



**EXAMINATION REPORT  
OF**

**Lexington National Insurance Corporation  
Stuart, Florida**

**NAIC Company Code: 37940**

**as of  
December 31, 2020**

**By  
The Florida Office of Insurance Regulation**

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June 27, 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

**Lexington National Insurance Corporation**  
**626 S.E. Monterey Road**  
**Stuart, Florida 34994**

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 15, 2021. The fieldwork concluded as of June 27, 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/non-coordinated examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). This was not a coordinated examination as the Company is the only insurance company in the holding company structure. 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**

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

### **Previous Examination Findings**

The following is an update on other significant regulatory information disclosed in the previous examination.

#### **CONSENT ORDER 163931-14-CO ITEM# 17**

The Company was permitted by Consent Order 163931-14-CO item# 17 to maintain its books and records in the state of Maryland through May 31, 2015. Thereafter, the Company was required to maintain its home office and its books and records in the state of Florida in accordance with Section 628.271, Florida Statutes. The Company believes it complied with the requirements of the Consent Order, but agrees, by December 1, 2017, to establish a home office in Florida and maintain its books and records in this state.

**Resolution:** The Company notified the Office in writing of its lease of a home office address on November 13, 2017. The Company officially occupied the property on December 4, 2017.

#### **AGENTS' BALANCES IN THE COURSE OF COLLECTION**

The Company was not in compliance with Rule 690-138.024, Florida Administrative Code. This rule implements the provisions of Section 625.012(5), Florida Statutes, and applies to all authorized insurers as defined in Section 624.09, Florida Statutes. For purposes of determining the admissibility as an asset of agents' balances, the policy inception date, defined as the time when the insurance thereunder takes effect, is the first day of the 90 days in which the agents' balances must be collected or be considered past due. While the Company asserts that it maintains complete and accurate records of the total consideration paid for all bail bonds written by the company and any outstanding premium, as required by Section 624.4094(3), the Company does not have the capability to age the aging agent balances on a policy-by-policy basis as required by the Rule. Unless and until the Company has the capability to age agent balances on an individual policy basis, it continues to non-admit all agent balances that are not aged on a policy-by-policy basis.

**Resolution:** The Company provided the examiners with sufficient evidence to demonstrate that the agent balances are now being aged on a policy by policy basis and that it has implemented appropriate procedures to ensure it reviews the outstanding agent balances each quarter and determines which balances are to be non-admitted.

#### **PREMIUM TAX DISCLOSURE**

The Company was not in compliance with Section 624.4094, Florida Statutes. Each domestic bail bond insurer shall disclose in the notes to the financial statement the amount of premium taxes incurred by the company in each state. The Company did not include the amount of premium taxes incurred by the Company in each state in either its 2015 or 2016 Annual Financial Statements.

**Resolution:** The Company did disclose the amount of premium taxes incurred by the Company in each state beginning with the 2017 First Quarter Financial Statement and for all years within the examination period. Also, the Company refiled the notes to the 2016 Annual Financial Statements accordingly.

The prior examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

## **COMPANY HISTORY**

### **General**

The Company was incorporated in Maryland on October 23, 1989 and commenced business on June 1, 1990. The Company received approval from the Office on December 11, 2014, to re-domesticate from its original state of domicile, Maryland, to Florida. The re-domestication took effect on January 1, 2015.

### **Dividends**

The Company declared and paid dividends to its stockholder(s) in 2019 in the amounts of \$1,300,000.

### **Capital Stock and Capital Contributions**

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

Number of authorized common capital shares	200,000
Number of shares issued and outstanding	150,000
Total common capital stock	\$2,500,500
Par value per share	\$16.67
Less treasury stock at cost	(\$404,192)

There were no capital contributions during the period under examination.

### **Surplus Notes**

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

### **Acquisitions, Mergers, Disposals, Dissolutions**

HK Insurance Group, Inc. (HKIG) and HK Insurance Services Inc. (HKIS) merged on October 11, 2016. The Company then purchased 100% interest in HKIG (an insurance agency considered a wholly owned noninsurance SCA subsidiary) on October 11, 2016. The transaction was accounted for as a statutory purchase, with a cost of \$4,477,506 (the cost of 22,532 shares of the Company's treasury stock issued in exchange for the equity of HKIG).

On March 1, 2019, the Company was approved by the Office for an additional investment into HKIG in the amount of \$893,000 to repay the subsidiary's debt to Ronald Frank in accordance with Florida Rule 690-143.047(4)(a). The total investment in HKIG of \$5,370,506 is reported on the Company's 2020 Annual statement as a nonadmitted asset, in accordance with SSAP 97 paragraph 8.b. ii.

## **MANAGEMENT AND CONTROL**

### **Corporate Governance**

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, 2020, are shown below:

<b>Directors</b>		
<b>Name</b>	<b>City, State</b>	<b>Principal Occupation, Company Name</b>
Ronald A. Frank	Baltimore, MD	Chairman and President Lexington National Insurance Corp
Phyllis K. Frank	Baltimore, MD	Vice President Lexington National Insurance Corp
Mark T. Holtschneider	Kingsville, MD	Executive VP and General Counsel Lexington National Insurance Corp
Harold L. Hackerman, CPA	Baltimore, MD	Partner Ellin & Tucker, Chartered
Stevan Meizlish	Owings Mills, MD	President and Owner Meizcorp Media Group, Inc.
Sheldon Press	Baltimore, MD	Commissioner (Retired) Workers Compensation Commission
Richard Silberstein	Brooklandville, MD	President Silberstein & Associates



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>
Ronald A. Frank	Baltimore, MD	Chairman and President
Phyllis K. Frank	Baltimore, MD	Vice President
Lisa R. Slater	Forest Hill, MD	Vice President, Secretary
Kimberly E. Marzullo	Churchville, MD	CFO, Treasurer
Mark T. Holtschneider	Kingsville, MD	Executive VP, General Counsel
Randy K. Parton	Orlando, FL	Senior Vice President
Joseph S. Williams	Weiser, ID	Vice President
John R. Dykstra	Baltimore, MD	Vice President
Steven S. Bell	Dallas, TX	Vice President
William D. Diones	Centennial, CO	Vice President

The Company's Board appointed three internal committees. The following were the principal internal board committees and their members as of December 31, 2020. The first person listed for each committee is the chairman.

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

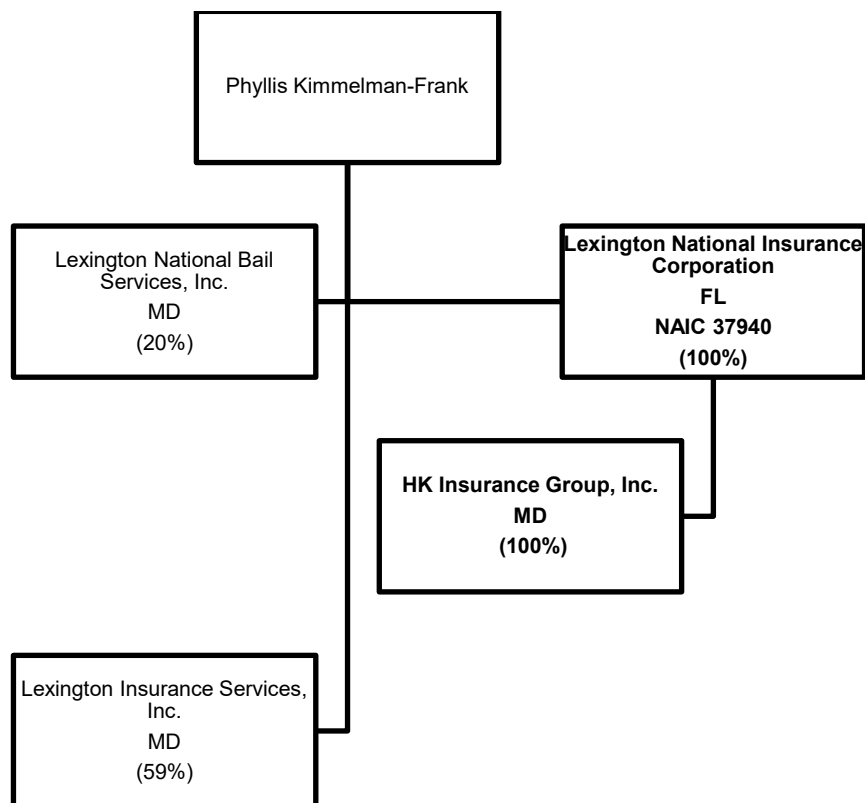
<b>Audit Committee</b>		
Harold L. Hackerman, CPA	Sheldon Press	Richard Silberstein

<b>Finance Committee</b>		
Richard Silberstein	Mark T. Holtschneider	Kimberly E. Marzullo

## Holding Company System

An organizational chart as of December 31, 2020, reflecting the holding company system, as shown on Schedule Y of the Company's 2020 annual statement is provided below:

### Organizational Chart December 31, 2020



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

### **Cost Allocation Agreement**

The Company entered into a Cost Allocation Agreement with its subsidiary, HK Insurance Group (HKIG) effective January 1, 2017. The agreement allocates costs based upon the scope of work and responsibilities performed for the benefit of the Company including accounting and legal fees. Fees incurred under this agreement during 2020 amounted to \$16,200. Allocation methods under the agreement appear fair and reasonable.

### **Collateral Agreement**

The Company entered into a Collateral Agreement with its owner, Phyllis K. Frank, on January 1, 2018. Under the agreement, Mrs. Frank puts up cash collateral to be held by the Company to secure large bail bonds in return for a right to recovery from the collateral offered by the defendant. Amounts of the recoveries vary in each case.

## **ACCOUNTS AND RECORDS**

The Company maintains its principal operational offices in Stuart, Florida.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company is licensed in all 50 states and the District of Columbia, and actively writes business in 43 jurisdictions. The Company primarily writes surety and bail bond policies.

The Company was authorized to transact insurance in Florida on February 12, 1996, and is currently authorized for the following lines of business as of December 31, 2020:

- Surety
- Bail Bonds
- Auto Warranties
- Home Warranties
- Service Warranties (Non-auto)
- Other Liability
- Miscellaneous Casualty

## **REINSURANCE**

### **Reinsurance Assumed**

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

### **Reinsurance Ceded**

Effective January 1, 2020, the Company entered into a quota share reinsurance agreement with Beazley Insurance Company, Inc. for its construction bonds. Under the agreement, the Company cedes a portion of each construction bond written to Beazley based on the face value of the bond on a sliding scale. Beazley pays the Company a 47.5% commission on the premiums ceded.

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

## **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.)

**Lexington National Insurance Corporation**  
**Assets**  
**December 31, 2020**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$5,840,750		\$5,840,750
Stocks			
Common stocks	6,369,263	\$5,370,506	998,757
Mortgage loans on real estate			
First liens	2,236,835	447,803	1,789,032
Cash, cash equivalents and short-term investments	9,772,150		9,772,150
Subtotals, cash and invested assets	\$24,218,998	\$5,818,309	\$18,400,689
Investment income due and accrued	31,096		31,096
Premiums and considerations			
Uncollected premiums and agents' balances	2,538,986	1,510,364	1,028,622
Aggregate write-in for other than invested assets	49,376,310	8,963	49,367,347
Total assets	76,165,390	7,337,636	68,827,754

**Lexington National Insurance Corporation**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2020**

	Per Company
Losses	\$243,818
Loss adjustment expenses	11,182
Commissions payable, contingent commissions and other similar charges	87,346
Other expenses	231,208
Taxes, licenses and fees	194,378
Unearned premiums	3,101,051
Advance premiums	76,925
Ceded reinsurance premiums payable	66,067
Amounts withheld or retained by company for account of others	49,333,227
Total liabilities	\$53,345,202
Common capital stock	2,500,500
Gross paid-in and contributed surplus	450,000
Unassigned funds (surplus)	12,936,244
Less treasury stock, at cost	404,192
Surplus as regards policyholders	\$15,482,552
Totals	\$68,827,754

**Lexington National Insurance Corporation**  
**Statement of Income**  
**December 31, 2020**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$11,986,835
<b>Deductions</b>	
Losses Incurred	2,790,799
Other underwriting expenses incurred	12,771,445
Total Underwriting deductions	15,562,244
Net underwriting gain (loss)	\$(3,575,409)
<b>Investment Income</b>	
Net investment income earned	317,611
Net realized capital gains or (losses)	851,931
Net investment gain or (loss)	\$1,169,542
<b>Other Income</b>	
Net gain or (loss) from agents' or premium balances charged off	(101,690)
Aggregate write-ins for miscellaneous income	789,820
Total other income	\$688,130
Net Income	\$(1,717,737)
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	\$18,902,161
Net Income	(1,717,737)
Change in net unrealized capital gains or (losses)	(680,139)
Change in non-admitted assets	(1,013,163)
Aggregate write-ins for gains and losses in surplus	(8,570)
Change in surplus as regards policyholders for the year	(3,419,609)
Surplus as regards policyholders, December 31, current year	\$15,482,552



**Lexington National Insurance Corporation**  
**Reconciliation of Capital and Surplus**  
**December 31, 2020**

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2015, per Company			\$16,910,522
	Increase	Decrease	
Loss in surplus	\$2,538,742		
Change in net unrealized capital gain (loss)		\$224,033	
Change in non-admitted assets		7,084,919	
Change in paid in capital	450,000		
Transferred to surplus	50,100		
Surplus adjustment paid in	450,000		
Transferred to capital (stock dividend)		424,600	
Transferred from capital		75,500	
Dividends to stockholders		3,520,000	
Change in treasury stock	4,477,506		
Aggregate write-ins for gains and losses in surplus	1,934,734		
Net increase (or decrease)			\$(1,427,970)
Surplus at December 31, 2020 per Company			\$15,482,552

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

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$15,482,552 as of December 31, 2020, exceeded the minimum of \$1,500,000 required by Section 624.408, Florida Statutes.

### **SUBSEQUENT EVENTS**

On January 1, 2021, all shares of the Company's stock were transferred to Revolutionary Holding Company, LLC (the "Holding Company"). On that same date, all shares of the Company's subsidiary, HK Insurance Group, Inc., were transferred to the Holding Company. Also, on that date, the Holding Company transferred all shares of the Company to the Holding Company's subsidiary, Concord Specialty Insurance Company. The shareholders of the Holding Company are the same as the shareholders of the Company on December 31, 2020, with the same percentage of ownership in voting and non-voting stock as previously held in the Company. Further, there were no changes in the officers or directors of the Company.


## CONCLUSION

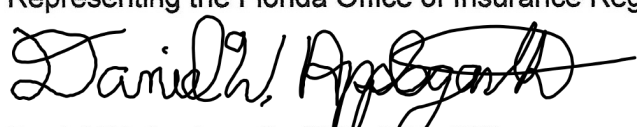
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Lexington National Insurance Corporation as of December 31, 2020, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following individuals from the Office, Baker Tilly USA, LLP ("Baker Tilly"), Merlinos & Associates ("Merlinos"), Eide Bailly, LLP ("Eide Bailly"), Jennan Enterprises ("Jennan") also participated in the examination:

Leah Thomas, CFE, ACI	Participating Financial Examiner	Baker Tilly
Kyra Brown, MBA	Participating Financial Examiner	Baker Tilly
Bobby Jackson, MBA, APIR	Participating Financial Examiner	the Office
Casey Hengstebeck	Participating Financial Examiner	the Office
Robert Daniel, ACAS, MAAA	Lead Actuarial Examiner	Merlinos
Gregory Fanoie, FCAS, MAAA	Participating Actuarial Examiner	Merlinos
Michael Nadeau, CPA, CISA, CFE, AES	Lead IT Examiner	Eide Bailly
Joe Detrick, CPA, CISA, CFE, AES	Participating IT Examiner	Jennan

Respectfully submitted,

  
James B. Morris, CFE, CPA, MBA, CGMA, CICA  
Director  
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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