
28. Credit .....						
29. International .....						
30. Warranty .....						
31. Reinsurance-Nonproportional Assumed Property .....	X X X					
32. Reinsurance-Nonproportional Assumed Liability .....	X X X					
33. Reinsurance-Nonproportional Assumed Financial Lines .....	X X X					
34. Aggregate write-ins for other lines of business .....						
35. TOTALS .....	91,013,387		5,219,783		36,471,980	59,761,190
<b>DETAILS OF WRITE-INS</b>						
3401. ....						
3402. ....						
3403. ....						
3498. Summary of remaining write-ins for Line 34 from overflow page .....						
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes  No   
 If yes, (1) The amount of such installment premiums \$.....0.  
 (2) Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.....0



## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2 - LOSSES PAID AND INCURRED

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Column 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Columns 4 + 5 - 6)	8 Percentage of Losses Incurred (Column 7, Part 2) to Premiums Earned (Column 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Columns 1 + 2 - 3)				
1. Fire	5,317,082	326,036	384,580	5,258,538	4,243,739	4,423,185	5,079,092	29.54
2. Allied lines								
3. Farmowners multiple peril								
4. Homeowners multiple peril	17,902,011	1,267,595	1,019,247	18,150,359	13,670,107	12,679,369	19,141,097	39.95
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine								
10. Financial guaranty								
11.1 Medical professional liability - occurrence								
11.2 Medical professional liability - claims-made								
12. Earthquake								
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation								
17.1 Other liability - occurrence								
17.2 Other liability - claims-made								
17.3 Excess Workers' Compensation								
18.1 Products liability - occurrence								
18.2 Products liability - claims made								
19.1 19.2 Private passenger auto liability								
19.3 19.4 Commercial auto liability								
21. Auto physical damage								
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Warranty								
31. Reinsurance-Nonproportional Assumed Property	X X X							
32. Reinsurance-Nonproportional Assumed Liability	X X X							
33. Reinsurance-Nonproportional Assumed Financial Lines	X X X							
34. Aggregate write-ins for other lines of business								
35. TOTALS	23,219,093	1,593,631	1,403,827	23,408,897	17,913,846	17,102,554	24,220,189	37.20
<b>DETAILS OF WRITE-INS</b>								
3401.								
3402.								
3403.								
3498. Summary of remaining write-ins for Line 34 from overflow page								
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above)								

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Columns 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excluding Incurred But Not Reported (Columns 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire .....	2,855,225	394,086	396,576	2,852,736	1,341,200	180,956	131,153	4,243,739	649,399
2. Allied Lines .....									
3. Farmowners multiple peril .....									
4. Homeowners multiple peril .....	8,840,309	1,084,661	557,927	9,367,042	4,152,605	498,053	347,593	13,670,107	2,266,861
5. Commercial multiple peril .....									
6. Mortgage guaranty .....									
8. Ocean marine .....									
9. Inland marine .....									
10. Financial guaranty .....									
11.1 Medical professional liability - occurrence .....									
11.2 Medical professional liability - claims-made .....									
12. Earthquake .....									
13. Group accident & health .....								(a)	
14. Credit accident & health (group & individual) .....								(a)	
15. Other accident & health .....									
16. Workers' compensation .....									
17.1 Other liability - occurrence .....									
17.2 Other liability - claims-made .....									
17.3 Excess Workers' Compensation .....									
18.1 Products liability - occurrence .....									
18.2 Products liability - claims-made .....									
19.1 19.2 Private passenger auto liability .....									
19.3 19.4 Commercial auto liability .....									
21. Auto physical damage .....									
22. Aircraft (all perils) .....									
23. Fidelity .....									
24. Surety .....									
26. Burglary and theft .....									
27. Boiler and machinery .....									
28. Credit .....									
29. International .....									
30. Warranty .....									
31. Reinsurance-Nonproportional Assumed Property .....	X X X				X X X				
32. Reinsurance-Nonproportional Assumed Liability .....	X X X				X X X				
33. Reinsurance-Nonproportional Assumed Financial Lines .....	X X X				X X X				
34. Aggregate write-ins for other lines of business .....									
35. TOTALS .....	11,695,534	1,478,747	954,503	12,219,778	5,493,805	679,010	478,746	17,913,846	2,916,260
<b>DETAILS OF WRITE-INS</b>									
3401. ....									
3402. ....									
3403. ....									
3498. Summary of remaining write-ins for Line 34 from overflow page .....									
3499. TOTALS (Lines 3401 through 3403 plus 3498) (Line 34 above) .....									

(a) Including \$.....0 for present value of life indemnity claims.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 3 - EXPENSES

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct .....	5,474,231			5,474,231
1.2 Reinsurance assumed .....	315,112			315,112
1.3 Reinsurance ceded .....	667,924			667,924
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3) .....	5,121,419			5,121,419
2. Commission and brokerage:				
2.1 Direct, excluding contingent .....		9,072,991		9,072,991
2.2 Reinsurance assumed, excluding contingent .....				
2.3 Reinsurance ceded, excluding contingent .....		1,226,402		1,226,402
2.4 Contingent - direct .....				
2.5 Contingent - reinsurance assumed .....				
2.6 Contingent - reinsurance ceded .....				
2.7 Policy and membership fees .....		1,421,550		1,421,550
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....		9,268,139		9,268,139
3. Allowances to manager and agents .....				
4. Advertising .....		723,856		723,856
5. Boards, bureaus and associations .....	242,183	363,274		605,457
6. Surveys and underwriting reports .....	453,969	2,572,491		3,026,460
7. Audit of assureds' records .....				
8. Salary and related items:				
8.1 Salaries .....	7,053,859	3,422,969	664,070	11,140,897
8.2 Payroll taxes .....	302,972	147,021	28,523	478,515
9. Employee relations and welfare .....	76,739	67,590	9,148	153,477
10. Insurance .....	61,469	35,616		97,085
11. Directors' fees .....				
12. Travel and travel items .....	25,393	12,322	2,391	40,106
13. Rent and rent items .....	243,814	118,314	22,953	385,081
14. Equipment .....	20,998	10,190	1,977	33,164
15. Cost or depreciation of EDP equipment and software .....	2,121,243	916,088	312,970	3,350,301
16. Printing and stationery .....	48,568	23,568	4,572	76,709
17. Postage, telephone and telegraph, exchange and express .....	153,641	64,754	24,266	242,662
18. Legal and auditing .....	313,670	376,404	94,101	784,175
19. TOTALS (Lines 3 to 18) .....	11,118,517	8,854,457	1,164,971	21,137,945
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....0 .....		1,653,105		1,653,105
20.2 Insurance department licenses and fees .....		32,030		32,030
20.3 Gross guaranty association assessments .....		5,932		5,932
20.4 All other (excluding federal and foreign income and real estate) .....				
20.5 TOTAL taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....		1,691,067		1,691,067
21. Real estate expenses .....				
22. Real estate taxes .....				
23. Reimbursements by uninsured plans .....				
24. Aggregate write-ins for miscellaneous expenses .....	17,161	105,130	782,953	905,245
25. TOTAL expenses incurred .....	16,257,098	19,918,792	1,947,924	(a) 38,123,814
26. Less unpaid expenses - current year .....				
27. Add unpaid expenses - prior year .....				
28. Amounts receivable relating to uninsured plans, prior year .....				
29. Amounts receivable relating to uninsured plans, current year .....				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29) .....	16,257,098	19,918,792	1,947,924	38,123,814
<b>DETAILS OF WRITE-INS</b>				
2401. Bank Service Charges .....			778,663	778,663
2402. Donations .....		83,678		83,678
2403. IT Professional Fees .....	17,161	21,452	4,290	42,903
2498. Summary of remaining write-ins for Line 24 from overflow page .....				
2499. TOTALS (Lines 2401 through 2403 plus 2498) (Line 24 above) .....	17,161	105,130	782,953	905,245

(a) Includes management fees of \$.....28,206,222 to affiliates and \$.....0 to non-affiliates.

## EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 107,853	120,298
1.1 Bonds exempt from U.S. tax	(a) 809,488	890,710
1.2 Other bonds (unaffiliated)	(a) 949,621	790,585
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates	461,695	461,695
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 13,909	12,770
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		2,387
10. TOTAL Gross investment income	2,342,567	2,278,445
11. Investment expenses		(g) 1,947,924
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. TOTAL Deductions (Lines 11 through 15)		1,947,924
17. Net Investment income (Line 10 minus Line 16)		330,521
<b>DETAILS OF WRITE-INS</b>		
0901. Miscellaneous Income/(Expense)		2,387
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)		2,387
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15 above)		

- (a) Includes \$ 98,789 accrual of discount less \$ 1,835,098 amortization of premium and less \$ 65,368 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 4,023 amortization of premium and less \$ 1,139 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

## EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	1,637		1,637		
1.1 Bonds exempt from U.S. tax	5,155		5,155		
1.2 Other bonds (unaffiliated)	(58)		(58)		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)	95,905		95,905	1,098,180	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments	1,428		1,428		
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. TOTAL Capital gains (losses)	104,067		104,067	1,098,180	
<b>DETAILS OF WRITE-INS</b>					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)					

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....			
2. Stocks (Schedule D):			
2.1 Preferred stocks .....			
2.2 Common stocks .....			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....			
3.2 Other than first liens .....			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....			
4.2 Properties held for the production of income .....			
4.3 Properties held for sale .....			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6. Contract loans .....			
7. Derivatives (Schedule DB) .....			
8. Other invested assets (Schedule BA) .....			
9. Receivables for securities .....			
10. Securities lending reinvested collateral assets (Schedule DL) .....			
11. Aggregate write-ins for invested assets .....			
12. Subtotals, cash and invested assets (Lines 1 to 11) .....			
13. Title plants (for Title insurers only) .....			
14. Invested income due and accrued .....			
15. Premium and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	52,710	53,484	774
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
15.3 Accrued retrospective premiums and contracts subject to redetermination .....			
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....			
16.2 Funds held by or deposited with reinsured companies .....			
16.3 Other amounts receivable under reinsurance contracts .....			
17. Amounts receivable relating to uninsured plans .....			
18.1 Current federal and foreign income tax recoverable and interest thereon .....			
18.2 Net deferred tax asset .....			
19. Guaranty funds receivable or on deposit .....			
20. Electronic data processing equipment and software .....			
21. Furniture and equipment, including health care delivery assets .....			
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			
23. Receivables from parent, subsidiaries and affiliates .....			
24. Health care and other amounts receivable .....			
25. Aggregate write-ins for other than invested assets .....	37,309	2,037	(35,272)
26. TOTAL Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	90,018	55,521	(34,497)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
28. TOTAL (Lines 26 and 27) .....	90,018	55,521	(34,497)
<b>DETAILS OF WRITE-INS</b>			
1101. ....			
1102. ....			
1103. ....			
1198. Summary of remaining write-ins for Line 11 from overflow page .....			
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above) .....			
2501. Prepaid Expense .....	37,309	2,037	(35,272)
2502. ....			
2503. ....			
2598. Summary of remaining write-ins for Line 25 from overflow page .....			
2599. TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	37,309	2,037	(35,272)

# Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Summary of Significant Accounting Policies

#### A. Accounting Practices

The accompanying financial statements of Southern Oak Insurance Company (the Company) have been prepared in accordance with the NAIC *Accounting Practices and Procedures* manual except to the extent it differs from the accounting practices prescribed or permitted by the Florida Department of Financial Services.

The Florida Department of Financial Services requires insurance companies domiciled in the State of Florida to prepare their statutory financial statements in accordance with the NAIC *Accounting Practices and Procedures* Manual as of March 2002 and subsequent amendments thereto, subject to any deviations prescribed or permitted by the Florida Department of Financial Services.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Florida is shown below:

		<u>State of Domicile</u>	<u>2016</u>	<u>2015</u>
<u>NET INCOME</u>				
(1)	Southern Oak Insurance Company state basis	FL	4,144,580	8,650,112
(2)	State Prescribed Practices: NONE		0	0
(3)	State Permitted Practices: NONE		0	0
(4)	NAIC SAP	FL	4,144,580	8,650,112
<u>SURPLUS</u>				
(5)	Southern Oak Insurance Company state basis	FL	54,259,325	49,776,055
(6)	State Prescribed Practices: NONE		0	0
(7)	State Permitted Practices: NONE		0	0
(8)	NAIC SAP	FL	54,259,325	49,776,055

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### C. Accounting Policies

The following is a summary of the accounting policies followed by the Company:

Premiums are ratably earned over the term of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and ceded reinsurance, and are based on reports received from ceding companies for assumed reinsurance.

Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as commissions and service company fees, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Net investment income earned consists primarily of interest and dividends less investment related expense. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed of. Realized capital losses include write-downs for impairments considered to be other than temporary.

In addition, the Company uses the following accounting policies:

- Short term investments are stated at amortized cost.
- Bonds are stated at amortized cost using the interest method.
- Common stocks are stated at market.
- Preferred stocks are stated at market.
- Mortgage loans – Not Applicable
- Loan-Backed Securities – Not Applicable
- Investment in subsidiaries, controlled and affiliated companies – Not Applicable
- Investments in joint ventures, partnerships and limited liability companies – Not Applicable
- Any premium paid or received on derivatives - Not Applicable
- The Company does not anticipate investment income as a factor in premium deficiency calculations.
- Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports, and an amount, based on projections, for losses incurred but not reported. Such liabilities are based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability is continually reviewed and any adjustments are reflected in the period determined. .
- The Company has not modified its capitalization policy from the prior period.
- Pharmaceutical rebate receivables – Not Applicable

### Note 2 – Accounting Changes and Correction of Errors

Not Applicable.

### Note 3 – Business Combinations and Goodwill

Not Applicable

### Note 4 – Discontinued Operations

Not Applicable

## Notes to Financial Statements

### Note 5 – Investments

- A. Mortgage Loans – Not Applicable
- B. Debt Restructuring – Not Applicable
- C. Reverse Mortgages – Not Applicable
- D. Loan Backed Securities - Not Applicable
- E. Repurchase Agreements and/or Securities Lending Transactions
  - 1. For repurchase agreements, the Company generally requires a minimum of 102% of the value of securities purchased under repurchase agreements to be maintained as collateral.
  - 2. Assets pledged as collateral – Not Applicable
  - 3. Collateral accepted – Not Applicable
- F. Real Estate – Not Applicable
- G. Low-income Housing Tax Credits (LIHTC) – Not Applicable

#### H. Restricted Assets

##### (1) Restricted Assets (Including Pledged)

	Gross Restricted								Percentage	
	Current Year					6	7	8	9	10
	1	2	3	4	5					
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
a.	Subject to contractual obligation for which liability is not shown									
b.	Collateral held under security lending agreements									
c.	Subject to repurchase agreements									
d.	Subject to reverse repurchase agreements									
e.	Subject to dollar repurchase agreements									
f.	Subject to dollar reverse repurchase agreements									
g.	Placed under option contracts									
h.	Letter stock or securities restricted as to sale									
i.	FHLB Capital Stock									
j.	On deposit with states	411,744			411,744	405,398	6,346	411,744	0.36%	0.36%
k.	On deposit with other regulatory bodies									
l.	Pledged as collateral not captured in other categories									
m.	Other restricted assets									
n.	Total Restricted Assets	411,744			411,744	405,398	6,346	411,744	0.36%	0.36%

# Notes to Financial Statements

(2) Assets Pledge as Collateral not Captured in Other Categories - Not Applicable

(3) Other Restricted Assets - Not Applicable

I. Working Capital Finance Investments

Not Applicable.

J. Offsetting and Netting of Assets and Liabilities

Not Applicable.

K. Structured Notes

Not Applicable.

**Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

Not Applicable

**Note 7 – Investment Income**

A. Due and accrued income was excluded from surplus on the following bases:

All investment income due and accrued with amounts that are over 90 days past due with the exception of mortgage loans in default

B. The total amount excluded was \$0.

**Note 8 – Derivative Instruments**

Not Applicable

**Note 9 – Income Taxes**

A. 1. The components of the net DTA recognized at December 31, 2016 and December 31, 2015 are as follows:

	Ordinary	2016 Capital	Total	Ordinary	2015 Capital	Total	Ordinary	Change Capital	Total
a. Gross DTAs	\$ 2,868,644	\$ 91,357	\$ 2,960,002	\$ 3,250,328	\$ 10,918	\$ 3,261,246	(\$ 381,684)	80,439	(\$301,244)
b. Statutory Valuation Allowance Adjustments		(\$ 50,364)	(\$ 50,364)					(50,364)	(\$50,364)
c. Adjusted Gross DTA	\$2,868,644	\$ 40,993	\$ 2,909,638	\$ 3,250,328	\$ 10,918	\$ 3,261,246	(\$381,684)	\$30,075	(\$ 351,608)
d. Non-Admitted DTA	0	0	0	0	0	0	0	0	0
e. Subtotal Gross Admitted DTA	\$2,868,644	\$ 40,993	\$ 2,909,638	\$ 3,250,328	\$ 10,918	\$ 3,261,246	(\$381,684)	\$30,075	(\$ 351,609)
f. Gross DTL	0	\$1,397,507	\$ 1,397,507	0	\$1,024,126	\$1,024,126	0	\$373,381	\$373,381
g. Net admitted DTA/(Net DTL)	\$2,868,644	\$ (1,356,514)	\$ 1,512,131	\$ 3,250,328	(\$1,013,208)	\$2,237,120	(\$381,684)	(\$ 343,306)	(\$724,989)

2. Admission Calculation Components SSAP No. 101

	(1) Ordinary	12/31/2016 (2) Capital	(3) (Col 1+2) Total	(4) Ordinary	12/31/2015 (5) Capital	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary	Change (8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks.	\$ 2,805,004	\$40,000	\$ 2,845,004	\$3,213,983		\$3,213,983	(\$408,979)	\$ 40,000	(\$368,979)
(b) Adjusted Gross DTAs Expected To Be Realized (Excluding The Amount Of DTAs from 2(a) above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below)									
1. Adjusted Gross DTAs Expected to be Realized Following the Balance Sheet Date.	\$ 25,529		\$ 25,529	\$ 0		\$ 0	\$25,529		\$25,529
2. Adjusted Gross DTAs Allowed per Limitation Threshold.			\$7,945,506			\$ 7,150,824			\$ 794,682
(c) Adjusted gross DTAs offset against existing DTLs.	\$ (1,889)	\$ 40,993	\$ 39,104	\$ 36,344	\$ 10,918	\$ 47,263	(\$ 38,233)	\$30,075	(\$ 8,158)
(d) DTAs Admitted as the result of application of SSAP No. 101.	\$ 2,828,644	\$ 80,933	\$2,909,638	\$ 3,250,328	\$ 10,918	\$3,261,246	(\$421,683)	\$ 70,075	(\$ 315,608)

3.

(a) Ratio Percentage Used to Determine Recovery Period And Threshold Limitation Amount.

2016

2015

720.68%

623.75%

(b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period And Threshold Limitation in 2(b)2 above.

\$52,970,041

\$47,672,159



## Notes to Financial Statements

4.

	12/31/2016		12/31/2015		Change	
	(1)	(2)	(3)	(4)	(5)	(6)
	Ordinary	Capital	Ordinary	Capital	(Col 1-3) Ordinary	(Col 2-4) Capital
Impact of Tax-Planning Strategies						
(b). Does the Company's tax-planning strategies include the use of reinsurance? Yes ___ No <u>X</u> ___						
(a) Determination Of Adjusted DTAs and Net Admitted DTAs, By Tax Character As A Percentage						
1. Adjusted Gross DTAs Amount From Note 9A1(c)	2,868,644	40,993	3,250,328	10,918	(381,684)	30,075
2. Percentage Of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	2,868,644	40,993	3,250,328	10,918	(381,684)	30,075
4. Percentage Of Net Admitted Adjusted Gross DTAs By Tax Character Attributable Because Of The Impact Of Tax Planning Strategies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

s: None

C. Current Income taxes incurred consist of the following major components:

1. Current Income Tax

	12/31/2016	12/31/2015	Change
Current FIT Incurred	\$1,159,133	\$3,640,152	(\$2,481,019)
Capital Gain Tax	\$0	\$0	\$0
True Up PY	42,354	(\$50,072)	\$92,427
Total Federal income taxes incurred	\$1,201,487	\$3,590,080	(\$2,388,593)

2. Deferred Tax Assets

a. Ordinary

Discounting of unpaid losses	\$231,576	\$256,874	(\$25,298)
Unearned premium reserve	\$2,606,462	\$2,974,576	(\$368,114)
Charitable Contributions Carryforward	0	0	0
Non-admitted Assets	\$30,606	\$18,877	\$11,729
Subtotal	\$2,868,644	\$3,250,328	(\$381,683)
b. Statutory Valuation Allowance Adjustment	0	0	0
c. Non-admitted		0	0
d. Admitted Ordinary DTAs	\$2,868,644	\$3,250,328	(\$381,683)

e. Capital

Capital Loss Carry-forward	91,357	10,918	80,439
Impairments	0	0	0
Unrealized Losses	0	0	0
Subtotal	91,357	10,918	80,439
f. Statutory Valuation Allowance	(50,364)	0	(50,364)
g. Non-Admitted	0	0	0
h. Admitted Capital DTA	40,993	10,918	30,075
i. Admitted DTAs	2,909,638	3,261,246	(351,608)

3. Deferred Tax Liabilities

a. Ordinary

Fixed Assets	0	0	0
Other Prepays	0	0	0
Subtotal	0	0	0

b. Capital

Unrealized Gains	1,397,507	1,024,126	373,381
Other	0	0	0
Subtotal	1,397,507	1,024,126	373,381

c. DTLs

	1,397,507	1,024,126	373,381
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4. Net admitted DTA (DTL)

	\$1,512,131	\$2,237,120	(\$724,989)
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D. The provision for federal income taxes incurred is different from which would be obtained by applying the statutory federal income tax rate to income before taxes. The differences are as follows:

	Dec. 31, 2016	Effective Tax Rate
Provision computed at statutory rate	\$1,817,662	34.00%
Tax exempt income deduction	(293,146)	(5.48%)
Dividends received deduction	(74,259)	(1.39%)
Change in Valuation Allowance	50,364	.94%
Proration of tax exempt investment income	56,133	1.05%
Change in non-admitted assets	(11,729)	(.22%)
Prior Year True Up	8,070	.15%
	\$1,553,095	29.05%
	Amount	Effective Tax Rate
Federal income taxes incurred	\$1,201,487	22.47%
Change in net deferred income taxes	351,608	6.58%
Total statutory taxes	\$1,553,095	29.05%

## Notes to Financial Statements

- E. Operating Loss and Tax Credit Carry Forward
1. At December 31, 2016, the Company had an operating loss carry back of \$0. The carryforwards begin to expire in 2017. At December 31, 2016, the Company had unused capital loss carryforwards available to offset against future capital gains of \$268,698. The carryforwards begin to expire in 2018.
  2. The amount of federal income taxes incurred in the current and prior years that will be available for recoupment in the event of future losses is \$1,201,487 and \$3,590,080 respectively.
- F. The company is not included in a consolidated federal income tax return.

### **Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

- A. Southern Oak Insurance Company is a wholly owned subsidiary of Southern Oak Holding Company, LLC (Parent). During the fourth quarter of 2004, Southern Oak Holding Company, LLC contributed \$6,500,100 in Policyholder Surplus in exchange for 65,001 shares of \$100 par value common stock of the Company.
- B. Southern Oak Management, LLC, an affiliate of the Company, is the exclusive managing general agent (MGA) in Florida. Under the Managing General Agency Agreement with Southern Oak Management, LLC, the Company pays a commission to the MGA for expenses the MGA incurs that are charged to underwriting, acquisition and other expenses for operations management and loss adjustment expenses for claims administration and adjusting.
- Southern Oak Holding Company has made contributions in prior years of \$11,749,000, including forgiving an outstanding Surplus Note of \$3,100,000 as approved by the Office of Insurance Regulation in 2010. The most recent contribution happened during December 2011 in the amount of \$2,849,000.
- C. The commissions to the MGA incurred during 2016 amounted to \$28,206,222. Additionally, the Company collects and remits policy fees to Southern Oak Management, LLC.
- D. At December 31, 2016, the Company carried a receivable to the MGA of \$117,577 arising from insurance transactions in the ordinary course of business.

E–N Not applicable

### **Note 11 – Debt**

Not Applicable

### **Note 12 – Retirement Plans, Deferred Compensation, Post Employment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

- A. Defined Benefit Plan – Not Applicable
- B. Defined Contribution Plan – Not Applicable
- C. Multi-employer Plans – Not Applicable
- D. Consolidated/Holding Company Plans – Not Applicable
- E. Post employment Benefits and Compensated Absences – Not Applicable
- F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) – Not Applicable

### **Note 13 – Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations**

1. Common Stock – The Company has 65,001 common shares \$100 par value authorized, issued, and outstanding.
2. Preferred Stock - None
3. Dividend Restrictions – The maximum amount of dividends that can be paid by the Company to its Parent without prior approval of the Florida Insurance Commissioner is subject to statutory restrictions. Normally, the maximum dividend payout which could be made in 2016 without prior approval would be the greater of (a) the lesser of 10% of policyholders’ surplus at December 31, 2015 or net income not including realized capital gains net of taxes, or (b) net investment income. The maximum dividend payout is limited to earned surplus excluding unrealized capital gains.
4. Dividends paid – None
5. Portion of profits that may be paid out – Not applicable.
6. Restrictions on Unassigned Surplus – The Company deposited \$300,000 with the Florida Bureau of Collateral Securities for the benefit of Florida policyholders in the event of default by the Company.
7. Mutuals: advances to surplus not repaid – Not Applicable
8. Specially held stocks - None
9. Changes in special surplus funds - None
10. Changes in and Nature of Unassigned Funds

Description	Cumulative Increase (Decrease) in Surplus	Current Year Increase (Decrease) in Surplus
a. Unrealized gain or (loss)	\$ 4,110,315	\$1,098,180
b. Tax on unrealized gain or (loss)	(\$373,382)	(\$373,382)
c. Nonadmitted assets	(\$90,018)	(\$34,497)
d. Separate account business	0	0
e. Asset valuation reserve	0	0
f. Provision for reinsurance	0	0
Total Increase (Decrease)	\$3,646,915	\$690,301

11. Surplus Notes – Not Applicable
12. Quasi Reorganization: impact of restatement – Not Applicable
13. Quasi Reorganization: effective date – Not Applicable

## Notes to Financial Statements

### Note 14 – Liabilities, Contingencies and Assessments

- A. Contingent Commitments – None as of December 31, 2016
- B. Assessments – The Company is subject to assessments by a Florida guaranty fund and a residual market pool. The activities of these entities include collecting funds from solvent insurance companies to cover losses resulting from the insolvency or rehabilitation of other insurance companies, or deficits generated by the state residual market pools, such as Citizens Property Insurance Corporation.
- The Company's policy is to recognize its obligation for assessments when the Company has the information available to reasonably estimate its liability. Guaranty fund assessments are generally available for recoupment from policyholders, and as such, amounts assessed are recorded as a recoverable asset. As Southern Oak was not liable under the 2005 assessment methodology, the accompanying financial statements do not include any liability for residual market pool assessments; on July 1, 2006, the company paid a 2006 F.I.G.A. assessment in the amount of \$225,468.18 which was partially recouped during 2007. Additionally, in December 2006, the company was notified by F.I.G.A. of a 2006 Emergency assessment of the same amount (\$225,468.18), which was paid in January of 2007. This Emergency assessment is subject to the same recoupment conditions as the previous 2006 F.I.G.A. assessment. In November 2007, the company paid a 2007 F.I.G.A. assessment of \$638,376. Both of these recoverable assets have been recouped and are no longer shown as assets. In December 2009, a FIGA Assessment was paid in the amount of \$549,345, the un-recouped portion is shown on the Asset page under the caption 2009 FIGA Assessment Recoverable. In December 2012, a FIGA Assessment was paid in the amount of \$761,946, the un-recouped portion is shown on the Asset page under the caption 2012 FIGA Assessment. Both the 2009 and 2012 assessments were also subject to the recoupment conditions of previous FIGA assessments.
- C. Gain Contingencies – None as of December 31, 2016
- D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits – None as of December 31, 2016
- E. Product Warranties – None as of December 31, 2016
- F. Joint and Several Liabilities – None as of December 31, 2016
- G. All Other Contingencies - Various lawsuits against the Company may arise in the ordinary course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no asset that it considers to be impaired.

### Note 15 – Leases

Not Applicable

### Note 16 – Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not Applicable

### Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

- A. Transfers of Receivables Reported as Sales  
Not applicable
- B. Transfers and Servicing of Financial Assets  
Not applicable
- C. Wash Sales  
Not applicable

### Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Not Applicable

### Note 19 – Direct Premium Written/Produced by Managing Agents/Third Party Administrators

All direct premiums are written through Southern Oak Management, LLC, which is a managing general agent under exclusive contract with the Company in Florida.

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Types of Authority Granted	Total Direct Premium Written/Produced By
Southern Oak Management, LLC, Ponte Vedra Beach, FL 32082	56-2480776	Yes	Residential Property, including Homeowners and Fire	C, CA, B, P, and U	\$ 91,013,387
Total					\$ 91,013,387

### Note 20 – Fair Value Measurement

- A. (1) Assets Measured at Fair Value on a Recurring Basis

Description	Level 1	Level 2	Level 3	Total
a. Assets at fair value				
Bonds	0	0	0	0
Common Stock	\$16,949,147	0	0	\$16,949,147
Preferred Stock	0	0	0	0
Total Assets	\$16,949,147	0	0	\$16,949,147
b. Liabilities at fair value				
Derivative Liabilities	0	0	0	0
Total Liabilities	0	0	0	0

# Notes to Financial Statements

## (2) Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

The Company has no assets or liabilities measured at fair value on a nonrecurring basis in this category.

## (3) The Company recognizes transfers between levels as of the end of the reporting period.

## (4) Inputs and Techniques Used for Fair Values

Level 1 – Quoted Prices in Active Markets for Identical Assets and Liabilities: This category for items measured at fair value on a recurring basis includes exchange-traded common stocks. The estimated fair value of the equity securities within this category are based on quoted prices in active markets and are thus classified as Level 1.

Level 2 – Significant Other Observable Inputs: The Company has no assets or liabilities measured at fair value on a recurring basis in this category.

Level 3 – Significant Unobservable Inputs: The Company has no assets or liabilities measured at fair value on a recurring basis in this category.

## (5) The Company does not own derivative assets and/or liabilities.

## B. Assets Measured at Fair Value on a Nonrecurring Basis

Not Applicable

## C. Other Fair Value Disclosures

Not Applicable

## D. Reasons Not Practical to Estimate Fair Value

Not Applicable

**Note 21– Other Items**

## A. Extraordinary Items - None

## B. Troubled Debt Restructuring: Debtors – Not Applicable

## C. Other Disclosures

Assets in the amount of \$300,000 are on deposit with the State of Florida, Department of Financial Services, as required by law.

Southern Oak participates in Citizens Property Insurance Company (a State of Florida insurer of last resort) depopulation efforts. Under the current plan, which was approved in September 1, 2016, Southern Oak assumes roughly 8,000 policies from Citizens a year.

Special Disability Trust Fund Disclosures – Not Applicable

Agents Balances Certification Disclosures

Premium receivables of \$4,497,997 are due from policyholders. Premiums collected by “Controlled” or “Controlling” persons: \$0. Premiums collected by “Controlled” or “Controlling” persons within 15 working days immediately preceding reporting period: \$0.

## D. Business Interruption Insurance Recoveries – Not Applicable

## E. State Transferable Tax Credits – Not Applicable

## F. Subprime Mortgage Related Risk Exposure – Not Applicable

## G. Insurance-Linked Securities – Not Applicable

**Note 22– Events Subsequent**

None

**Note 23– Reinsurance**

## A. Unsecured Reinsurance Recoverable – Not Applicable

## B. Reinsurance Recoverable in Dispute – Not Applicable

## C. Reinsurance Assumed and Ceded at December 31, 2016:

	Assumed Reinsurance		Ceded Reinsurance		Net	
	(1)	(2)	(3)	(4)	(5)	(6)
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	0	0	0	0	0	0
b. All Other	\$1,954,935	\$0	\$10,170,443	0	\$ (8,215,508)	\$0
<b>c. TOTAL</b>	<b>\$1,954,935</b>	<b>\$0</b>	<b>\$10,170,443</b>	<b>0</b>	<b>\$ (8,215,508)</b>	<b>\$0</b>

d. Direct Unearned Premium Reserve \$45,645,714

Line (c) of Column 5 plus Line (d) must equal Page 3, Line 9, Column 1.

(2) None

(3) Not Applicable

## D. Uncollectible Reinsurance – Not Applicable

# Notes to Financial Statements

E. Commutation of Ceded Reinsurance

The Company has commuted its 2005 contract year of the Florida Hurricane Catastrophe Fund during 2011. The net impact of this commutation was zero impact on the incurred losses, loss adjustment expenses, premiums earned and other expenses. The Florida Hurricane Catastrophe Fund paid \$365,089 to the Company which covered all of the FHCF incurred losses and reinsurance recoverables at the point of commutation

F. Retroactive Reinsurance – Not Applicable

G. Reinsurance Accounted for as a Deposit – Not Applicable

H. Disclosures for the Transfer of Property and Casualty Run-Off Agreements

Not Applicable

I. Certified Reinsurer Rating Downgrade or Status Subject to Revocation

(1) Reporting Entity Ceding to Certified Reinsurer whose Rating Was Downgraded or Status Subject to Revocation

Not Applicable

(2) Reporting Entity's Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable

J. Retroactive Reinsurance Agreements covering A&E Liabilities – Not Applicable

**Note 24– Retrospective Rated Contracts and Contracts Subject to Redetermination**

Not Applicable

**Note 25– Changes in Incurred Losses and Loss Adjustment Expenses**

Reserves for incurred losses and loss adjustment expenses attributed to insured events of prior years have decreased by approximately \$1,466,000 as a result of payments or re-estimation of unpaid losses and loss adjustment expenses. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims. The Company uses an independent 3<sup>rd</sup> party to do quarterly evaluations of reserves.

**Note 26– Intercompany Pooling Arrangements**

Not Applicable

**Note 27– Structured Settlements**

Not Applicable

**Note 28– Health Care Receivables**

Not Applicable

**Note 29– Participating Policies**

Not Applicable

**Note 30 Premium Deficiency Reserves**

Not Applicable

**Note 31– High Deductibles**

Not Applicable

**Note 32– Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses**

The Company does not discount unpaid losses and unpaid loss adjustment expenses.

**Note 33– Asbestos/Environmental Reserves**

Not Applicable

**Note 34- Subscriber Savings Account**

Not Applicable

**Note 35– Multiple Peril Crop Insurance**

Not Applicable

**Note 36– Financial Guaranty Insurance**

Not Applicable

# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

## MEMBERS OF A HOLDING COMPANY GROUP

### PART 1 - ORGANIZATIONAL CHART

