



**EXAMINATION REPORT  
OF  
OCEAN HARBOR CASUALTY INSURANCE  
COMPANY**

**NAIC Company Code: 12360**

**Tallahassee, Florida  
as of  
December 31, 2019**

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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December 17, 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, 2019, of the financial condition and corporate affairs of

**Ocean Harbor Casualty Insurance Company**

2549 Barrington Circle  
Tallahassee, Florida 32308

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, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 28, 2020. The fieldwork concluded as of December 17, 2020. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2010 through December 31, 2014.

The examination was a multi-state/coordinated holding company group 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. The lead state for the exam was Florida, and the other state that participated in this exam was Minnesota.

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 including 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.

### **Reinsurance Agreement with Multiple Cedents**

The Company has reinsurance agreements with multiple cedents but does not maintain a written allocation agreement for its reinsurance agreements with multiple cedents. NAIC Statements of Statutory Accounting Principles 62R, paragraph 9 requires that reinsurance agreements with multiple cedents must be in writing and the terms must be fair and equitable. The Company's multi-cedent reinsurance premium for its Catastrophe XOL treaties is based on the modeled average annual loss for each company and is allocated to the companies in this manner. The reinsurance broker calculates the average annual loss. The premium for property per risk and aggregate risk XOL treaties is based on each company's modeled and actual prior experience.

### **Previous Examination Findings**

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

### **Reinsurance Treaty Summary Statement**

The Company entered into an aggregate excess catastrophe reinsurance contract effective June 1, 2014 and did not file a summary statement as required by Section 624.610(11), Florida Statutes.

**Resolution:** On October 8, 2014, the Company subsequently submitted the supporting documentation, normally provided on Form OIR-D0-01433, under REFS ID #18233. In all

subsequent years, the Company filed the required information for the reinsurance treaties on the reinsurance summary statements in a timely manner.

## **COMPANY HISTORY**

### **General**

The Company incorporated on June 17, 1986, under the laws of the State of Oklahoma, and was subsequently re-domesticated Florida on March 17, 1994. The Company commenced business on June 26, 1986, and began writing business in the State of Florida in 1994.

### **Dividends**

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

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

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$3,000,000
Par value per share	\$3.00

### **Surplus Notes**

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

### **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 Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2019, are shown below with the first listed individual also being the Chairman of the Board:

Directors		
Name	City, State	Principal Occupation, Company Name
Ralph Milo	Fisher Island, Florida	Chairman of the Board, Ocean Harbor Casualty Insurance Company
Michael Keith Eigen	Atlantic Beach, New York	Vice President & Secretary, Ocean Harbor Casualty Insurance Company
David Joseph Maundrell, III	New York City, New York	Assistant Vice President, Ocean Harbor Casualty Insurance Company
Philip John Milo	Oceanside, New York	Vice President, Ocean Harbor Casualty Insurance Company
William Emerson Roche	Brooklyn, New York	President & Treasurer, Ocean Harbor Casualty Insurance Company

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

Senior Officers		
Name	City, State	Title
William Emerson Roche	Brooklyn, New York	President, Treasurer
Michael Keith Eigen	Atlantic Beach, New York	Vice President, Secretary
Philip John Milo	Oceanside, New York	Vice President

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2019. The first person listed for each committee is the chairman.

<b>Nominating Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Ralph Milo	Fisher Island, Florida	Chairman of the Board, Ocean Harbor Casualty Insurance Company
Michael Keith Eigen	Atlantic Beach, New York	Vice President & Secretary, Ocean Harbor Casualty Insurance Company
Philip John Milo	Oceanside, New York	Vice President, Ocean Harbor Casualty Insurance Company
William Emerson Roche	Brooklyn, New York	President & Treasurer, Ocean Harbor Casualty Insurance Company

<b>Investment Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Ralph Milo	Fisher Island, Florida	Chairman of the Board, Ocean Harbor Casualty Insurance Company
Michael Keith Eigen	Atlantic Beach, New York	Vice President & Secretary, Ocean Harbor Casualty Insurance Company
Philip John Milo	Oceanside, New York	Vice President, Ocean Harbor Casualty Insurance Company
William Emerson Roche	Brooklyn, New York	President & Treasurer, Ocean Harbor Casualty Insurance Company

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

<b>Audit Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Ralph Milo	Fisher Island, Florida	Chairman of the Board, Ocean Harbor Casualty Insurance Company
Michael Keith Eigen	Atlantic Beach, New York	Vice President & Secretary, Ocean Harbor Casualty Insurance Company
David Joseph Maundrell, III	New York City, New York	Assistant Vice President, Ocean Harbor Casualty Insurance Company
Philip John Milo	Oceanside, New York	Vice President, Ocean Harbor Casualty Insurance Company
William Emerson Roche	Brooklyn, New York	President & Treasurer, Ocean Harbor Casualty Insurance Company



## **Holding Company System**

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The most recent holding company registration statement was filed with the Office on March 20, 2020, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

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

## **Tax Allocation Agreement**

The Company, along with its parent, RM Ocean Holding, Inc. ("RM Holding"), and affiliates filed a consolidated federal income tax return. On December 31, 2019, the method of allocation between the Company and others in the holding company system was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with RM Holding. Within thirty (30) days of the remittance by RM Holding of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

## **Cost Allocation Agreement**

The Company entered into a Cost Allocation Agreement with RM Holding and Safe Harbor Insurance Company ("Safe Harbor") on December 19, 2006. The agreement was amended and restated on May 11, 2011, to include GNW Holding, Inc., Great Northwest Insurance Company ("GNIC"), and Hawaiian Insurance and Guaranty Company, Ltd. ("HIG"). The agreement allocated costs based upon the scope of work and responsibilities performed for the benefit of the affiliated company. Costs to be allocated are calculated quarterly and settled within 30 days on a net basis. Expenses incurred by the Company under this agreement during 2019 were allocated to Safe Harbor and RM Holding amounting to \$675,058 and \$2,076,066, respectively.

## **ACCOUNTS AND RECORDS**

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

The Company and non-affiliates had the following material agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with RBC Correspondent Services, a division of RBC Capital Markets, LLC, executed on December 8, 2014.

### **Managing General Agent Agreements**

The Company had 13 general agency agreements in place. Of those 13 agreements only two met the definition of a Managing General Agent (“MGA”) agreement per Section 626.015(14)(a), Florida Statutes. The other 11 agreements were with non-affiliated companies that were compensated using one of the following three methods:

1. The agency received underwriting commission on business written;
2. The agency received a percentage of net written premium; or
3. The agency earned premium for the processing of claims.

An MGA agreement was executed on September 1, 1994, with J.A.J. Holding Company, Inc. (name legally changed to Pearl Holding Company, Inc. during 2005) and remains in effect until terminated by either party, with 365 days prior written notice. The MGA authorities include binding policies, underwriting, premium collection, claims adjustment, and claims payment. MGA fees are based on a percentage of direct written premium with a floating contingent commission based on loss ratio achieved and included a policy fee. Claims administration services are included in the agreement at a cost of an additional percentage of earned premium. Direct written premiums subject to this contract during the year ended December 31, 2019 totaled \$196,592,441. The MGA is responsible for quoting policies to customers, claims administration, billing, and collecting premiums on behalf of the insurer. The Company retained the right for binding authority and ensures all policies meet company underwriting guidelines.

An MGA agreement with All Star General Insurance Agency, Inc. ("All Star") was effective June 1, 2008 and amended effective December 1, 2018. It remains in effect until terminated by either party with 180 days prior written notice or immediately by the Company for cause. The authorities granted to All Star included binding policies, underwriting, and premium collection for insureds located and domiciled in California. Underwriting was limited to \$10 million annually prior to the above noted amendment. On the effective date of the amendment it was increased to \$30 million annually. The commission is based on 19% of written premiums, 97.5% of all policy fees, and 100% of service fees. Direct written premiums subject to this contract during the year ended December 31, 2019 totaled \$19,326,030.

### **Independent Auditor Agreement**

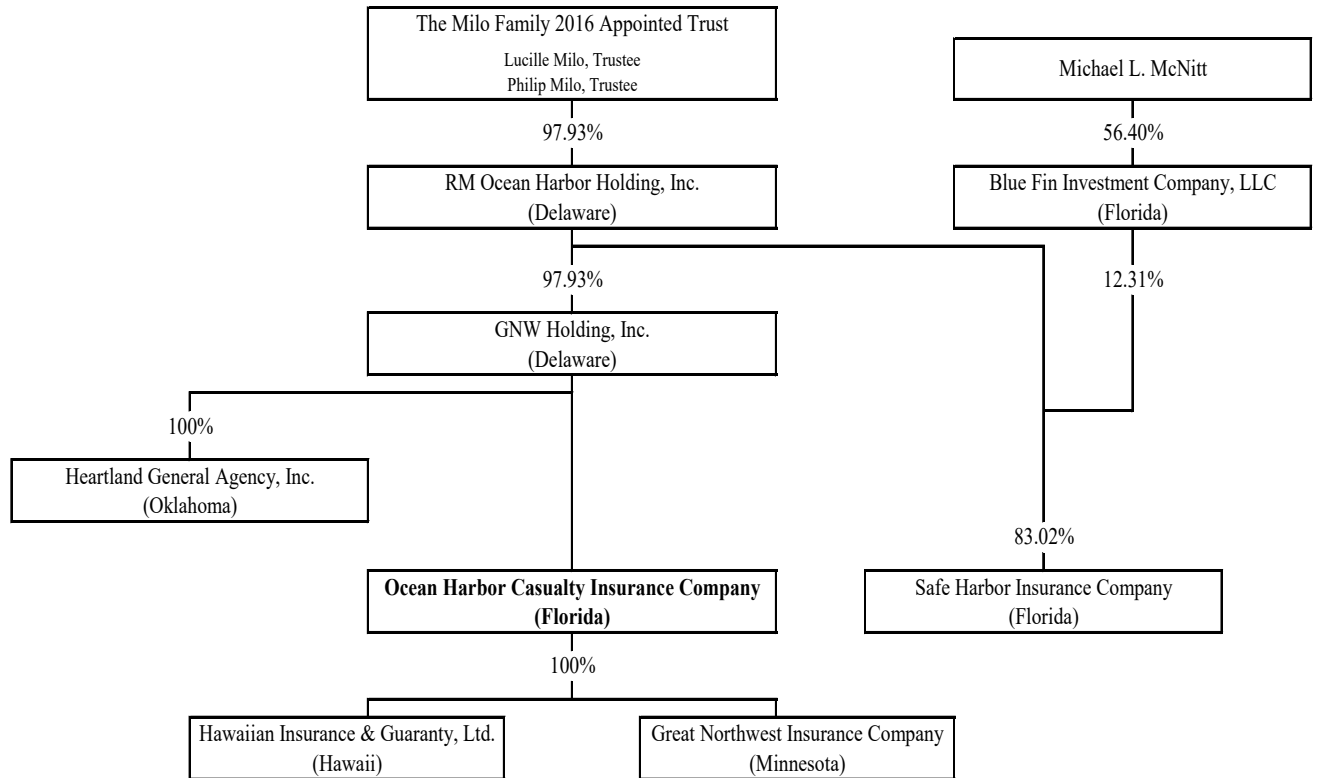
An independent CPA, Law, Redd, Crona, Munroe, P.A., audited the Company's statutory basis financial statements annually for the years 2019, 2018 and 2017.

### **Corporate Records Review**

The recorded minutes of the Shareholder, Board of Directors ("Board"), and the following committees: Audit, Investment and Nominating, 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.

An organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

**Ocean Harbor Casualty Insurance Company**  
**Organizational Chart**  
**December 31, 2019**



## TERRITORY AND PLAN OF OPERATIONS

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

Alabama	California	Florida
Louisiana	Mississippi	New Jersey
New York	Oklahoma	South Carolina
Texas		

The Company was authorized to transact insurance in Florida on August 24, 2007, and is currently authorized for the following lines of business as of December 31, 2019 in that state:

Fire	Mobile Home Multiple Peril
Allied Lines	Mobile Home Physical Damage
Homeowners Multiple Peril	Private Passenger Auto Liability
Commercial Multiple Peril	Private Passenger Auto Physical Damage

The Company primarily writes private passenger auto liability policies in the state of Florida. However, it does write other coverages and in other jurisdictions as well on a limited basis.

## 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 risk on a multiple line quota share agreement with its subsidiary, GNIC. The Company reinsures 100% of GNIC's net retention in-force, new and renewal premiums. Ceding commission is equal to GNIC's underwriting deduction, net of finance and service charge income. Per the contract, GNIC retains the cash from premiums collected to pay claims assumed

by the company (funds held basis). Additional funds are transferred, as needed, in order to fully collateralize GNIC's ceded unearned premium and reserves for losses and loss adjustment expense.

### **Reinsurance Ceded**

The Company ceded risk on a quota share and excess of loss basis. The Company's private passenger automobile insurance products were subject to a quota share reinsurance contract of 40% for new and renewal policies effective on or after January 1, 2018. All homeowner and dwelling policies were covered under a shared combined property per risk and aggregate excess of loss reinsurance contract. All homeowner and dwelling policies were covered under a multiple layer catastrophic excess of loss contract shared by the Company, Safe Harbor, GNIC and HIG. All layers provide coverage for second and subsequent events until exhausted. Homeowner policies covering property in New York were subject to a shared multi-line excess of loss contract with GNIC and HIG.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2019. 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, 2019. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**Ocean Harbor Casualty Insurance Company**  
**Assets**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$81,575,994		\$81,575,994
Stocks			
Preferred	1,503,403		1,503,403
Common	30,348,472		30,348,472
Cash and short-term investments	119,862,964		119,862,964
Subtotal cash and invested assets	\$233,290,834	\$0	\$233,290,834
Interest income due and accrued	855,898		855,898
Agents' balances			
Uncollected premium	8,385,265		8,385,265
Deferred premium	56,788,768		56,788,768
Amounts recoverable from reinsurer	210,213		210,213
Funds held by or deposited with reinsured companies	12,417,201		12,417,201
Net deferred tax asset	3,768,356		3,768,356
Guaranty funds receivable or on deposit	13,736		13,736
Electronic data processing equipment	74,473		74,473
Receivable from parent, subsidiaries and affiliates	479,592		479,592
Aggregate write-in for other than invested assets	645,660		645,660
Totals	\$316,929,996	\$0	\$316,929,996



**Ocean Harbor Casualty Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Losses	\$79,944,303		\$79,944,303
Loss adjustment expenses	11,643,069		11,643,069
Commissions payable, contingent commissions	26,265		26,265
Other expenses	117,483		117,483
Taxes, licenses and fees	1,117,466		1,117,466
Current federal and foreign income taxes	321,243		321,243
Unearned premiums	81,790,218		81,790,218
Advance premiums	348,470		348,470
Funds held under reinsurance treaties	47,192,620		47,192,620
Ceded reinsurance	7,743,042		7,743,042
Payable to parent	739,270		739,270
Total liabilities	\$230,983,449	\$0	\$230,983,449
Common capital stock	3,000,000		3,000,000
Gross paid-in and contributed surplus	21,582,901		21,582,901
Unassigned funds (surplus)	61,363,646		61,363,646
Surplus as regards policyholders	\$85,946,547	\$0	\$85,946,547
Total liabilities, surplus and other funds	\$316,929,996	\$0	\$316,929,996

**Ocean Harbor Casualty Insurance Company**  
**Statement of Income**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
<b>Underwriting Income</b>			
Premiums earned	\$220,817,319		\$220,817,319
<b>Deductions</b>			
Losses Incurred	\$126,895,435		\$126,895,435
Loss expenses incurred	20,242,375		20,242,375
Other underwriting expenses incurred	64,997,079		64,997,079
Total Underwriting deductions	\$212,134,890		\$212,134,890
Net underwriting gain (loss)	\$8,682,430		\$8,682,430
<b>Investment Income</b>			
Net investment income earned	\$5,005,718		\$5,005,718
Net realized capital gains or (losses)	(84,671)		(84,671)
Net investment gain or (loss)	\$4,921,047		\$4,921,047
<b>Other Income</b>			
Net gain or (loss) from agents' or premium balances charged off	(\$2,302,306)		(\$2,302,306)
Finance and service charges not included in premiums	3,681		3,681
Aggregate write-ins for miscellaneous income	3,767		3,767
Total other income	(\$2,294,858)		(\$2,294,858)
Net income before dividends to policyholders and before federal & foreign income taxes	\$11,308,619		\$11,308,619
Net income, after dividends to policyholders, but before federal & foreign income taxes	\$11,308,619		\$11,308,619
Federal & foreign income taxes	(2,369,103)		(2,369,103)
Net Income	\$8,939,516		\$8,939,516

	Per Company	Examination Adjustments	Per Examination
<b>Capital and Surplus Account</b>			
Surplus as regards policyholders December 31 prior year	\$75,866,898		\$75,866,898
Net Income	\$8,939,516		\$8,939,516
Change in net unrealized capital gains or losses	693,496		693,496
Change in non-admitted assets	584,642		584,642
Change in net deferred income taxes	(138,005)		(138,005)
Change in surplus as regards policyholders for the year	\$10,079,649		\$10,079,649
Surplus as regards policyholders, December 31, current year	\$85,946,547		\$85,946,547

**Ocean Harbor Casualty Insurance Company**  
**Reconciliation of Capital and Surplus**  
**December 31, 2019**

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

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2014, per Examination			\$48,729,620
	Increase	Decrease	
Net income	\$34,673,731		\$34,673,731
Change in net unrealized capital gain (loss)	\$3,497,127		\$3,497,127
Change in net deferred income tax		(\$901,785)	(\$901,785)
Change in non-admitted assets		(\$52,948)	(\$52,948)
Change in provision for reinsurance	\$804		\$804
Net increase (or decrease)			\$37,216,929
Surplus at December 31, 2019 per examination			\$85,946,549

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Liabilities**

#### **Losses and Loss Adjustment Expenses**

Gary Granoff, ACAS, MAAA, ScM of Granoff Resources, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, 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, Andrew Chandler, ACAS, MAAA, of Risk & Regulatory 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 \$85,946,547, exceeded the minimum of \$63,854,679 required by Section 624.408, Florida Statutes.

## **SUBSEQUENT EVENTS**

### **COVID-19 Economic Impact**

During March of 2020, the World experienced a pandemic related to the COVID-19 virus. At the date of this report, the Company has not been able to quantify the effects of this pandemic on its current or future financial statements. Also, as of the date of this report, the Company was fully operational and was providing services to its policyholders.

## SUMMARY OF RECOMMENDATIONS

### **Reinsurance Agreement with Multiple Cedents**

We recommend that the company draft and implement a formal written multi-cedent reinsurance allocation agreement for its Catastrophe XOL treaties to document its methods for allocating premium and losses in compliance with the *NAIC Statements of Statutory Accounting Principles* 62R, paragraph 9. We also recommend that the written multi-cedent reinsurance allocation agreement be submitted to Florida Office of Insurance Regulation for their review and approval.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Ocean Harbor Casualty Insurance Company as of December 31, 2019, consistent with the insurance laws of the State of Florida.

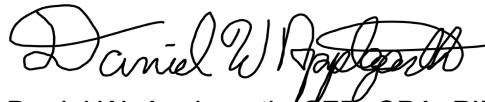
In addition to the undersigned, the following also participated in the examination from both the Office and Risk & Regulatory Consulting, LLC ("RRC"):

Daniel W. Applegarth, CFE, CPA, PIR	Chief Financial Examiner	Office
Cathie A. Stewart, CFE, CPA	Examiner-in-Charge	RRC
John Humphries, CFE, ASA, MAA, AES, CISA	Partner and Exam Manager	RRC
Barry Lupus, CFE, CPA, CFE (Fraud)	Participating Examiner	RRC
Joshua J. Johnson, CFE	Participating Examiner	RRC
Robin Brown, MBA	Participating Examiner	RRC
Chad Mason	Participating Examiner	Office
Casey Hengstebeck	Participating Examiner	Office
Dave Heppen, FCAS, MAAA	Actuarial Specialists	RRC
Andrew Chandler, ACAS, MAAA	Actuarial Specialists	RRC
Stephen Skenyon, CPA, CISA	Information Technology Specialist	RRC

Respectfully submitted,



Cathie A. Stewart, CFE, CPA  
Examiner-in-Charge  
Risk & Regulatory Consulting, 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