



**EXAMINATION REPORT
OF**

**People's Trust Insurance Company
Deerfield Beach, Florida**

NAIC Company Code: 13125

**as of
December 31, 2020**

**By
The Florida Office of Insurance Regulation**

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June 10, 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

**People's Trust Insurance Company
18 People's Trust Way
Deerfield Beach, FL 33441**

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 August 2, 2021. The fieldwork concluded as of June 10, 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 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

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.

Letter of Credit

The Company was not in compliance with Rule 69O-144.005 6(d)(2) and (e)(1), Florida Administrative Code, as the Amlin Letter of Credit did not contain the Evergreen Clause requiring no less than sixty (60) days' notice prior to expiration date or nonrenewal, nor did it contain the requirement that the agreement be governed by the laws of the State of Florida.

Resolution: The Company subsequently amended the agreement to be compliant.

COMPANY HISTORY

General

The Company was incorporated in the State of Florida on January 17, 2008 and received its Certificate of Authority on March 6, 2008. The Company is headquartered in Deerfield Beach, Florida.

The Company is a stock insurance company owned by People's Trust Holdings, LLC (PTH). PTH is currently 99% owned by the George W. Schaeffer Living Trust, and 1% by GWS 2 Inc. Mr. Schaeffer wholly owns GWS 2 Inc. and is the sole trustee of the Living Trust.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2020, 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	\$1,000,000
Par value per share	\$1.00

The Company received a capital contribution of \$9,000,000 from PTH on December 31, 2016.

Surplus Notes

The Company issued surplus notes to the Company's parent at par value for cash as follows:

	<u>Carrying Value</u>	<u>Outstanding Interest</u>
December 23, 2012	\$ 12,000,000	\$ 6,197,918
August 15, 2013	2,000,000	885,370
February 19, 2014	15,000,000	6,176,712
December 30, 2014	15,000,000	5,402,466
February 13, 2015	<u>10,000,000</u>	<u>3,527,671</u>
Total	\$ 54,000,000	\$ 22,190,137

All surplus notes earn interest at six percent (6%) per annum with no stated maturity. As of December 31, 2020, the Company did not request nor did the Office approve interest payments on principal surplus notes, and no payments were accrued or paid.

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 Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
George William Schaeffer	Boca Raton, Florida	President and Chief Executive Officer, People's Trust Insurance Company
Adam Lawrence Frankel	Delray Beach, Florida	Attorney, Adam Frankel Law; Certified Public Pension Trustee, State of Florida
Stephen Alfonso Giliotti ^(a)	West Palm Beach, Florida	Director, People's Trust Insurance Company
Adam Michael Hasner	Boca Raton, Florida	Executive Vice President, The GEO Group, Inc.
Charles Thomas Gallagher	Deerfield Beach, Florida	Chief Operating Officer, People's Trust Insurance Company

^(a) Passed away on January 6, 2022. Was replaced by Michael Simhai on April 8, 2022

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

Senior Officers		
Name	City, State	Title
George William Schaeffer	Boca Raton, Florida	President and Chief Executive Officer
George Robert De Heer ^(a)	Pembroke Pines, Florida	Chief Financial Officer
Brett Ross Frankel	Delray Beach, Florida	Chief Legal Officer
Charles Thomas Gallagher	Deerfield Beach, Florida	Chief Operating Officer

^(a) George De Heer resigned on March 7, 2022, and was replaced by Dan Hoar on May 6th, 2022

The Company's Board appointed several 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.

Audit Committee		
Adam Lawrence Frankel	Stephen Alfonso Giliotti ^(a)	Adam Michael Hasner

^(a) Passed away on January 6, 2022 and has not been replaced.

The Company maintained an Investment Committee with the following members:

Investment Committee		
George William Schaeffer	Adam Lawrence Frankel ^(b)	Stephen Alfonso Giliotti ^(a)

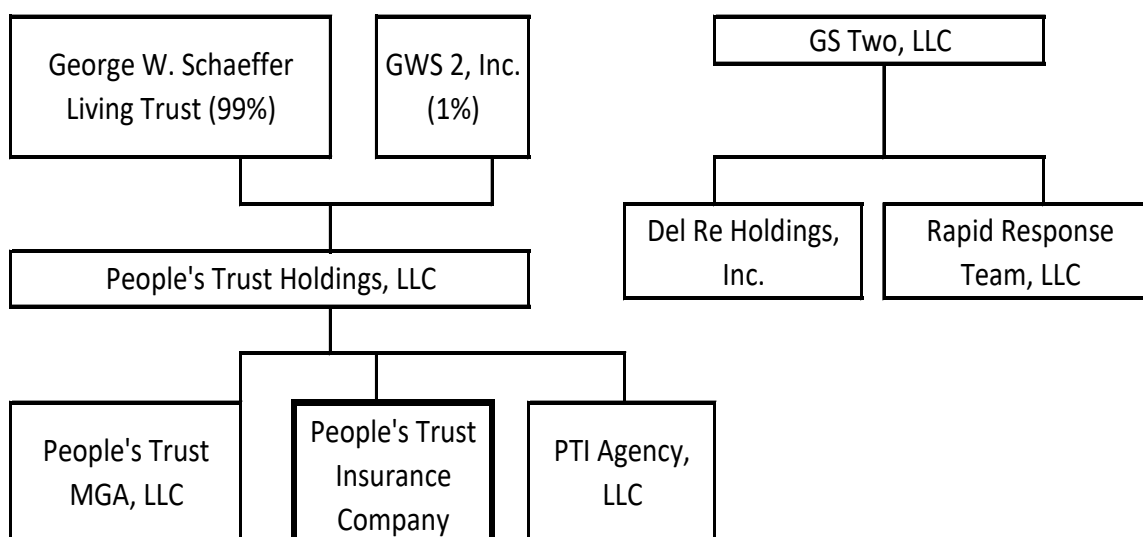
^(a) Passed away on January 6, 2022 and has not been replaced.

^(b) As of April 8, 2022, replaced by Charles Thomas Gallagher.

Holding Company System

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

People's Trust Insurance Company Simplified Organizational Chart December 31, 2020



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

Cost Allocation Agreement

The Company has a Cost Allocation Agreement with People's Trust MGA, LLC (PTMGA), PTH, GS Two, LLC and Rapid Response Team, LLC (RRT), effective July 27, 2011, covering allocable expenses incurred by one or more companies conferring a direct benefit on another company, a portion of which expense is properly allocable to the company receiving the benefit. The agreement does not apply to services and expenses associated with the insurance operations and administration as agreed upon in the Management Agreement entered into on January 1, 2008, the Managing General Agent (MGA) Agreement with PTMGA dated January 24, 2008 and the Services Agreement with RRT effective September 14, 2009.

Management Agreement

The Company entered into a Management Services agreement with its parent, PTH, effective January 1, 2008 under which PTH provides various management, infrastructure and administrative services. On an annual basis, PTH shall receive as compensation a sum equal one percent (1%) of the Company's direct written premiums (DWP). In 2020, the Company paid \$2,745,715 under this agreement.

Managing General Agent Agreement

The Company entered into an MGA Agreement with its affiliate, PTMGA on February 1, 2008. Pursuant to the agreement, PTMGA provides underwriting, reinsurance, claims and policy administration, marketing, consulting, accounting and other services for the Company. Fees under the agreement were based on twenty-five percent (25%) of DWP for 2008 and then thirty percent (30%) in each year thereafter. Fees also included four percent (4%) of assumed premiums from Citizens Property Insurance Corporation as well as a \$25 per policy fee.

The Agreement was amended on January 1, 2019 to reduce the compensation to 22% of DWP and two percent (2%) of assumed premiums from Citizens. The agreement was further amended on January 1, 2020 to reduce commissions to 18% of DWP.

Effective January 5, 2018 the Company entered into a Services Agreement with PTMGA for legal services. PTMGA provides legal counsel for policy and claims related issues as well as civil remedy notices.

Fees pursuant to the agreement were approximately \$79,102,000, including policy fees of \$3,857,000 and legal fees and loss adjustment expenses on catastrophe claims of \$26,149,000 in 2020. In 2020, PTMGA waived \$32,730,946 million in commission fees and relinquished any future claim to the commissions. The amended fee structure appears to be fair and reasonable.

Services Agreement

The Company entered into a Services Agreement with RRT, effective August 24, 2018. Pursuant to the Agreement, the Company may issue assignments to RRT for property inspections or property loss mitigation, remediation and repair. RRT is owned by GS TWO, LLC, which is wholly owned by George W. Schaeffer. The agreement was amended on March 16, 2020 to revise the fee schedule for services provided. For the year ended December 31, 2020, the Company paid RRT \$61,162,251 for services rendered.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Deerfield Beach, Florida. The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with SunTrust Bank executed on January 5, 2015.

Managing General Agent Agreement

The Company utilized Loyalty MGA, LLC, a non-affiliated MGA for Private Passenger Automobile Insurance. The MGA's services include, but are not limited to; marketing and production, underwriting, binding policies, premium financing, forms and rates, policy administration, claims administration, maintenance of records and expenses.

Independent Auditor Agreement

An independent CPA audited the Company's financial statements for each year under examination. BDO USA, LLP audited the Company's statutory basis financial statements as of December 31, 2016. In 2017 the Company changed external audit firms to Thomas Howell Ferguson P.A. (THF). THF audited the Company's statutory basis financial statements annually for the years ended 2017, 2018, 2019 and 2020.

Corporate Records Review

The recorded minutes of the Shareholder(s), Board of Directors (Board), the Audit Committee and the Investment Committee 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.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in Florida on March 6, 2008, and is currently authorized for the following lines of business as of December 31, 2020:

- Fire
- Allied Lines
- Homeowners Multiple Peril
- Personal Injury Protection
- Auto Physical Damage
- Auto Liability
- Other Liability

The Company primarily writes Homeowners Multi-Peril policies in Florida. As of December 31, 2020, direct premium consisted of the following amounts:

Homeowners Multi-Peril	\$	195,639,184 (70%)
Fire		80,975,922 (29%)
Auto		1,859,530 (1%)

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 entered into ceded reinsurance agreements with several reinsurers, including DEL Re, Ltd., an affiliate company, to provide protection from losses due to concentration of risk, to manage its operating leverage ratios and to limit the exposure to losses arising from catastrophic events. The Company uses both quota share and excess of loss arrangements that require reinsurers to share risks proportionally or to indemnify the Company on specified parts of certain types of losses in excess of amounts arising from any one occurrence or event.

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.)

Peoples Trust Insurance Company
Assets
December 31, 2020

	Per Company	Examination Adjustments	Per Examination
Bonds	\$159,716,551		\$159,716,551
Stocks			
Common	24,443,765		24,443,765
Real Estate			
Properties Occupied by the Company			
Other Properties			
Cash and short-term investments	(3,575,667)		(3,575,667)
Other Investments	17,470,578		17,470,578
Aggregate write-in for invested assets			
Receivables for securities			
Subtotal cash and invested assets	198,055,227		198,055,227
Interest income due and accrued	863,881		863,881
Agents' balances			
Uncollected premium	665,444		665,444
Deferred premium	12,060,557		12,060,557
Amounts recoverable from reinsurer	32,459,969		32,459,969
Current federal and foreign income taxes recoverable	346,518		346,518
Net deferred tax asset	3,917,817		3,917,817
Receivable from parent, subsidiaries and affiliates	158,176		158,176
Aggregate write-in for other than invested assets	1,253,149		1,253,149
Totals	\$249,780,739		\$249,780,739

Peoples Trust Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2020

	Per Company	Examination Adjustments	Per Examination
Losses	\$ 54,093,286		\$ 54,093,286
Loss adjustment expenses	23,041,365		23,041,365
Other expenses	672,818		672,818
Taxes, licenses and fees	1,638,187		1,638,187
Borrowed Money	3,493,750		3,493,750
Unearned premiums	44,854,650		44,854,650
Ceded reinsurance	58,274,002		58,274,002
Remittances and items not allocated	1,109		1,109
Payable to parent	5,003,201		5,003,201
Aggregate write-in for liabilities			
Total liabilities	\$191,072,369		\$191,072,369
Common capital stock	1,000,000		1,000,000
Surplus notes	54,000,000		54,000,000
Gross paid-in and contributed surplus	40,900,000		40,900,000
Unassigned funds (surplus)	(37,191,630)		(37,191,630)
Surplus as regards policyholders	58,708,370		58,708,370
Total liabilities, surplus and other funds	\$249,780,739		\$249,780,739

Peoples Trust Insurance Company
Statement of Income
December 31, 2020

	Per Company	Examination Adjustments	Per Examination
Underwriting Income			
Premiums earned	\$89,460,048		\$89,460,048
Deductions			
Losses Incurred	61,141,038		61,141,038
Loss expenses incurred	28,116,852		28,116,852
Other underwriting expenses incurred	29,543,553		29,543,553
Aggregate write-ins for underwriting deductions	0		0
Total Underwriting deductions	118,801,443		118,801,443
Net underwriting gain (loss)	(29,341,394)		(29,341,394)
Investment Income			
Net investment income earned	5,329,194		5,329,194
Net realized capital gains or (losses)	2,791,343		2,791,343
Net investment gain or (loss)	8,120,537		8,120,537
Other Income			
Net gain or (loss) from agents' or premium balances charged off	(999)		(999)
Finance and service charges not included in premiums	0		0
Aggregate write-ins for miscellaneous income	0		0
Total other income	(999)		(999)
Net income before dividends to policyholders and before federal & foreign income taxes	(21,221,856)		(21,221,856)
Dividends to policyholders	0		0
Net income, after dividends to policyholders, but before federal & foreign income taxes	(21,221,856)		(21,221,856)
Federal & foreign income taxes	(86,630)		(86,630)
Net Income	\$(21,135,227)		\$(21,135,227)

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Surplus as regards policyholders December 31 prior year	78,334,742		78,334,742
Net Income	(21,135,227)		(21,135,227)
Change in net unrealized capital gains or losses	1,423,070		1,423,070
Change in non-admitted assets	(4,475,507)		(4,475,507)
Change in net deferred income taxes	4,561,292		4,561,292
Change in surplus notes			
Surplus adjustments: Paid in			
Transferred to surplus			
Paid in surplus			
Change in surplus as regards policyholders for the year	(19,626,371)		(19,626,371)
Surplus as regards policyholders, December 31, current year	58,708,370		58,708,370

**Peoples Trust Insurance Company
Reconciliation of Capital and Surplus
December 31, 2020**

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2015, per Examination			\$87,916,005
	Increase	Decrease	
Loss in surplus		(\$25,508,800)	(\$25,508,800)
Change in net unrealized capital gain (loss)	\$2,550,230		\$2,550,230
Change in net deferred income tax	\$5,565,776		\$5,565,776
Change in non-admitted assets		(\$6,167,090)	(\$6,167,090)
Change in paid in surplus	\$9,000,000		\$9,000,000
Aggregate write-ins		(\$14,647,751)	(\$14,647,751)
Net increase (or decrease)			(\$29,207,635)
Surplus at December 31, 2020 per examination			\$58,708,370

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 \$58,708,370, exceeded the minimum of \$12,198,930 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

The Company temporarily suspended writing new homeowner's business on September 23, 2020 and did not fully resume until November 1, 2021. On May 18, 2022 the Company decided to pause writing new business once again to assess the impact of the upcoming Legislative Special Session and the placing of their reinsurance program.

The COVID-19 pandemic has continued to develop, 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 examination's review of the Company noted that there has not been a significant impact on the Company's operations. 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 and will take necessary action if a solvency concern arises.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of People's Trust Insurance Company as of December 31, 2020, consistent with the insurance laws of the State of Florida.

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

Chad Mason, PIR	Exam Manager	Office
James Gowins, CISA, AES, CISM, AFE	IT Examiner	Examination Resources, LLC
Steven Sigler, CFE, AES, CISA	IT Supervisor	Examination Resources, LLC
David Habony, CFE, CPA	Examiner	Eide Bailly, LLP
Christopher Burkhalter, FCAS, MAAA	Actuary	The Burkhalter Group

Respectfully submitted,



Joseph Hofmeister, CFE
Examiner-in-Charge
Eide Bailly LLP



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