



**EXAMINATION REPORT
OF**

WESTON INSURANCE COMPANY

NAIC Company Code: 14930

CORAL GABLES, FLORIDA

**as of
December 31, 2015**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

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May 3, 2017

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 (NAIC), we have conducted an examination as of December 31, 2015, of the financial condition and corporate affairs of

Weston Insurance Company
2555 Ponce de Leon Boulevard, Suite 300
Coral Gables, Florida 33134

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, 2015 through December 31, 2015 and commenced with planning at the Office on December 21, 2016 to December 23, 2016. The fieldwork commenced on December 26, 2016, and concluded as of May 3, 2017. The last full-scope examination by the (Office) covered the period of January 1, 2014 through December 31, 2014.

The examination was a multi-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

There were no material adverse findings, significant non-compliance findings or material changes in the financial statements.

Prior Examination Findings

There were no material adverse findings, significant non-compliance findings or material changes in the financial statements in the Office's prior examination report as of December 31, 2014.

COMPANY HISTORY

General

The Company was incorporated in Florida on February 21, 2012 and commenced business on December 21, 2012.

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, 2015, the Company's capitalization was as follows:

Number of authorized common capital shares	25,000
Number of shares issued and outstanding	25,000
Total common capital stock	\$2,500,000
Par value per share	\$100.00

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the period of this examination.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2015 are shown below:

Directors

Name	City, State	Principal Occupation, Company Name
Michael Christopher Lyons	Coral Gables, Florida	President and Chief Executive Officer, Weston Insurance Company
Bryan Triplett McCully	Miami, Florida	Chief Operating Officer, Weston Insurance Company
Gregory Ernest Alexander Morrison	Warwick, Bermuda	Director, Weston Insurance Company; President and Chief Executive Officer, Imagine Group Holdings Ltd.
Deanne Dietrich Nixon	Pinecrest, Florida	Chief Underwriting Officer, Weston Insurance Company
Richard Bruno Primerano	Miami, Florida	Chief Financial Officer, Weston Insurance Company

In accordance with the Company's bylaws, the Board appointed the following senior officers:

Senior Officers

Name	City, State	Title
Michael Christopher Lyons	Coral Gables, Florida	President and Chief Executive Officer
Richard Bruno Primerano	Miami, Florida	Chief Financial Officer and Treasurer
Bryan Triplett McCully	Miami, Florida	Chief Operating Officer and Secretary
Richard Ryan Gadapee	Weston, Florida	General Counsel
Deanne Dietrich Nixon	Pinecrest, Florida	Chief Underwriting Officer

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2015:

Audit Committee

Name	City, State	Title, Company
Luis Alvarez ¹	Miami, Florida	Retired
Gregory Ernest Alexander Morrison	Warwick, Bermuda	President and Chief Executive Officer, Imagine Group Holdings Ltd.
Austin Baylor Neal	Tallahassee, Florida	Partner, Foley & Lardner, LLP
Peter Taliaferro Pruitt	Vero Beach, Florida	Retired

¹ Chairperson

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

Compensation Committee

Name	City, State	Title, Company Name
Peter Taliaferro Pruitt ¹	Vero Beach, Florida	Retired
Luis Alvarez	Miami, Florida	Retired
Gregory Ernest Alexander Morrison	Warwick, Bermuda	President and Chief Executive Officer, Imagine Group Holdings Ltd.
Austin Baylor Neal	Tallahassee, Florida	Partner, Foley & Lardner, LLP

¹ Chairperson

Investment Committee

Name	City, State	Title, Company
Austin Baylor Neal ¹	Tallahassee, Florida	Partner, Foley & Lardner, LLP
Luis Alvarez	Miami, Florida	Retired
Gregory Ernest Alexander Morrison	Warwick, Bermuda	President and Chief Executive Officer, Imagine Group Holdings Ltd.
Peter Taliaferro Pruitt	Vero Beach, Florida	Retired

¹ Chairperson

Control

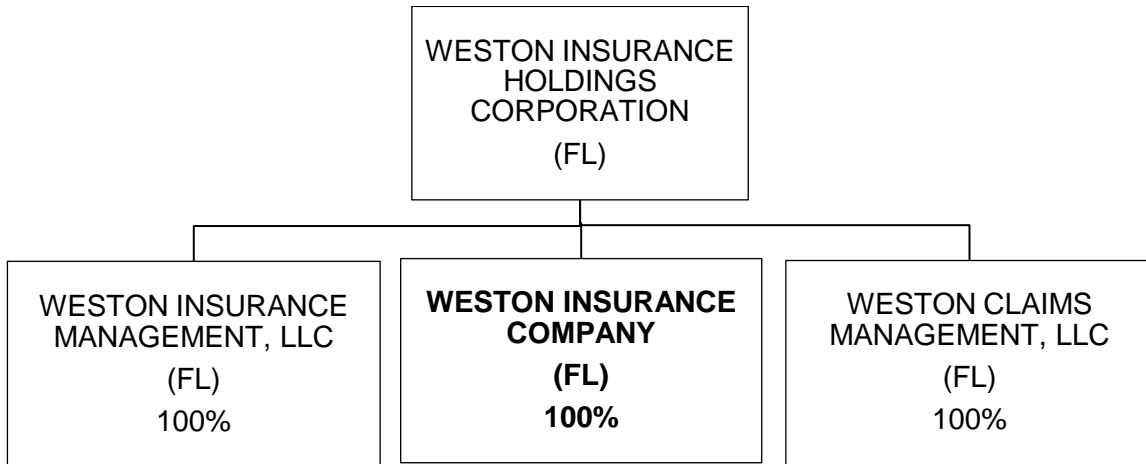
Control of the Company was maintained by its parent, Weston Insurance Holdings Corporation (WIHC), a Florida corporation, which owned one hundred percent (100%) of the stock issued by the Company, which in turn was owned as follows in terms of voting common stock: seventy-nine and six-tenths percent (79.6%) by Michael C. Lyons (President and Chief Executive Officer), fourteen percent (14.0%) by Southwind Holdings LLC, and no other person or entity owns ten percent (10%) or more. Southwind Holdings LLC has filed a disclaimer of control with the Office.

Affiliated Companies

The most recent Holding Company Registration Statement was filed with the Office on March 30, 2017, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2015, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2015 annual statement provided a list of all related companies of the holding company group.

Weston Insurance Company
Simplified Organizational Chart
December 31, 2015



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

Tax Allocation Agreement

The Company, along with its parent, WIHC, Weston Insurance Management LLC (WIM), and Weston Claims Management, LLC (WCM) executed a Tax Allocation Agreement on April 10, 2013 to file a consolidated federal income tax return. On December 31, 2015, the method of allocation between the Company, its parent and affiliate was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with WIHC for the balance as would have been owed or due on an individual basis. Within ninety (90) days of the remittance by WIHC of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

Managing General Agency and Claims Administration Agreement

The Company entered into a Managing General Agency (MGA) and Claims Administration Agreement with WIM effective February 23, 2012. Pursuant to the terms of the agreement, the MGA is responsible for policy administration, claims administration, reinsurance, accounting, billing and collections, information services, product and underwriting development and management, and catastrophe risk management. The MGA agreement continues in- force for a term of three (3) years and upon which successive one (1) year renewals would be at the determination of both parties, unless otherwise terminated within the guidelines of the agreement. MGA fees were based on twenty-four and twenty-five hundredths percent (24.25%) of direct written premium, inclusive of acquisition costs. Fees incurred under this agreement during 2015 amounted to \$28,197,819. This agreement contained the required provisions set forth in Section 626.7451, Florida Statutes.

Corporate Records

The recorded minutes of the Shareholders, Board of Directors (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 Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

TERRITORY AND PLAN OF OPERATIONS

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

Alabama

Florida

Texas

The Company was authorized to transact insurance coverage in Florida on December 21, 2012 and is currently authorized for the following coverages as of December 31, 2015:

Fire

Homeowners Multi-Peril

Allied Lines

Commercial Multi-Peril

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)(3)(a), 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 majority of the Company's business consisted of wind-only policies from Citizens Property Insurance Corporation (Citizens) under depopulation programs designed to reduce Citizens' exposure. Weston's participation in the depopulation of policies from Citizens was approved by the Office.

Reinsurance Ceded

Effective June 1, 2013, the Company entered into a Net Property Quota Share Reinsurance Agreement and a series of catastrophe reinsurance agreements, which combined, provided catastrophe loss protection above the Company's retention of \$6,000,000 per loss and \$6,600,000 in the aggregate. The Company is entitled to a ceding commission of thirty percent (30%) on the business ceded.

Ceded premiums totaling approximately \$113,000,000 were paid during 2015.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Coral Gables, Florida.

The Company and non-affiliates had the following agreements:

Reinsurance Intermediary Agreement

The Company entered into a Reinsurance Intermediary Agreement with JLT Re Inc. (JLT), executed February 21, 2012 for JLT to solicit, negotiate, and place reinsurance on behalf of the Company. The agreement contained the required provisions set forth in Section 626.7492(4), Florida Statutes.

Independent Auditor Agreement

An independent CPA, Gregory, Sharer & Stuart, audited the Company's statutory basis financial statements for 2015, in accordance with Section 624.424(8), Florida Statutes. Supporting workpapers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Steven R. Sigler, CFE, AES, AMCM, CISA, and Michael Morrissey, AES, CISA, CISSP, AMCM, of Examination Resources, LLC, 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.

State	Description	Par Value	Market Value
FL	Cash	<u>\$ 311,048</u>	<u>\$ 311,048</u>
TOTAL FLORIDA DEPOSITS		<u>\$ 311,048</u>	<u>\$ 311,048</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 311,048</u>	<u>\$ 311,048</u>

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during the 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.

Weston Insurance Company

Assets

December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Bonds	\$0	\$0	\$0
Stocks:			
Common	0		0
Real Estate:			
Properties			
Properties occupied by Company	0		0
Other properties	0		0
Cash, Cash Equivalents and Short-Term Investments	98,208,000		98,208,000
Other investments	0		0
Aggregate write-in for invested assets	0		0
Agents' Balances:			
Uncollected premium	1,995,447		1,995,447
Deferred premium	4,290,968		4,290,968
Reinsurance recoverable	0		0
Net deferred tax asset	165,743		165,743
EDP Equipment	0		0
Interest and dividend income due & accrued	0		0
Receivable from parents, subsidiaries and affiliates	3,806,963		3,806,963
Equities and deposits in pools and associations	0		0
Aggregate write-in for other than invested assets	0		0
Totals	\$108,467,121	\$0	\$108,467,121

Weston Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Losses	\$202,259		\$202,259
Loss adjustment expenses	354,157		354,157
Taxes, licenses and fees	606,454		606,454
Advance premium	2,179,338		2,179,338
Ceded reinsurance premiums payable	18,797,010		18,797,010
Funds held under reinsurance treaties	47,109		47,109
Remittances and items not allocated	168		168
Payable for securities	36,483,748		36,483,748
Aggregate write-ins for liabilities	<u>3,426,804</u>		<u>3,426,804</u>
Total Liabilities	\$62,097,047	\$0	\$62,097,047
Common capital stock	\$2,500,000		\$2,500,000
Gross paid in and contributed surplus	41,500,000		41,500,000
Unassigned funds (surplus)	<u>2,370,074</u>		<u>2,370,074</u>
Surplus as regards policyholders	<u>\$46,370,074</u>	<u>\$0</u>	<u>\$46,370,074</u>
Total liabilities, surplus and other funds	<u><u>\$108,467,121</u></u>	<u><u>\$0</u></u>	<u><u>\$108,467,121</u></u>

Weston Insurance Company
Statement of Income and Capital and Surplus Account
December 31, 2015

Underwriting Income

Premiums earned		\$548,289
	Deductions:	
Losses incurred		\$166,081
Loss expenses incurred		470,425
Other underwriting expenses incurred		(3,415,983)
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		(\$2,779,477)
Net underwriting gain or (loss)		\$3,327,766

Investment Income

Net investment income earned		\$13,839
Net realized capital gains or (losses)		(70)
Net investment gain or (loss)		\$13,769

Other Income

Net gain or (loss) from agents' or premium balances charged off		(\$65,024)
Finance and service charges not included in premiums		279,768
Aggregate write-ins for miscellaneous income		(12,516)
Total other income		\$202,227
Net income before dividends to policyholders and before federal & foreign income taxes		\$3,543,763
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$3,543,763
Federal & foreign income taxes		1,126,024
Net Income		\$2,417,739

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$44,029,704
Net Income		\$2,417,739
Change in net unrealized capital gains or losses		0
Change in net deferred income tax		(73,114)
Change in non-admitted assets		(4,255)
Change in provision for reinsurance		0
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Change in surplus as regards policyholders for the year		\$2,340,371
Surplus as regards policyholders, December 31 current year		\$46,370,074

Weston Insurance Company
Reconciliation of Capital and Surplus
December 31, 2015

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

Surplus as regards policyholders December 31, 2014, per Examination			\$ 44,029,704
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net Income (loss)	2,417,739		
Change in net deferred income tax		73,114	
Change in non-admitted assets		4,255	
Total Gains and Losses	<u>2,417,739</u>	<u>77,369</u>	
Net increase in surplus as regards policyholders			<u>\$ 2,340,370</u>
Surplus as regards policyholders December 31, 2015, per Examination			<u>\$ 46,370,074</u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses

An actuarial firm, Merlinos & Associates, Inc., appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2015, 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, Brent M. Sallay, FCAS, MAAA, of Taylor-Walker Consulting, LLC, 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 \$46,370,074, exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Effective March 17, 2017, the following management changes occurred:

- Richard B. Primerano's title was changed from Chief Financial Officer and Treasurer to Senior Vice President, Chief Operating Officer, Chief Financial Officer, and Treasurer.
- Bryan T. McCully's title was changed from Chief Operating Officer and Secretary to Senior Vice President, Chief Administrative Officer, Secretary, and General Counsel.
- Richard R. Gadapee resigned and was replaced by Bryan Triplett McCully as General Counsel.
- Deanne D. Nixon's title was changed from Chief Underwriting Officer to Senior Vice President and Chief Underwriting Officer.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Weston Insurance Company** as of December 31, 2015, consistent with the insurance laws of the State of Florida.

Per examination of its annual financial statement as of December 31, 2015, the Company's surplus as regards policyholders was \$46,370,074, which exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Scott R. Kalna, CFE, AMCM, Examiner-in-Charge, and James Gowins, CISA, AES, AFE, MCM, Participating Examiner, of Examination Resources, LLC, also participated in the examination. Members of the Office who participated in the examination include Brian Sewell, CFC, MCM, Co-Examination Manager, Marie Stuhlmuller, Financial Examiner/Analyst Supervisor, Co-Examination Manager, and Wytonia Weston, APIR, Financial Examiner/Analyst II, Participating Examiner. Additionally, Brent M. Sallay, FCAS, MAAA, and Solomon L. Frazier, ACAS, FSA, MAAA of Taylor-Walker Consulting, LLC and Steven R. Sigler, CFE, AES, AMCM, CISA, and Michael Morrissey, AES, CISA, CISSP, AMCM, of Examination Resources, LLC, are recognized for participation in the examination.

Respectfully submitted,

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