



**EXAMINATION REPORT
OF
SECURITY FIRST INSURANCE COMPANY**

NAIC Company Code: 10117

**Ormond Beach, Florida
as of
December 31, 2018**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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June 5, 2020

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

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2018, of the financial condition and corporate affairs of

Security First Insurance Company
140 South Atlantic Avenue, Suite 200
Ormond Beach, Florida 32176

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, 2014 through December 31, 2018. Fieldwork, which included planning meetings held at the Florida Office of Insurance Regulation (“the Office”) commenced on August 5, 2019 and concluded as of June 5, 2020. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2009 through December 31, 2013.

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, 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.

Some of the findings noted during this examination period have been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

Managing General Agent (MGA) Agreement

Article II, Section 2.7 of the MGA Agreement between the Company and Security First Managers (SFM) limits the amount of premium written in any year to \$48 million. The Board minutes noted approval of an increase in the amount SFM can write on behalf of the Company to \$300 million in March of 2015 and further to \$500 million in December of 2015. The MGA Agreement was not amended to reflect the changes noted in the Board minutes, nor was an updated contract submitted to the Office for prior approval as required by Rule 69O-143.047, Florida Administrative Code.

Sliding Scale Catastrophe Allowance and Commissions

The Company's Quota Share reinsurance agreements contain provisions for sliding scale commissions and catastrophe allowances that adjust based on the non-catastrophe loss ratio. The Company's expense accrual related to sliding scale provisions was neither adequate nor in accordance with SSAP 62R. The examination increased the Company's accrual for ceded reinsurance premiums payable by \$21,562,169.

Subsequent Event: The calculation and return payment of the sliding scale provisions occurs twenty-four (24) months after the inception of the contract and annually thereafter. The Company noted that based on conversations with their auditors and the Office, they have changed their interpretation of SSAP 62R and have accrued this liability accordingly for all calendar years starting with 2019 and going forward.

Previous Examination Findings

The findings noted during the prior examination period were resolved by the Company subsequent to the examination date.

COMPANY HISTORY

General

The Company was incorporated in Florida on March 2, 2005 as a domestic stock company licensed only in Florida and commenced business on May 25, 2005.

The Company was authorized to remove up to 16,000 policies from Citizens Property Insurance Corporation (“Citizens”) pursuant to a depopulation plan approved by the Office on April 22, 2005. The Company ultimately took out 12,211 policies in 2005 and 2,683 in 2006. In addition, the Company assumed policies from other insurers that elected to reduce their exposure in Florida.

The Company was party to Consent Order 162722-14-CO, filed on October 28, 2014, regarding application to remove up to 8,555 personal residential policies from Citizens.

The Company was authorized to transact insurance in Florida on April 8, 2005 for the lines of Fire and Homeowners Multi-Peril. On December 1, 2016, the Company received authorization to transact insurance in the lines of Allied Lines, Glass, Burglary, and Boiler and Machinery.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2018, the Company’s capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	500,000
Total common capital stock	\$5,000,000
Par value per share	\$10.00

At the beginning of the examination period the Company was authorized to issue up to 10,000 shares of common capital stock and had 6,300 shares issued and outstanding, with a \$1.00 par value per share.

On June 30, 2016, the Board of Directors authorized the issuance of 493,700 shares of common stock with a par value of \$10.00 per share to its sole shareholder, SFIH. As a result of the Issuance, the Company’s issued and outstanding shares increased to 500,000 and the value of

common capital stock increased to \$5 million. In connection with the share issuance, the Board authorized the increase in the par value of the Company's originally issued 6,300 shares of common stock, from \$1.00 to \$10.00.

The Company was unable to provide stock certificates supporting the issuance of the additional shares or documenting the par value revision in 2016.

The Articles of Incorporation and the Bylaws were amended on May 18, 2016 to increase the number of authorized shares of common stock from 6,300 to 1 million and to increase the par value from \$1.00 per share to \$10.00 per share. The Amended Articles were approved by the Office and filed on May 25, 2016.

During 2016 the Company received \$50,033,482 in capital contributions from its parent, SFIH. During 2018 the Company received a capital contribution of \$25 million from SFIH.

Subsequent Events:

The Company created updated stock certificates and provided documentation of the transaction recorded in the stock ledger. As such, this issue has been resolved.

During the fourth quarter of 2019, the Company received a \$10 million capital contribution from SFIH.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

The Company was not a party to any acquisitions, mergers, disposals, or dissolutions during the period of this examination.

MANAGEMENT AND CONTROL

Corporate Governance

The Company's Board of Directors ("Board") serving as of December 31, 2018, are shown below:

Directors			
Name	City	State	Principal Occupation, Company Name
Wallace Lockwood Burt	Ormond Beach	Florida	Chairman of the Board and President The Company
Melissa Burt DeVriese	Ormond Beach	Florida	General Counsel and Secretary The Company
Harry Robert Bleiwise	Springfield	New Jersey	Chairman Rider insurance Company
Susan Debra Bleiwise-Greenfield	Boca Raton	Florida	Treasurer Rider Insurance Company
Clive Anthony Richard Becker-Jones	Daytona Beach Shores	Florida	Chief Financial Officer The Company
Werner Erich Kruck ^(a)	Ormond Beach	Florida	Chief Operating Officer The Company
Charles David Bleiwise	Boca Raton	Florida	Senior Vice President Rider Insurance Company
Craig William Howie	Center Valley	Pennsylvania	Chief Financial Officer Everest Re
Jerrold Paul Goldberg	Roseland	New Jersey	Retired CPA and Director Rider Insurance Company

(a) Resigned on January 31, 2020

Senior Officers elected and serving the Company as of December 31, 2018:

Senior Officers			
Name	City	State	Title
Harry Robert Bleiwise	Springfield	New Jersey	Chairman Emeritus
Wallace Lockwood Burt	Ormond Beach	Florida	President
Melissa Burt DeVriese	Ormond Beach	Florida	Secretary
Clive Anthony Richard Becker-Jones	Daytona Beach Shores	Florida	Chief Financial Officer
Werner Erich Kruck ^(a)	Ormond Beach	Florida	Senior Vice President and Chief Operating Officer
Kathy M. Wood ^(b)	Jacksonville	Florida	Vice President of Financial and Regulatory Compliance
Robert Paul Ketchum	Ormond Beach	Florida	Vice President of Product
Scott Richard Grenville	St. John's	Florida	Vice President of Catastrophe Response
Charles Howard Lowe	Jacksonville	Florida	Vice President of Claims
John David Lockhart	Ormond Beach	Florida	Controller

(a) Resigned on January 31, 2020. Mr. Kruck has not been replaced and his duties were assumed by the CEO, Locke Burt, and Melissa DeVriese, who was promoted to President as of March 5, 2020.

(b) Ms. Wood passed away subsequent to the as of date of this report. Her duties were assumed by the Controller and Assistant Controller

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members, with the chairman listed first for each committee, as of December 31, 2018:

Reinsurance Committee			
Name	City	State	Title, Company Name
Wallace Lockwood Burt	Ormond Beach	Florida	President the Company
Craig William Howie	Center Valley	Pennsylvania	Chief Financial Officer Everest Re
Werner Erich Kruck	Ormond Beach	Florida	Chief Operating Officer the Company

Audit Committee			
Name	City	State	Title, Company Name
Craig William Howie	Center Valley	Pennsylvania	Chief Financial Officer Everest Re
Charles David Bleiwise	Boca Raton	Florida	Senior Vice President Rider Insurance Company
Jerrold Paul Goldberg	Roseland	New Jersey	Retired CPA and Director Rider Insurance Company

Investment Committee			
Name	City	State	Title, Company Name
Craig William Howie	Center Valley	Pennsylvania	Chief Financial Officer Everest Re
Harry Robert Bleiwise	Springfield	New Jersey	Chairman Rider Insurance Company
Jerrold Paul Goldberg	Roseland	New Jersey	Retired CPA and Director Rider Insurance Company

The Company has a Compensation Committee and an Executive Committee, with Wallace Lockwood Burt and Harry Robert Bleiwise listed as members. The examination team confirmed that these committees did not meet during the examination period.

Holding Company System

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

Managing General Agency and Claims Administration Agreement

The Company entered into an MGA Agreement with its affiliate, Security First Managers (SFM) LLC on January 1, 2005. The agreement continues in force for a term of five years and will automatically renew for additional one-year periods, unless otherwise terminated within the guidelines of the agreement. Under the agreement the MGA has the authority to produce, administer and manage the policies and to adjust claims and provide other services in connection with such policies. Services included, but were not limited to, marketing, claims analysis, general ledger accounting, information services, product and underwriting development and management, and catastrophe risk management.

Under the terms of the agreement, the MGA fees for services provided was a combination of a percentage of the gross written premium and a small flat per policy fee. In addition, the MGA charges a percentage of total earned premium for claims administration services. Fees incurred under this agreement in 2018 for MGA services, claims services and policy fees, amounted to approximately \$109 million, \$19 million, and \$9 million, respectively.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Ormond Beach, Florida.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with Comerica Bank & Trust, National Association executed on June 10, 2013.

Reinsurance Broker Agreement

The Company entered into a reinsurance broker services agreement with Guy Carpenter effective January 1, 2014. The Company maintained this agreement throughout the examination period and periodically amended it as business needs dictated.

Independent Auditor Agreement

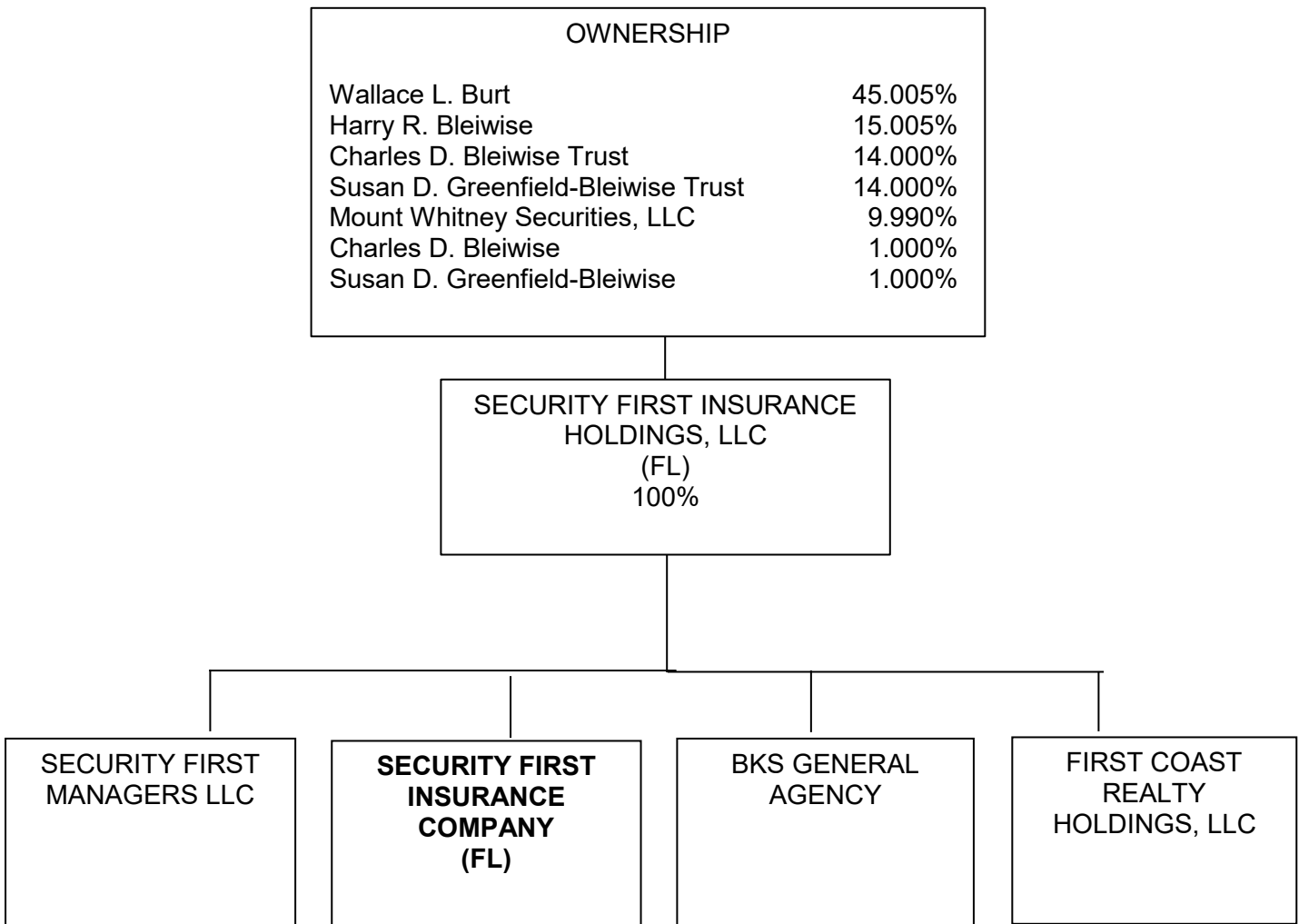
An independent CPA, Thomas Howell Ferguson, audited the Company's statutory basis financial statements annually for the period under examination.

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.

An organizational chart as of December 31, 2018, reflecting the holding company system, is shown on this page.

**Security First Insurance Company
Organizational Chart
December 31, 2018**



TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Arizona	Arkansas
Colorado	Connecticut	Delaware
District of Columbia	Florida	Georgia
Hawaii	Illinois	Iowa
Kansas	Kentucky	Louisiana
Maryland	Minnesota	Mississippi
Missouri	Montana	Nebraska
Nevada	New Hampshire	New Jersey
New Mexico	North Carolina	North Dakota
Oklahoma	Oregon	Pennsylvania
Rhode Island	South Carolina	South Dakota
Tennessee	Texas	Utah
Vermont	Washington	

The Company did not have any premium written outside of the State of Florida as of December 31, 2018.

The Company was authorized to transact insurance in Florida on April 8, 2005, and is currently authorized for the following lines of business as of December 31, 2018:

Allied Lines	Glass
Burglary	Boiler and Machinery
Fire	Homeowners Multi-Peril

The Company began offering an optional private flood and water back up coverage endorsement as part of its homeowners' policy in 2018.

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 provided by agreements with various commercial reinsurers through its reinsurance intermediary, Guy Carpenter and through participation in the Florida Hurricane Catastrophe Fund (FHCF). The Company also ceded risk to a reinsurer who then backed their promise to perform through CAT bonds that were underwritten by the reinsurer.

Quota Share Agreements – Sliding Scale Commission

On June 1, 2018 the Company entered into quota share agreements on ultimate net losses with various reinsurers, subject to a retention and a per occurrence limit. The agreement provides a ceding commission and a sliding scale catastrophe allowance based on the non-catastrophe loss ratio. The Company did not set up an adequate expense accrual for the sliding scale provisions as of December 31, 2018 in accordance with SSAP 62R.

Subsequent Event: The Company noted that based on conversations with their auditors and the Office, they have changed their interpretation of SSAP 62R and have accrued this liability accordingly for all calendar years starting with 2019 and going forward.

INFORMATION TECHNOLOGY REPORT

Michael Nadeau, IT Specialist, CPA, CFE, CISA, AES, of Eide Bailly LLP, 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, and with various state officials as required or permitted by law:

State	Description		Par Value	Market Value
FL	CASH		\$1,700,000	\$1,700,000
FL	CASH		300,000	279,135
TOTAL FLORIDA DEPOSITS			<u>\$2,000,000</u>	<u>\$2,000,000</u>
NV	BOND		\$254,701	\$261,094
NM	UST BOND	1.875%	\$320,000	\$313,186
NY	NYC BOND	5.0%	\$585,000	\$620,656
NC	FIRST AM TREAS		\$300,002	\$300,000
SC	BOND		\$127,351	\$125,845
VT	CASH		\$300,000	\$300,000
TOTAL OTHER DEPOSITS			<u>\$1,887,054</u>	<u>\$1,920,781</u>
TOTAL DEPOSITS			<u>\$3,887,054</u>	<u>\$3,920,781</u>

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; the statutory Statement of Operations; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2018. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2018. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Security First Insurance Company
Assets
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Bonds	\$193,817,467		\$193,817,467
Real Estate:			
Properties			
Properties occupied by Company	16,493,053		16,493,053
Other properties			
Cash and Short-Term Investments	(25,987,802)		(25,987,802)
Investment income due and accrued	1,810,702		1,810,702
Agents' Balances:			
Uncollected premium	5,862,593		5,862,593
Deferred premium	18,398,425		18,398,425
Reinsurance recoverable	37,612,094		37,612,094
Current federal and foreign income taxes	194,178		194,178
Net deferred tax asset	7,245,001		7,245,001
Guaranty funds receivable or on deposit	25,186		25,186
Aggregate write-in for other than invested assets	320,323		320,323
Totals	\$255,791,220	\$0	\$255,791,220

**Security First Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2018**

	Per Company	Examination Adjustments	Per Examination
Losses	\$57,939,126		\$57,939,126
Loss adjustment expenses	12,617,259		12,617,259
Other expenses	74,869		74,869
Taxes, licenses and fees	2,682,763		2,682,763
Unearned premium	40,754,755		40,754,755
Advance Premiums	7,922,020		7,922,020
Ceded reinsurance premiums payable	30,568,054	21,562,169	52,130,223
Funds withheld	13,026		13,026
Payable to parent, subsidiaries and affiliates	8,968,901		8,968,901
Aggregate write-ins for liabilities	4,665,441		4,665,441
Total Liabilities	\$166,206,214	\$21,562,169	\$187,768,383
Common capital stock	\$5,000,000		\$5,000,000
Gross paid in and contributed surplus	111,458,482		111,458,482
Unassigned funds (surplus)	(26,873,476)	(21,562,169)	(48,435,645)
Surplus as regards policyholders	\$89,585,006	(\$21,562,169)	\$68,022,837
Total liabilities, surplus and other funds	\$255,791,220	\$0	\$255,791,220

**Security First Insurance Company
Statement of Income
December 31, 2018**

	Per Company	Examination Adjustments	Per Examination
Underwriting Income			
Premiums earned	\$ 101,029,445		\$ 101,029,445
Deductions			
Losses incurred	74,881,167		74,881,167
Loss adjustment expenses incurred	15,664,805		15,664,805
Other underwriting expenses incurred	25,757,692	21,562,169	47,319,861
Total underwriting deductions	<u>\$ 116,303,664</u>	<u>\$ 21,562,169</u>	<u>\$ 137,865,833</u>
Net underwriting gain or (loss)	<u>\$ (15,274,219)</u>	<u>\$ (21,562,169)</u>	<u>\$ (36,836,388)</u>
Investment Income			
Net investment income earned	3,987,524		3,987,524
Net realized capital gains or (losses)	(1,658,928)		(1,658,928)
Net investment gain or (loss)	<u>\$ 2,328,596</u>	<u>\$ -</u>	<u>\$ 2,328,596</u>
Other Income			
Net gain/(loss) from balances charged off	(148)		(148)
Finance and service charges not included in premiums	908,695		908,695
Aggregate write-ins for miscellaneous income	-		-
Total other income	<u>\$ 908,547</u>	<u>\$ -</u>	<u>\$ 908,547</u>
Net income before federal & foreign income taxes	(12,037,076)	(21,562,169)	(33,599,245)
Federal & foreign income taxes	<u>(194,178)</u>		<u>(194,178)</u>
Net Income	<u>\$ (11,842,898)</u>	<u>\$ (21,562,169)</u>	<u>\$ (33,405,067)</u>
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year	\$ 75,899,715		\$ 75,899,715
Net Income	(11,842,898)	(21,562,169)	(33,405,067)
Net unrealized capital gains or losses	298,673		298,673
Change in net deferred income tax	2,406,399		2,406,399
Change in non-admitted assets	(2,253,091)		(2,253,091)
Change in provision for reinsurance	76,208		76,208
Surplus adjustments: Paid in	25,000,000		25,000,000
Change in surplus	<u>\$ 13,685,291</u>	<u>\$ (21,562,169)</u>	<u>\$ (7,876,878)</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 89,585,006</u>	<u>\$ (21,562,169)</u>	<u>\$ 68,022,837</u>

**Security First Insurance Company
Reconciliation of Capital and Surplus
December 31, 2018**

Surplus at December 31, 2013 per Examination			\$44,777,357
	<u>Increase</u>	<u>Decrease</u>	
Net Loss		\$ 35,861,230	
Change in Net Unrealized Capital Gain		710,544	
Change in Net Deferred Income Tax	\$ 7,265,409		
Change in Non-admitted Assets		3,105,522	
Change in Provision for Reinsurance	207,293		
Change in Paid-In-Surplus	70,039,782		
Transferred From Surplus	4,993,700		
Aggregate Write-Ins	1,978,762		
Rounding		1	
	<u>\$84,484,946</u>	<u>\$39,677,297</u>	
Total Gains and Losses Prior to Examination Adjustment			
Net Increase			<u>\$ 44,807,649</u>
Surplus at December 31, 2018, prior to Examination Adjustment			89,585,006
Examination Adjustment to Surplus			(21,562,169)
Surplus at December 31, 2018, per Examination			<u><u>\$68,022,837</u></u>

Security First Insurance Company
Analysis of Changes in Financial Statement Resulting from the Examination
December 31, 2018

The Company did not record an adequate expense accrual related to sliding scale provisions in their Quota Share reinsurance agreements in accordance with SSAP 62R, Paragraphs 50 and 51. The Company recorded an expense accrual of \$2 million based on management's own estimated loss ratios instead of the loss ratios projected by their appointed actuary. The loss ratios estimated by management were materially lower than the appointed actuary's recommendations and resulted in other underwriting expenses being understated by \$21,562,169, which flows through the Other Underwriting Expenses Incurred Account in the Income Statement to reduce Net Income by the same amount.

Analysis of Changes in Surplus

Surplus At December 31, 2018, per Annual Financial Statement		\$ 89,585,006
	<u>Increase</u>	<u>Decrease</u>
Other Underwriting Expenses Incurred		\$ 21,562,169
Net Increase (Decrease)		(21,562,169)
Surplus at December 31, 2018 After Adjustment		<u><u>\$ 68,022,837</u></u>

Subsequent Event: The Company noted that based on conversations with their auditors and the Office, they have changed their interpretation of SSAP 62R and have accrued this liability accordingly for all calendar years starting with 2019 and going forward.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Arthur R. Randolph, II, Principal and Consulting Actuary, Pinnacle Actuarial Resources, Inc. was appointed by the Board and rendered an opinion that the amounts carried in the balance sheet as of December 31, 2018 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 consulting actuary, Daniel A Reppert Principal and Consulting Actuary, of Financial Risk Analysts, LLC., reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Ceded Reinsurance Premiums Payable

Ceded reinsurance premiums payable increased by \$21,562,169 due to the expense accrual needed to record the Company's sliding scale commission and catastrophe allowance in accordance with SSAP 62R and the Company's appointed actuary.

Statement of Income

Other Underwriting Expenses

The Company did not set up an adequate expense accrual related to the sliding scale provisions in their quota share reinsurance contracts. The accrual established by the examination increased expenses by \$21,562,169.

Capital and Surplus

The amount of capital and surplus was reduced from \$89,585,006 to \$68,022,837 based on the adjustment required for the sliding scale expense accrual. The amount of surplus after the adjustment exceeded the minimum of \$12,391,163 required by Section 624.408, Florida Statutes.

Subsequent Event: The Company noted that based on conversations with their auditors and the Office, they have changed their interpretation of SSAP 62R and have accrued this liability accordingly for all calendar years starting with 2019 and going forward.

SUBSEQUENT EVENTS

The Company reported the following in its 2019 Annual Statement: "During 2019, the Company recorded \$25.9 million of subrogation against SFM for claims settled in excess of policy limits related to errors with the Company's declarations pages. Of the \$25.9 million recorded, the Company has received approximately \$10.9 million during 2019. The remaining balance of approximately \$15 million is recorded as anticipated subrogation receivable and is included in the Company's net reserves as of 12/31/2019." The Company has agreed to file an amended holding company registration statement and a Form D filing with the Office which includes a copy of the written agreement between SFM and the Company for the repayment of the amounts reported as anticipated subrogation receivable. The Company has indicated that it received additional payments during 2020.

There are no other subsequent events which have not been disclosed earlier in the report.

SUMMARY OF RECOMMENDATIONS

Sliding Scale Expense Accrual

The Company needs to record the sliding scale provisions in their reinsurance contracts in accordance with SSAP 62R and their appointed actuary's recommendations.

Managing General Agency Agreement

The MGA Agreement needs to be amended to reflect the changes noted in the Board minutes and submitted to the Office in accordance with Rule 69O-143.047, Florida Administrative Code.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Security First Insurance Company as of December 31, 2018, consistent with the insurance laws of the State of Florida.


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

Marie Stuhlmuller	Examination Manager	Office
Robin Roberts	Participating Examiner	Eide Bailly
Michael Nadeau	IT Specialist	Eide Bailly
Daniel Reppert	Actuary	Financial Risk Analysts

Respectfully submitted,



Joseph Hofmeister, CFE
Examiner-in-Charge
Eide Bailly LLP
Representing the Florida Office of Insurance Regulation



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