



**EXAMINATION REPORT  
OF**

**Homeowners Choice Property & Casualty Insurance Company, Inc.  
Tampa, Florida**

**NAIC Company Code: 12944**

**as of  
December 31, 2020**

**By  
The Florida Office of Insurance Regulation**

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April 5, 2022

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, 2020, of the financial condition and corporate affairs of

**Homeowner's Choice Property & Casualty Insurance Company, Inc.**  
5300 West Cypress Street, Suite 100  
Tampa, Florida 33607

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, 2016 through December 31, 2020, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 28, 2021. The fieldwork concluded as of April 5, 2022. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2011 through December 31, 2015.

The examination was a multi-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.

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

There were no significant findings as a result of this examination.

### Previous Examination Findings

There were no significant findings in the previous examination.

## COMPANY HISTORY

### General

The Company was incorporated in Florida on March 30, 2007 and commenced business on May 10, 2007.

### Dividends

The Company declared and paid dividends to its stockholder each year under examination as shown in the table below:

Year	Dividend Amount (In Millions)
2016	\$19
2017	\$18
2018	\$15
2019	\$14
2020	\$15.5

## Capital Stock and Capital Contributions

As of December 31, 2020, the Company's capitalization was as follows:

Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	3,500,000
Total common capital stock	\$3,500,000
Par value per share	\$1.00

## Surplus Notes

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

## Acquisitions, Mergers, Disposals, Dissolutions

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

## MANAGEMENT AND CONTROL

### Corporate Governance

The annual shareholder meeting for the election of Board of Directors ("Board") was held in accordance with Section 628.231, Florida Statutes. Board members serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Pareshbhai Suryakant Patel	Clearwater, Florida	Executive Chairman, HCI Group, Inc.
Robert Wayne Burks	Tampa, Florida	Director, The Company
James Joseph Macchiarola	Clearwater, Florida	Director, The Company
Sanjay Madhu	Tampa, Florida	President, Oxbridge Re Holdings Ltd.
Gregory Politis	Safety Harbor, Florida	President, Xenia Property Management

Anthony Saravanos	Palm Harbor, Florida	Real Estate Division HCI Group, Inc.
Loreen Marie Spencer	Tampa, Florida	Director, The Company

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

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Pareshbhai Suryakant Patel	Clearwater, Florida	Executive Chairman
Karin Sue Coleman	Tampa, Florida	President
James Mark Harmsworth	Tampa, Florida	Chief Financial Officer
Andrew Lloyd Graham	Tampa, Florida	Corporate Secretary

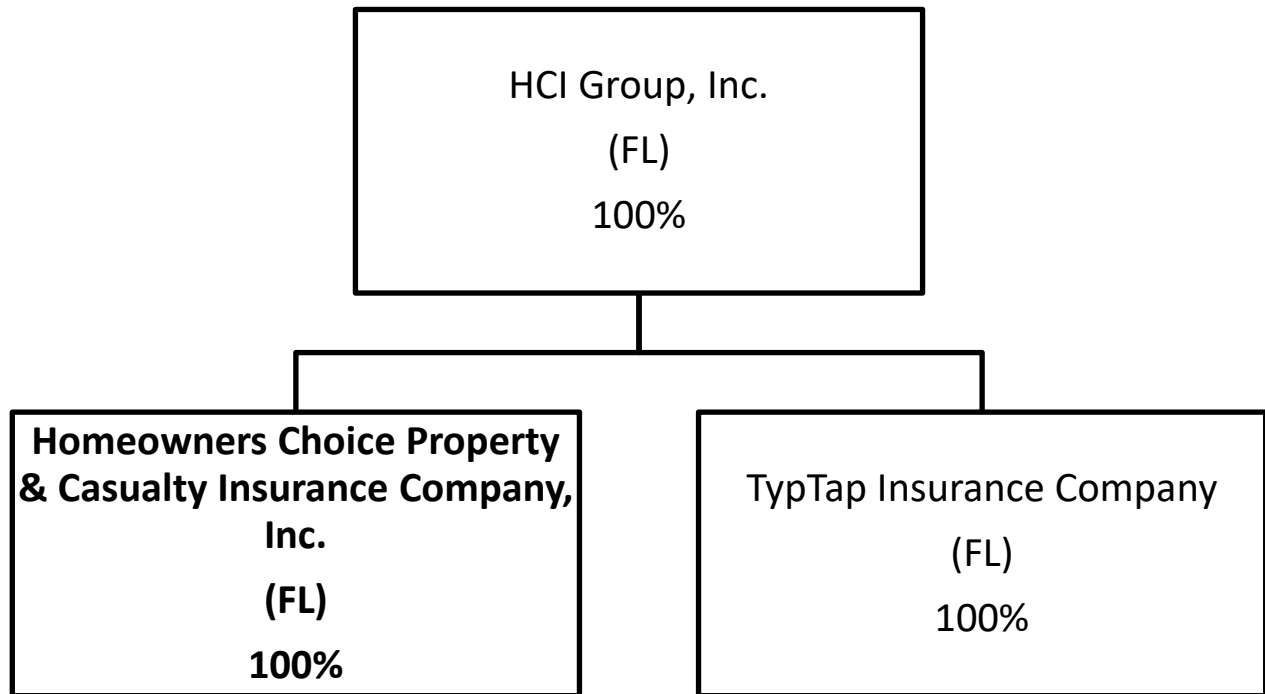
The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

<b>Audit Committee</b>		
Robert Wayne Burks	James Joseph Macchiarola	Loreen Marie Spencer

### **Holding Company System**

A simplified organizational chart as of December 31, 2020, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

**Homeowners Choice Property & Casualty Insurance Company, Inc.**  
**Simplified Organizational Chart**  
**December 31, 2020**





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

### **Tax Allocation Agreement**

The Company, its ultimate parent, HCI Group, Inc. and other affiliated companies, filed a consolidated federal income tax return. On December 31, 2020, the method of allocation between the Company and HCI Group, Inc. was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with HCI Group, Inc. Within sixty (60) days of the remittance by HCI Group, Inc. of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

### **Managing General Agent Agreement**

The Company entered into a Managing General Agency Agreement with its affiliate, Homeowners Choice Managers, Inc. ("HCM") on September 27, 2017. The agreement shall be continuous until terminated by either party. For consideration, in part, HCM retained twenty-one and five-tenths percent (21.5%) of the Company's direct written premiums, three and five-tenths percent (3.5%) of gross written (direct and assumed) premiums for claim service fees, and reimbursement of HCM for catastrophe management fees.

## **ACCOUNTS AND RECORDS**

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

## **TERRITORY AND PLAN OF OPERATIONS**

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

- Arkansas
- Maryland
- Ohio
- Texas
- California
- New Jersey
- Pennsylvania
- Florida
- North Carolina
- South Carolina

The Company was authorized to transact insurance in Florida on May 10, 2007, and is currently authorized for the following lines of business as of December 31, 2020:

- Fire
- Allied Lines
- Homeowners Multiple Peril
- Commercial Multiple Peril
- Inland Marine
- Earthquake
- Other Liability-occurrence

The Company primarily writes homeowners multiple peril policies in the state of Florida.

## **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 assumed business under a quota share reinsurance agreement effective December 31, 2020.

### **Reinsurance Ceded**

The Company cedes a portion of its homeowners' insurance exposure to other entities under catastrophe excess of loss reinsurance treaties.

Claddaugh Casualty Insurance Co. Ltd. ("Claddaugh"), an affiliate of the Company, is a participant in the Company's reinsurance treaties. The reinsurance program for 2020/21 included treaties for

Property Catastrophe First Excess of Loss, Reinstatement Premium Protection Reinsurance Contract, and Reinstatement Premium Protection Reinsurance Contract. These agreements were submitted and approved by the Office.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2020. 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, 2020. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**Homeowners Choice Property & Casualty Insurance Company, Inc.**  
**Assets**  
**December 31, 2020**

	Per Company
Bonds	\$63,742,006
Preferred stocks	9,280,579
Common stocks	17,592,258
Cash, cash equivalents and short-term investments	259,568,917
Receivables for securities	2,570,087
Subtotals, cash and invested assets	\$352,753,847
Investment income due and accrued	462,637
Uncollected premiums and agents' balances in the course of collection	35,365,849
Deferred premiums, agents' balances and installments booked but deferred and not yet due	13,905,081
Amounts recoverable from reinsurers	14,054,792
Other amounts receivable under reinsurance contracts	8,845,740
Net deferred tax asset	5,542,716
Receivables from parent, subsidiaries and affiliates	162,723
Aggregate write-ins for other than invested assets	214,175
<b>Totals</b>	<b>\$431,307,560</b>

**Homeowners Choice Property & Casualty Insurance Company, Inc.**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2020**

	Per Company
Losses	\$107,015,077
Loss adjustment expenses	7,403,740
Other expenses	186,786
Taxes, licenses and fees	123,838
Current federal and foreign income taxes	2,196,571
Unearned premiums	135,150,896
Advance premium	7,997,083
Ceded reinsurance premiums payable (net of ceding commissions)	45,375,576
Amounts withheld or retained by company for account of others	8,961,028
Provision for reinsurance	249,201
Payable to parent, subsidiaries and affiliates	929,734
Aggregate write-ins for liabilities	(4,194,316)
<b>Total liabilities</b>	<b>\$311,395,214</b>
Aggregate write-ins for special surplus funds	9,000,000
Common capital stock	3,500,000
Gross paid in and contributed surplus	47,360,609
Unassigned funds (surplus)	60,051,737
Surplus as regards policyholders	\$119,912,346
<b>Totals</b>	<b>\$431,307,560</b>

**Homeowners Choice Property & Casualty Insurance Company, Inc.**  
**Statement of Income**  
**December 31, 2020**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$199,690,272
<b>Deductions</b>	
Losses incurred	110,351,607
Loss adjustment expenses incurred	27,230,202
Other underwriting expenses incurred	97,146,850
Aggregate write-ins for underwriting deductions	2,889,025
Total underwriting deductions	\$237,617,684
Net underwriting gain (loss)	\$(37,927,412)
<b>Investment Income</b>	
Net investment income earned	\$5,790,787
Net realized capital gains (losses)	(110,953)
Net investment gain or (loss)	\$5,679,834
<b>Other Income</b>	
Net gain (loss) from agents' or premium balances charged off	\$(108,461)
Finance and service charges not included in premiums	428,865
Aggregate write-ins for miscellaneous income	53,933
Total other income	\$374,337
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(31,873,241)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(31,873,241)
Federal and foreign income taxes incurred	(3,094,208)
Net income	\$(28,779,033)
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders December 31 prior year	\$159,162,580
Net Income	(28,779,033)
Change in net unrealized capital gains or (losses) less capital gains tax	381,593
Change in net deferred income tax	3,806,108
Change in non-admitted assets	(211,275)
Change in provision for reinsurance	945,402
Surplus adjustments:	
Paid in	106,971
Dividends to stockholders	(15,500,000)
Change in surplus as regards policyholders for the year	\$(39,250,234)
Surplus as regards policyholders, December 31, current year	\$119,912,346

**Homeowners Choice Property & Casualty Insurance Company, Inc.**  
**Reconciliation of Capital and Surplus**  
**December 31, 2020**

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2015, per Company			\$194,893,366
	Increase	Decrease	
Net Income or (loss)	\$5,783,825		
Change in net unrealized capital gain (loss)	\$2,940,716		
Change in net deferred income tax	\$385,901		
Change in non-admitted assets		\$2,698,767	
Change in provision for reinsurance		\$249,201	
Change in paid in capital	\$3,499,000		
Change in paid in surplus	\$356,506		
Transferred from surplus (stock dividend)		\$3,499,000	
Dividends to stockholders		\$81,500,000	
Net increase (or decrease)			\$(74,981,020)
Surplus at December 31, 2020 per Company			\$119,912,346

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

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$119,912,346, exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.



## **SUBSEQUENT EVENTS**

### **COVID-19**

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the Office's review of the Company noted that there has not been a significant impact to the Company. The Office has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

### **Adverse Development in Reserves**

The examination actuary examined the processes used by the Company to estimate its 2020 reserves and did not report any material process issues. However, actuarial estimates are subject to a certain amount of uncertainty. And, subsequent to the examination period the Company estimated in its 2021 Annual Statement that its net loss reserves (which includes reinsurance in the calculation) related to prior years was understated by \$13.9 million and included this amount in its current year 2021 loss reserves. This is 11.6% of capital and surplus reported as of December 31, 2020 (i.e., that capital and surplus that was reported in the prior year).

### **Increase in Required Minimum Surplus**

After the examination period, on July 1, 2021, the required minimum surplus increased from \$10 million to \$15 million as stated in Section 624.408, Florida Statutes. Both the Company's 2020 capital and surplus of \$119,912,346 and their 2021 capital and surplus of \$120,481,329 exceeded this enhanced minimum surplus requirement.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Homeowners Choice Property & Casualty Insurance Company, Inc. as of December 31, 2020, consistent with the insurance laws of the State of Florida.

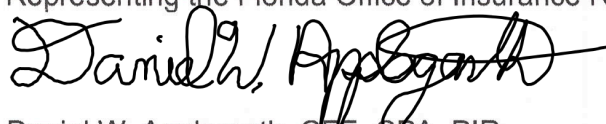
In addition to the undersigned, individuals from the following organizations and firms which included The Florida Office of Insurance Regulation ("the Office"), Examination Resources, LLC ("ER"), Highland Clark, LLC ("HC"), and Taylor-Walker & Associates, LLC ("TWA"), participated in the examination. These individuals are listed below:

Rachelle Gowins, CFE, MCM	Examination Manager	ER
Sigurd K. Proudfit, CFE, AMCM	Financial Examiner	ER
Tracy Gates, CISA, CFE, CPA	Managing IT Specialist	HC
Lori Lewter, CISA	IT Specialist	HC
Solomon Frazier, FSA, FCAS, MAAA	Actuarial Specialist	TWA
Brent M. Sallay, FCAS, MAAA	Actuarial Specialist	TWA
Marie Stuhlmuller	Examination Manager	The Office

Respectfully submitted,



Scott R. Kalna, CFE, AMCM  
Examiner in Charge  
Examination Resources, LLC  
Representing the Florida Office of Insurance Regulation



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