



**EXAMINATION REPORT
OF
ROCHE SURETY AND CASUALTY COMPANY,
INC.**

NAIC Company Code: 42706

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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January 22, 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

Roche Surety and Casualty Company, Inc.

4107 N. Himes Ave 2nd Floor

Tampa, Florida 33607

hereinafter referred to as "Roche" or "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 by the Florida Office of Insurance Regulation (“the Office”) on July 1, 2020. The fieldwork concluded as of January 22, 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 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 included 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 that were 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.

Election of Directors

The annual shareholder meeting for the election of directors was not held in accordance with the Company's Bylaws and Section 628.231(2), Florida Statutes.

Resolution: The Company has since remediated this issue by electing directors annually during the Shareholder meetings.

Timely Filing of CPA Awareness Letters

The Company did not timely file the 2011 and 2014 CPA Awareness Letters. This was in violation of Section 624.424(8)(c), Florida Statutes.

Resolution: The Company has since remediated this issue by timely filing the CPA Awareness Letters during the current exam period.

Changes in Principal Management

The Company did not provide written notification to the Office for all changes among principal officers and directors. This was in violation of Section 628.261, Florida Statutes.

Resolution: The Company has since remediated this issue by timely notifying the Office of all changes to principal officers and directors.

Valuation of Common Stock

The Company did not value a common stock investment at fair market value. This was in violation of SSAP 97 Investments in Subsidiary, Controlled and Affiliated Entities or if not determined a related party, SSAP 30 Investments in Common Stock.

Resolution: The Company has since remediated this issue by valuing the investment at fair market value.

Mortgage Loans

The Company invested in a mortgage loan receivable whereby the amount invested was greater than 75% of the property's value at the time of the investment, and the Company did not acquire mortgage insurance on the loan. This was in violation of Section 625.327, Florida Statutes.

Resolution: The Company has since remediated this issue and is now in compliance with Section 625.327 and does not hold any mortgage loans greater than 75% of the property's value.

Custodial Agreement

During the exam period, the Company maintained bonds with a custodian and did not execute a custodial agreement with the required provisions set forth by Florida Administrative Code 69O-143.042 (2), paragraphs (a)-(o).

Resolution: The Company has since remediated this issue as they no longer maintain investments with a custodian.

COMPANY HISTORY

General

The Company was incorporated in Florida on March 27, 1981 and commenced business on March 2, 1982, as American Pioneer Casualty Insurance Company. Roche Surety, Inc. acquired the Company on November 25, 1996 and subsequently renamed it to Roche Surety and Casualty Company, Inc.

The Company was authorized to transact insurance coverage in Florida on March 2, 1982 and continued to be authorized for both Surety and Bail Bonds coverages as of December 31, 2019:

Dividends

Subsequent to the examination period, on January 5, 2020, the Company declared and paid a dividend in the amount of \$350,000 to Roche Family Holdings.

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	2,000,000
Number of shares issued and outstanding	500,000
Total common capital stock	\$2,500,000
Par value per share	\$5.00

Surplus Notes

On May 1, 2015, the Company obtained approval from the Office to issue a \$1,300,000 surplus note, with an interest rate of prime plus 1% to Roche Surety, Inc. On August 12, 2015, the Office approved the Company to reduce the surplus note to \$500,000. The surplus note was used to fund improvements in the Company's home office. The Company paid \$350,000 plus accrued interest of the surplus note in 2016. The remaining balance of the surplus note plus accrued interest was paid off on February 28, 2017.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance 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:

Directors		
Name	City, State	Principal Occupation, Company Name
Armando Onelio Roche	Thonotosassa, Florida	Chairman and Chief Executive Officer Roche Surety and Casualty, Inc.
Linda Joy Roche	Thonotosassa, Florida	Treasurer Roche Surety and Casualty, Inc.
Shannon Michelle Roche	Tampa, Florida	President Roche Surety and Casualty, Inc.
Melisa Michelle Martin	Tampa, Florida	Secretary Roche Surety and Casualty, Inc.
Luciano Leopoldo Prida, Jr.	Tampa, Florida	Partner Prida, Guida and Co. P.A.
Andres Severino Prida	Tampa, Florida	Partner Prida, Guida and Co. P.A.
Joseph Luis Caballero	Tampa, Florida	Retired
George Andrew Pollock, Jr.	Valrico, Florida	Senior Vice President, Chief Financial Officer, and Treasurer vXchnge Operating, LLC
George Andrew Pollock, Sr.	Brandon, Florida	Retired

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

Senior Officers		
Name	City, State	Title
Shannon Michelle Roche	Tampa, Florida	President
Linda Joy Roche	Thonotosassa, Florida	Treasurer
Melisa Michelle Martin	Tampa, Florida	Secretary

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.

Investment Committee		
Name	City, State	Title, Company Name
Joseph Luis Caballero	Tampa, Florida	Retired
Armando Onelio Roche	Thonotosassa, Florida	Chairman and Chief Executive Officer Roche Surety and Casualty, Inc.
Linda Joy Roche	Thonotosassa, Florida	Treasurer Roche Surety and Casualty, Inc.
Shannon Michelle Roche	Tampa, Florida	President Roche Surety and Casualty, Inc.
Edward Ralph Diliberto*	Tampa, Florida	Controller Roche Surety and Casualty, Inc.

*Edward Ralph Diliberto retired in July 2020 and was replaced by Charles Scherer.

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

Audit Committee		
Name	City, State	Title, Company Name
George Andrew Pollock, Jr.	Valrico, Florida	Senior Vice President, Chief Financial Officer, and Treasurer vXchnge Operating, LLC
Andres Severino Prida	Tampa, Florida	Partner Prida, Guida and Co. P.A.
Joseph Luis Caballero	Tampa, Florida	Retired

Holding Company System

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

Managing General Agency Agreement

The Company entered into a Managing General Agency ("MGA") Agreement with its affiliate, Roche Surety, Inc. on January 25, 2011. The agreement continues in force for a term of 3 years and will automatically renew for successive 3-year periods, unless otherwise terminated within the guidelines of the agreement. Roche Surety, Inc. ("RSI") provided underwriting, administrative and other services, and acted as the Company's legally designated manager and managing general agent. RSI also was also responsible for appointing and supervising the Company's surety agents in compliance with Section 648.388, Florida Statutes. During the exam period the

MGA remitted 7% of the gross direct written premium to the Company and retained the rest. The amount remitted is in accordance with Section 624.4094(1), Florida Statutes. The MGA Agreement was filed and approved by the Office on March 21, 2011.

Loan Agreement

The Company is a guarantor on a loan agreement with subsidiary 4107 N HIMES LLC ("Himes"), Roche Family Holdings, Inc. and Synovus Bank. This Agreement was filed with the Office on June 23, 2014, and executed on June 24, 2014, with subsequent amendments being made on July 25, 2015 and October 19, 2017. The resulting total gross proceeds were \$5.5 million with a maturity date of June 24, 2024. The collateral includes a first priority mortgage lien and security interest covering property located in Tampa, Florida, and certain Assignments of Leases and Rents.

Lease Agreement

The Company entered into a one-year Lease Agreement on January 1, 2019, to lease office space from its subsidiary, 4107 N HIMES LLC. The amount of rent is \$5,000 per month plus tax. The Company paid \$64,920 in 2019 for rent for its home office.

Promissory Notes

The Company entered into a Promissory Note with affiliate RFH Hazen-Ft. King, LLC on October 9, 2009 in the amount of \$540,000 with an interest rate of 4.10%. Payments are amortized and paid monthly. The loan has a maturity date of September 9, 2024. The Company received \$38,689 in principal and \$9,163 in interest during 2019. The Agreement was filed with the Office on June 23, 2010.

The Company entered into a Promissory Note with affiliate Roche Bail Bonds, Inc. on August 27, 2009, in the amount of \$125,000 with an interest rate of 4.26%. Payments are amortized and paid monthly. The loan has a maturity date of July 27, 2024. The Company received \$9,038 in principal and \$2,154 in interest during 2019. The Agreement was filed with the Office on June 23, 2010.

The Company entered into a Promissory Note with affiliate RFH Pensacola, LLC on August 27, 2009, in the amount of \$150,000 with an interest rate of 4.26%. Payments are amortized and paid monthly. The loan has a maturity date of July 27, 2024. The Company received \$10,845 in principal and \$2,587 in interest during 2019. Upon review of the payment schedule, amounts appear fair and reasonable. The Agreement was filed with the Office on June 23, 2010.

The Company entered into a Promissory Note with affiliate RFH Ocala, LLC. On August 5, 2009, in the amount of \$125,000 with an interest rate of 4.26%. Payments are amortized and paid monthly. The loan has a maturity date of July 5, 2024. The Company received \$9,038 in principal and \$2,154 in interest during 2019. The Agreement was filed with the Office on June 23, 2010.

The Company entered into a Promissory Note with affiliate Taylor Road Single Member, LLC. on August 27, 2009, in the amount of \$525,000 with an interest rate of 4.26%. This note was disposed of on October 2, 2018 for the remaining amount of principal and interest of \$247,248.56. The Agreement was filed with the Office on June 23, 2010.

ACCOUNTS AND RECORDS

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

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

IT Services

The Company contracted its IT functions out to various third-party vendors during both the examination period and subsequent thereto.

Independent Auditor Agreement

An independent CPA, Melby & Associates, PA, CPA's audited the Company's statutory basis financial statements annually for the years 2015, 2016, 2017, 2018 and 2019.

Corporate Records Review

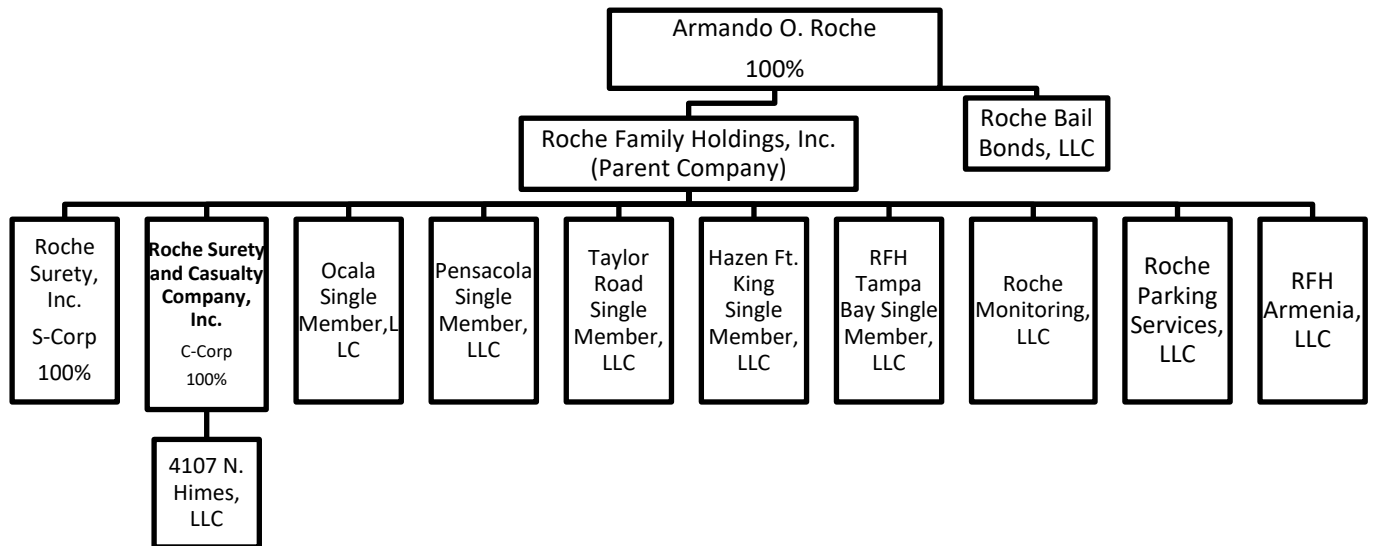
The recorded minutes of the Board of Directors ("Board") and the Audit Committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

A simplified 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 more complete list of related companies in the holding company group.

Roche Surety and Casualty Company, Inc.

Organizational Chart

December 31, 2019



TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Alaska	Arizona
Arkansas	Connecticut	Delaware
Florida	Georgia	Hawaii
Idaho	Indiana	Iowa
Kansas	Louisiana	Maryland
Michigan	Minnesota	Mississippi
Missouri	Montana	Nebraska
Nevada	New Hampshire	New Jersey
New Mexico	New York	North Carolina
North Dakota	Ohio	Oklahoma
Oregon	Pennsylvania	South Carolina
South Dakota	Tennessee	Texas
Utah	Vermont	Virginia
Washington		

The Company was authorized to transact insurance in Florida on March 2, 1982, and is currently authorized for Surety and Bail Bond lines of business as of December 31, 2019.

The Company primarily writes Bail Bonds policies in the state of Florida. As of December 31, 2019, the Company had 45% of premiums written in Florida and 7% in Tennessee.

REINSURANCE

Reinsurance Assumed

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

Reinsurance Ceded

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

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, 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.)

Roche Surety and Casualty Company, Inc.**Assets****December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$631,504		\$631,504
Mortgage loans on real estate			
First liens	355,719		355,719
Real Estate			
Properties Occupied by the Company	651,692		651,692
Properties held for the production of income	533,203		533,203
Cash and short-term investments	8,678,286		8,678,286
Subtotal cash and invested assets	\$10,850,404		\$10,850,404
Interest income due and accrued	36,944		36,944
Agents' balances			
Uncollected premium	128,302		128,302
Current federal and foreign income taxes recoverable	16,093		16,093
Aggregate write-in for other than invested assets	13,826,521		13,826,521
Totals	\$24,858,264	\$0	\$24,858,264

Roche Surety and Casualty Company, Inc.
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Losses	\$0		\$0
Loss Adjustment Expenses	0		0
Other expenses	46,605		46,605
Taxes, licenses and fees	179,856		179,856
Net deferred tax liabilities	174,384		174,384
Unearned premiums	365,463		365,463
Amounts withheld or retained by company for account of others	13,826,521		13,826,521
Aggregate write-in for liabilities			
Total liabilities	\$14,592,829	\$0	\$14,592,829
Common capital stock	2,500,000		2,500,000
Surplus notes	0		0
Gross paid-in and contributed surplus	1,010,046		1,010,046
Unassigned funds (surplus)	6,755,389		6,755,389
Surplus as regards policyholders	\$10,265,435	\$0	\$10,265,435
Total liabilities, surplus and other funds	\$24,858,264	\$0	\$24,858,264

Roche Surety and Casualty Company, Inc.

Statement of Income

December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Underwriting Income			
Premiums earned	\$2,454,697		\$2,454,697
Deductions			
Losses Incurred	\$0		\$0
Loss expenses incurred	\$0		\$0
Other underwriting expenses incurred	2,206,652		2,206,652
Total Underwriting deductions	\$2,206,652	\$0	\$2,206,652
Net underwriting gain (loss)	\$248,045	\$0	\$248,045
Investment Income			
Net investment income earned	(\$14,140)		(\$14,140)
Net realized capital gains or (losses)			
Net investment gain or (loss)	(\$14,140)	\$0	(\$14,140)
Other Income			
Net income before dividends to policyholders and before federal & foreign income taxes	\$233,905		\$233,905
Net income, after dividends to policyholders, but before federal & foreign income taxes	\$233,905		\$233,905
Federal & foreign income taxes	74,990		74,990
Net Income	\$158,915	\$0	\$158,915

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Surplus as regards policyholders December 31 prior year	\$10,057,685		\$10,057,685
Net Income	\$158,915		\$158,915
Change in net deferred income taxes	8,972		8,972
Change in non-admitted assets	39,863		39,863
Change in surplus as regards policyholders for the year	\$207,750	\$0	\$207,750
Surplus as regards policyholders, December 31, current year	\$10,265,435	\$0	\$10,265,435

Roche Surety and Casualty Company, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2014, per Examination			\$9,404,852
	Increase	Decrease	
Net Income	\$1,166,482	(\$)	\$1,166,482
Change in net unrealized capital gain (loss)		(\$20,497)	(\$20,497)
Change in net deferred income tax	\$109,270		\$109,270
Change in non-admitted assets	\$105,328		\$105,328
Change in paid in capital	\$500,000		\$500,000
Change in surplus notes		(\$500,000)	(\$500,000)
Transferred from surplus (stock dividend)	\$500,000		\$500,000
Net increase (or decrease)			\$860,583
Surplus at December 31, 2019 per examination			\$10,265,435

COMMENTS ON FINANCIAL STATEMENT ITEMS

Build Up Funds

The Company is required to maintain build-up funds pursuant to Section 648.29, Florida Statutes. These funds are maintained by the individual bail bond agents with the Company as a matter of first recourse by the Company in the event of a claim that relates to that particular agent. The Company reports its build-up fund account balances as an Aggregate Write-Ins for Other than Invested Asset with a corresponding Amounts Withheld or Retained by Company for Account of Others liability on the balance sheet. Due to the peculiar nature of these assets, they are excluded from investment limit calculations involving total assets. As of December 31, 2019, the Company reported a build-up fund balance of \$13,826,521.

Liabilities

Losses and Loss Adjustment Expenses

The Company does not maintain Loss and Loss Adjustment Expense ("LAE") reserves. Based on the Company's line of business, operational structure, and history, a Loss and Loss Adjustment Expense reserve was not determined necessary. An actuarial firm appointed by the Board, rendered an opinion regarding the Company's reserving as of December 31, 2019, and determined the \$0 reserve balance was adequate and reasonable.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$10,265,435, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On January 5, 2020, the Company declared and paid a dividend in the amount of \$350,000 to Roche Family Holdings.

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.

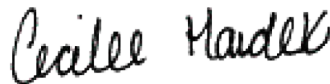
CONCLUSION

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

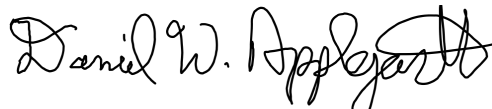
In addition to the undersigned, the following also participated in the examination:

Marie Stuhlmuller	Examination Manager	Office
Casey Hengstebeck	Participating Examiner	Office
Rachelle Gowins, CFE, CIE, MCM	Examination Manager	Examination Resources, LLC
Steven Sigler, CISA, AES, CFE, MCM	IT Specialist	Examination Resources, LLC
Michael Morrissey, CISSP, CISA, AES	IT Specialist	Examination Resources, LLC
Brent Sallay, FCAS, MAAA	Actuary	Taylor Walker Consulting, LLC
Solomon Frazier, FSA, ACAS, MAAA	Actuary	Taylor Walker Consulting, LLC
Lance Sakurada	Actuary	Taylor Walker Consulting, LLC

Respectfully submitted,



Cecilee Houdek, CFE
Examiner-in-Charge
Examination Resources, LLC
Representing the Florida Office of Insurance Regulation



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