



**EXAMINATION REPORT
OF
FLORIDA PENINSULA INSURANCE COMPANY**

NAIC Company Code: 10132

**Boca Raton, Florida
as of
December 31, 2017**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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February 22, 2019
David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 690-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2017, of the financial condition and corporate affairs of

Florida Peninsula Insurance Company
903 NW 65th Street, Suite 200
Boca Raton, Florida 33487

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, 2013 through December 31, 2017 and commenced with planning at the Florida Office of Insurance Regulation (“Office”) on September 10, 2018 to September 12, 2018. The fieldwork commenced on October 10, 2018, and concluded as of February 22, 2019. The Company’s last full scope examination by representatives of the Office covered the period of January 1, 2009 through December 31, 2012.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“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 Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (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 non-compliance with state Law:

The Company's custodial agreement with JPMorgan Chase Bank did not adhere to Rule 69O-143.042, Florida Administrative Code. Although not resolved during this examination period, the Office has confirmed the Company executed an amendment to the custodial agreement with JPMorgan Chase Bank that complies with Rule 69O-143.042, Florida Administrative Code.

The Company did not have written agreements for transactions, invoices, and supporting documentation with related parties per SSAP 25.

Previous Examination Findings

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2012.

COMPANY HISTORY

General

Florida Peninsula Insurance Company ("FPIC") is a domestic stock company that became licensed in Florida on March 22, 2005. FPIC is a wholly owned subsidiary of Florida Peninsula Holdings, LLC ("FPHLLC"). The Company wholly owns Edison Insurance Company ("EIC"), a Florida domestic insurance company.

FPIC holds Florida licensing in Homeowners' Multi-Peril and Inland Marine lines of business. However, since its inception, FPIC has been concentrating its writing efforts in the homeowners' market only in Florida. Currently FPIC has an additional license in South Carolina.

During 2014, FPHLLC contributed \$16,000,000 in policyholder surplus.

The Company was incorporated in Florida on March 30, 2005 and commenced business on May 1, 2005.

Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid ordinary dividends of \$10,000,000 to FPHLLC on January 11, 2017.

Capital Stock and Capital Contributions

As of December 31, 2017, the Company's capitalization was as follows:

Number of authorized common capital shares	20,000
Number of shares issued and outstanding	20,000
Total common capital stock	\$2,000,000
Par value per share	\$100.00

Surplus Notes

On January 3, 2007, the Company received the proceeds from a Surplus Note issued by the State of Florida under the insurance Capital Build-Up Incentive Program in the amount of \$25,000,000. This note was executed between the Company and the State Board of Administration ("SBA") of Florida. The term of the Surplus Note is 20 years at an interest rate equivalent to the 10-year U.S. Treasury Bond rate. The rate will be adjusted quarterly for the term of the Surplus Note based on the 1-year Constant Maturity Treasury rate. For the first three years of the Surplus Note, the Company is required to pay interest only, on the 1st day of each quarter. However, principal payments can be made during this time. Any payment of principle and interest must be approved by the Office.

On October 1, 2011 the Company signed an addendum to the Surplus Note accelerating the payment of the Surplus Note by five years.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this examination.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Board of Directors (“Board”) was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2017, are shown below:

Directors

Name	City, State	Principal Occupation, Company Name
Paul Montgomery Adkins	Boca Raton, Florida	Chairman, FPIC
Roger Louis Desjadon	Franklin Park, New Jersey	Chief Executive Officer, FPIC
Clint Bryan Strauch	Hollywood, Florida	Chief Operations Officer, FPIC
Francis Joseph Lattanzio	Glastonbury, Connecticut	Chief Financial Officer, FPIC
Gary Andrew Cantor	Gulf Stream, Florida	Executive Vice President, FPIC
Stacey Alexander Giuliani	Cumberland Foreside, Maine	General Counsel FPIC

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

Senior Officers

Name	City, State	Title
Roger Louis Desjadon	Franklin Park, New Jersey	Chief Executive Officer
Francis Joseph Lattanzio	Glastonbury, Connecticut	Treasurer
Stacey Alexander Giuliani	Cumberland Foreside, Maine	Secretary

The Company’s Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2017.

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

Audit Committee

Name	City, State	Title, Company Name
Gary Andrew Cantor ⁽¹⁾	Gulf Stream, Florida	Executive Vice President, FPIC
Francis Joseph Lattanzio	Glastonbury, Connecticut	Chief Financial Officer, FPIC
Stacey Alexander Giulianti	Cumberland Foreside, Maine	General Counsel, FPIC
Cynthia Sue Murphy	Bradenton, Florida	Controller, FPIC

¹ Chairman

Investment Committee

Name	City, State	Title, Company Name
Roger Louis Desjadon ⁽¹⁾	Franklin Park, New Jersey	Chief Executive Officer, FPIC
Francis Joseph Lattanzio	Glastonbury, Connecticut	Chief Financial Officer, FPIC
Gary Andrew Cantor	Gulf Stream, FL	Vice President, FPIC

¹ Chairman

Holding Company System

Florida Peninsula Holdings, LLC owns Florida Peninsula Managers, LLC (“FPM”), The Windward Insurance Agency, LLC and Florida Peninsula Claim Services, LLC (“FPCS”).

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

Tax Allocation Agreement

The Company, with EIC, filed a consolidated federal income tax return. On December 31, 2017, the method of allocation between the Company and its subsidiary was on a wait-and-see or percentage method. Each member of the group recorded an intercompany income tax receivable or payable. Within thirty (30) days of the remittance by the Company of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

Managing General Agent And Claim Service Agreement

The Company entered into a Managing General Agency and Claims Administration Agreement with its affiliate, Florida Peninsula Managers LLC on May 1, 2005, and amended on November 7, 2008. The agreement continues in force unless otherwise terminated within the guidelines of the agreement. Management fees were based on twenty-five percent (25%) of total earned annual premium and included a \$25 policy fee. Claims administration services were included in the agreement. Claims administration fees were calculated based on five percent (5%) of total earned annual premium. Fees incurred under this agreement during 2017 amounted to \$75,875,761.

The Company reported transactions without written agreements, invoices and supporting documentation. This does not adhere to SSAP 25.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Boca Raton, Florida.

Custodial Agreement

The Company maintained a custodial agreement with JP Morgan Chase Bank N.A. executed on October 29, 2008. The agreement did not comply with Rule 69O-143.042, Florida Administrative Code. Although not resolved during this examination period, the Office has confirmed the Company executed an amendment to the custodial agreement with JPMorgan Chase Bank that complies with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, BDO USA LLP, audited the Company's statutory basis financial statements annually for the years under examination, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

Corporate Records Review

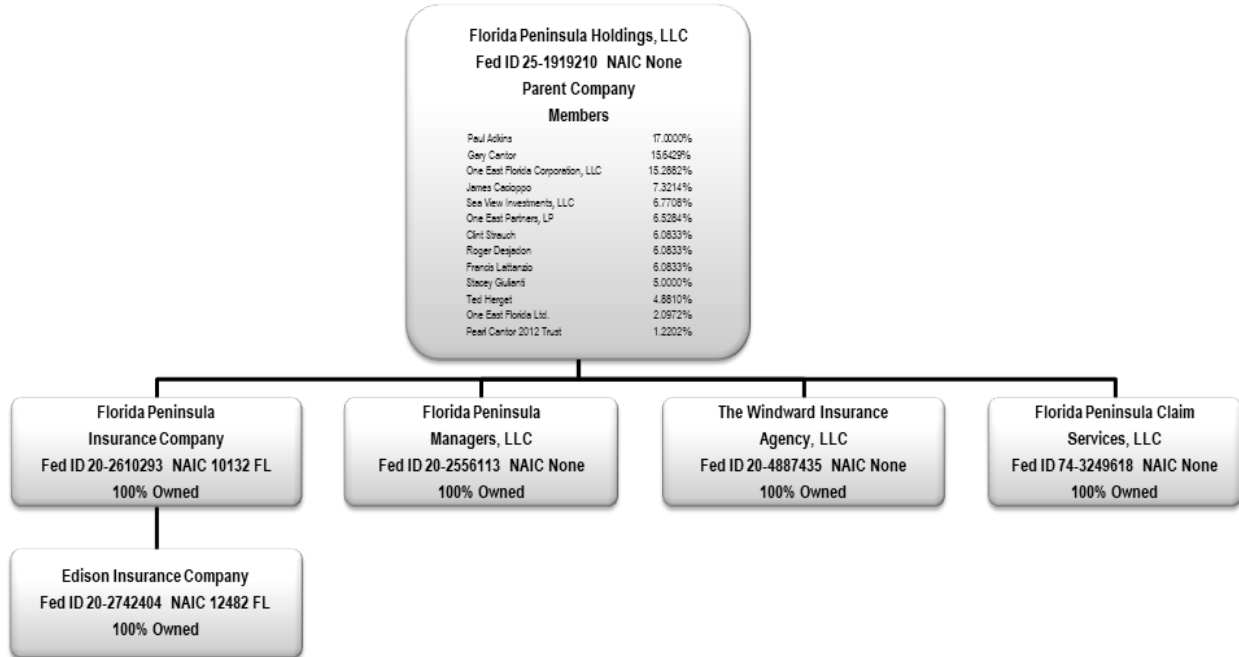
The recorded minutes of the Shareholder(s), Board and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida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

Conflict of Interest

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

An organizational chart as of December 31, 2017, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2017 annual statement provided a list of all related companies of the holding company group.

**Florida Peninsula Insurance Company
Organizational Chart
December 31, 2017**



TERRITORY AND PLAN OF OPERATIONS

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

Florida

South Carolina

The Company was authorized to transact insurance in Florida on March 30, 2005, and is currently authorized for the following coverage(s) as of December 31, 2017:

Homeowners Multiple Peril

Inland Marine

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)3a, Florida Statutes. The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(j), Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company ceded risk on a quota share and excess of loss basis to authorized and unauthorized reinsurers. The Company also participated in the Florida Hurricane Catastrophe Fund and maintained aggregate excess of loss reinsurance and reinstatement premium

protection. Reinsurance with private reinsurers was purchased through intermediaries Towers Watson and Aon Benfield.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

INFORMATION TECHNOLOGY REPORT

Philip Brudney, CPA, CISA, Director, of risk3sixty, performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	Cash	\$ 300,000	\$ 300,000
TOTAL FLORIDA DEPOSITS		<u>\$ 300,000</u>	<u>\$ 300,000</u>
SC	US Treasury Bonds	\$ 125,102	\$ 123,876
TOTAL OTHER DEPOSITS		<u>\$ 125,102</u>	<u>\$ 123,876</u>
TOTAL SPECIAL DEPOSITS		\$ 425,102	\$ 423,876

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Office, are reflected on the following pages.

Florida Peninsula Insurance Company

Assets

December 31, 2017

Stocks:			
Preferred	1,168,639		1,168,639
Common	21,344,968		21,344,968
Cash and Short-Term Investments	49,310,011		49,310,011
Other investmented Asset	12,480,358		12,480,358
Investment income due and accrued	<u>1,273,125</u>		<u>1,273,125</u>
Premiums and considerations:			
Uncollected premium	1,118,712		1,118,712
Deferred premium	<u>9,166,521</u>		<u>9,166,521</u>
Reinsurance recoverable	6,375,226		6,375,226
Other reinsurance contracts receivable	<u>274,447</u>		<u>274,448</u>
Current Federal & foreign taxes recoverable	8,125,730		8,125,730
Net deferred tax asset	<u>3,227,474</u>		<u>3,227,474</u>
Aggregate write-in for other than invested assets	<u>2,177,159</u>		<u>2,177,159</u>
Totals	<u>\$304,690,527</u>	<u>\$0</u>	<u>\$304,690,527</u>

Florida Peninsula Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2017

Loss adjustment expenses	10,414,687	10,414,687
Other expenses	196,188	196,188
Unearned premium	54,022,043	54,022,043
Advance premium	4,711,865	4,711,865
Ceded reinsurance premiums payable	34,748,723	34,748,723
Funds held by Company under reinsurance	2,025,191	2,025,191
Remittance and Items not allocated	81,934	81,934
Payable to parent, subsidiaries and affiliates	9,183,481	9,183,481
Payable for securities	563,220	563,220
Aggregate write-ins for liabilities	13,335	13,335
Total Liabilities	<u>\$195,760,563</u>	<u>\$195,760,563</u>
Common capital stock	\$2,000,000	\$2,000,000
Surplus note	8,272,059	8,272,059
Gross paid in and contributed surplus	47,000,000	47,000,000
Unassigned fund (surplus)	51,657,905	51,657,905
Surplus as regards policyholders	<u>\$108,929,964</u>	<u>\$108,929,964</u>
Total liabilities, surplus and other funds	<u>\$304,690,527</u>	<u>\$304,690,527</u>

Florida Peninsula Insurance Company
Statement of Income
December 31, 2017

Total underwriting deductions	\$122,743,457
Net underwriting gain or (loss)	(\$16,384,071)

Investment Income

Net investment income earned	\$3,490,273
Net realized capital gains or (losses)	2,660,046
Net investment gain or (loss)	\$6,150,319

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$21,361)
Finance and service charges not included in premiums	517,460
Aggregate write-ins for miscellaneous income	1,192,036
Total other income	\$1,688,135

Net income before dividends to policyholders and before federal & foreign income taxes	(\$8,545,617)
Net Income, after dividends to policyholders, but before federal & foreign income taxes	(\$8,545,617)
Federal & foreign income taxes	(4,449,531)
Net Income	(\$4,096,086)

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$130,541,584
Net Income	(\$4,096,086)
Change in unrealized capital gains or (losses) less capital gain	13,404,795
Change in net deferred income taxes	(2,682,216)
Change in non-admitted assets	(16,032,232)
Change in surplus note	(2,205,882)
Dividends to stockholders	(10,000,000)
Aggregate write-ins for gains and losses in surplus	0
Change in surplus as regards policyholders for the year	(\$21,611,621)
Surplus as regards policyholders, December 31 current year	\$108,929,964

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Derek W. Freihaut, F.C.A.S., M.A.A.A. of Pinnacle Actuarial Resources, Inc. (“Pinnacle”), appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2017, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office’s consulting actuary, Greg Wilson, F.C.A.S., M.A.A.A., of Lewis & Ellis, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$108,929,964, exceeded the minimum of \$15,098,702 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

The Office recommends the Company's custodial agreements adhere to all requirements of 69O-143.042, Florida Administrative Code. Although not resolved during this examination period, the Office has confirmed the Company executed an amendment to the custodial agreement with JPMorgan Chase Bank that complies with Rule 69O-143.042, Florida Administrative Code.

The Office recommends the Company establish written agreements for related parties, prepare invoices, and maintain supporting documentation to adhere to SSAP 25.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Florida Peninsula Insurance Company** as of December 31, 2017, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards to policyholders was \$108,929,964, which exceeded the minimum of \$15,098,702 required by Section 624.408, Florida Statutes.

The following participated in the examination:

Roshi Fekrat, CFE, CPA, CIA, AMCM	Examiner-in-Charge	Global Insurance Enterprises, Inc.
Chineta Alford, CFE	Participating Examiner	Global Insurance Enterprises, Inc.
Connie Hare, AFE, CFE (Fraud)	Examination Manager	Office
Casey Hengstebeck	Participating Examiner	Office
Greg Wilson, FACS, MAAA	Exam Actuary	Lewis & Ellis, Inc.
Philip Brudney, CISA, CPA	IT Specialist	risk3sixty

Respectfully submitted,

Brian Sewell

Brian Sewell, CFE, MCM
Chief Examiner
Florida Office of Insurance Regulation