



**EXAMINATION REPORT  
OF  
SERVICE INSURANCE COMPANY  
(Subsequently Known as SafePort Insurance  
Company)**

**NAIC Company Code: 36560**

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

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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April 21, 2021

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

Service Insurance Company  
4730 SR 64  
East Bradenton, Florida 34208

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 23, 2020 and July 24, 2020. The fieldwork concluded as of April 21, 2021. The Company’s last full scope examination by representatives of the Office covered the period of January 1, 2012 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 this examination was North Carolina, and the states and companies that participated were as follows:

<b>Company</b>	<b>Domicile State</b>
Harco National Insurance Company (HNIC)	Illinois
TransGuard Insurance Company of America (TGIC)	Illinois
Acceptance Indemnity Insurance Company (AIIC)	Nebraska
Acceptance Casualty Insurance Company (ACIC)	Nebraska
Occidental Fire & Casualty Co of North Carolina (OFCIC)	North Carolina
Wilshire Insurance Company (WIC)	North Carolina
Commercial Alliance Insurance Company (CAIC)	Texas
Allegheny Casualty Company (ACC)	New Jersey
International Fidelity Insurance Company (IFIC)	New Jersey
Service Insurance Company (SIC)	Florida

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**

There were no findings, exceptions or corrective actions to be taken by the Company for the examination as of December 31, 2014.

## **COMPANY HISTORY**

### **General**

The Company was incorporated in Florida on December 16, 1977 and commenced business on February 22, 1978.

### **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	500,000
Number of shares issued and outstanding	500,000
Total common capital stock	\$3,000,000
Par value per share	\$6.00

No capital contributions were made 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

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, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Todd E. Bateson	Cumming, CT	Executive Vice President, Transportation IAT Reinsurance Group, Inc.
Michael D. Blinson	Clayton, NC	Senior Vice President, Secretary IAT Reinsurance Group, Inc.
Kenneth C. Coon	Omaha, NE	Senior Vice President, Business Development IAT Reinsurance Group, Inc.
William E. Cunningham	Cheshire, CT	Chief Executive Officer IAT Reinsurance Group, Inc.
Gregory M. Even	Wethersfield, CT	Chief Underwriting Officer IAT Reinsurance Group, Inc.
David G. Pirrung	Wake Forest, NC	Chief Financial Officer IAT Reinsurance Group, Inc.

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

Senior Officers		
Name	City, State	Title
David G. Pirrung	Wake Forest, NC	President
John M. Mruk	Wake Forest, NC	Vice President, Treasurer
Michael D. Blinson	Clayton, NC	Senior Vice President, 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.

<b>Executive Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
William E. Cunningham	Cheshire, CT	Chief Executive Officer. IAT Reinsurance Group, Inc.
Todd E. Bateson	Cumming, CT	Executive Vice President, Transportation IAT Reinsurance Group, Inc.
Michael D. Blinson	Clayton, NC	Senior Vice President, Secretary IAT Reinsurance Group, Inc.
David G. Pirrung	Wake Forest, NC	Chief Financial Officer IAT Reinsurance Group, Inc.

<b>Risk Management Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
David G. Pirrung	Wake Forest, NC	Chief Financial Officer IAT Reinsurance Group, Inc.
V. Boyce Oglesby	Apex, NC	Vice President, Risk Management IAT Reinsurance Group, Inc.
Todd E. Bateson	Cumming, CT	Executive Vice President, Transportation IAT Reinsurance Group, Inc.
William E. Cunningham	Cheshire, CT	Chief Executive Officer. IAT Reinsurance Group, Inc.

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>
Michael D. Blinson	Clayton, NC	Senior Vice President, Secretary IAT Reinsurance Group, Inc.
William E. Cunningham	Cheshire, CT	Chief Executive Officer IAT Reinsurance Group, Inc.

David G. Pirrung	Wake Forest, NC	Chief Financial Officer IAT Reinsurance Group, Inc.
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## **Holding Company System**

The Company is a Florida-based property-oriented insurer and a 100% owned subsidiary of Bay Area Insurance Services, Inc. (BAISI), whose ultimate parent is IAT Reinsurance Company Ltd. IAT Reinsurance Company, Ltd. ("IAT Re") is the lead company in the IAT Group holding company system. IAT Re is privately owned by the Kellogg family of the United States, with Peter R. Kellogg as the sole preferred shareholder. Mr. Kellogg controls 100% of the issued and outstanding shares of IAT Re.

IAT Re is a privately held Cayman Island domiciled reinsurer. IAT Re writes property and casualty reinsurance and is a direct writer of property and casualty insurance in the U.S. through its wholly-owned subsidiaries. IAT Re underwrites treaty reinsurance for regional to super-regional companies in the United States. IAT Re provides catastrophe coverage to the Company. See the reinsurance section below for details.

The following agreements, not including reinsurance agreements, were in effect between the Company and its affiliates:

## **Tax Allocation Agreement**

Effective January 1, 2010, the Company became party to the Consolidated Tax Allocation Agreement with the IAT Reinsurance Company Ltd. and its affiliates. The Company, along with its parent, Bay Area Insurance Services, Inc. and affiliates, filed a consolidated federal income tax return. Each member of the group recorded an inter-company income tax receivable or payable with IAT Reinsurance Company Ltd.

## **Consolidated Master Cost Sharing Agreement**

Effective January 1, 2015, the Company was added and became party to the Consolidated Master Cost Sharing Agreement with the seven other insurance affiliates within the Group. The agreement provides for the pooling of general and administrative expenses and subsequent allocation of these expenses to each of the companies. The allocation basis appears reasonable. Fees incurred under this agreement during 2019 amounted to \$471,571.



### **Master Hardware & Software Cost Sharing Agreement**

Effective January 1, 2015, the Company was added and became party to the Group Master Hardware and Software Cost Sharing Agreement with the eight other insurance affiliates within the Group. The agreement provides for the pooling of shared system expenses, and subsequent allocation of these expenses based on net premiums written of each Company. Other actual costs incurred will be charged directly to the Company. Terms for settlement are within 30 days of the billing date. The allocation basis appears reasonable. Fees incurred under this agreement during 2019 amounted to \$19,504.

## **ACCOUNTS AND RECORDS**

The Company maintained its statutory home office in Bradenton, Florida; however, the Company maintained its principal operational offices in Raleigh, North Carolina. The Company and non-affiliates had the following material agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with U.S. Bank National Association ("U.S. Bank") on April 9, 2013.

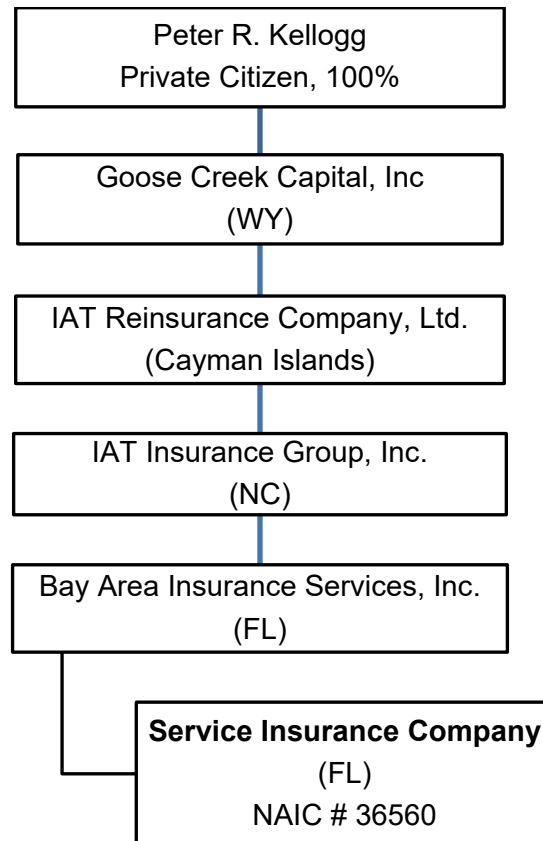
### **Independent Auditor Agreement**

An independent CPA audited the Company's statutory basis financial statements annually for all of the years under examination.

### **Corporate Records Review**

The recorded minutes of the Shareholder, Board of Directors ("the Board") and the Executive, Audit and Risk Management committees of the Board were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events. 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 list of all related companies of the holding company group.



## TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Alaska	Arizona	Arkansas	California
Colorado	Delaware	Florida	Georgia	Hawaii
Idaho	Illinois	Indiana	Iowa	Kansas
Kentucky	Louisiana	Maine	Michigan	Mississippi
Missouri	Montana	Nebraska	Nevada	New Mexico
North Carolina	North Dakota	Oklahoma	Oregon	Pennsylvania
Rhode Island	South Carolina	South Dakota	Tennessee	Texas
Utah	Virginia	Washington	West Virginia	Wisconsin
Wyoming				

The Company was authorized to transact insurance in Florida on February 22, 1978, and is currently authorized for the following lines of business as of December 31, 2019:

Fire
Allied Lines
Homeowners multiple peril
Commercial multiple peril
Inland marine
Earthquake
Other liability - Occurrence
Burglary and theft
Mobile Home Physical Damage
Mobile Home Multi-peril
Glass

The Company primarily writes Fire, Allied lines and Homeowners policies in the states where it is licensed or eligible. Direct premiums written come primarily from the coastal regions. The Company specializes in providing commercial package business and homeowner's policies. Prior to 2018, The Company wrote a significant amount of flood business, however, it has since

completely withdrawn from this business. The Company's commercial focus is on habitational business and office buildings where newer construction standards are in place. The Company's homeowner policies are primarily focused in the states of Florida, Louisiana, North Carolina, South Carolina, and Texas.

The total direct premium written by state is as follows:

<b>State</b>	<b>2019 Direct Written Premium</b>
Florida	\$5,966,170
Louisiana	5,695,770
North Carolina	3,661,904
South Carolina	8,823,669
Texas	8,500,557
Total Direct	\$32,648,070

## **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 ceded risk on a quota share, excess of loss basis, and property catastrophe excess of loss basis to authorized, unauthorized, affiliated and third-party reinsurers. The IAT Reinsurance holding company purchased property catastrophic excess of loss reinsurance on a group basis.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; Statement of Income; and 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.)

**Service Insurance Company**

**Assets**

**December 31, 2019**

	Per Company
Bonds	\$42,618,350
Stocks	
Preferred stocks	1,177,950
Common stock	16,418,317
Cash and short-term investments	27,984,194
Subtotal cash and invested assets	\$88,198,811
Interest income due and accrued	651,690
Agents' balances	
Uncollected premium	754,431
Deferred premium	2,020,197
Amounts recoverable from reinsurer	247,615
Current federal and foreign income taxes recoverable	263,682
Receivable from parent, subsidiaries and affiliates	540
Totals	\$92,136,966

**Service Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2019**

	Per Company
Losses	\$9,317,812
Loss adjustment expenses	1,514,191
Commission payable	1,059,696
Other expenses	96,481
Taxes, licenses and fees	565,036
Net deferred tax liability	129,234
Unearned premiums	18,296,654
Advance premiums	436,767
Ceded reinsurance premium payable	2,319,597
Funds held under reinsurance treaties	6,972,003
Provision for reinsurance	978,756
Payable to parent, subsidiaries and affiliates	8,070,627
Aggregate write-in for liabilities	48,001
Total liabilities	\$49,804,855
Common capital stock	3,000,000
Gross paid-in and contributed surplus	22,438,360
Unassigned funds (surplus)	16,893,751
Surplus as regards policyholders	\$42,332,111
Total liabilities, surplus and other funds	\$92,136,966

**Service Insurance Company**  
**Statement of Income**  
**December 31, 2019**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$18,222,607
<b>Deductions</b>	
Losses Incurred	12,309,539
Loss expenses incurred	2,169,340
Other underwriting expenses incurred	8,718,753
Total Underwriting deductions	23,197,632
Net underwriting gain (loss)	\$(4,975,025)
<b>Investment Income</b>	
Net investment income earned	\$2,547,605
Net realized capital gains or (losses)	145,700
Net investment gain or (loss)	\$2,693,305
<b>Other Income</b>	
Aggregate write-ins for miscellaneous income	\$33,335
Total other income	\$33,335
Net income before dividends to policyholders and before federal & foreign income taxes	\$(2,248,385)
Federal & foreign income taxes	75,026
Net Income	\$(2,323,411)



	Per Company
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders December 31 prior year	\$41,945,781
Net Income	(2,323,411)
Change in net unrealized capital gains or losses	3,310,352
Change in net deferred income taxes	538,592
Change in non-admitted assets	(160,447)
Change in provision for reinsurance	(978,756)
Change in surplus as regards policyholders for the year	386,330
Surplus as regards policyholders, December 31, current year	\$42,332,111

**Service Insurance Company**  
**Reconciliation of Capital and Surplus**  
**December 31, 2019**

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

<b>Capital/Surplus Change during Examination Period</b>			
Surplus as of December 31, 2014, per Company			\$34,672,796
	Increase	Decrease	
Gain in surplus	10,966,631	6,902,225	4,064,406
Change in net unrealized capital gain (loss)	5,554,899	1,388,188	4,166,711
Change in net deferred income tax	1,505,764	943,769	561,995
Change in non-admitted assets	46,448	201,377	(154,929)
Change in provision for reinsurance	59,000	1,037,868	(978,868)
Net increase (or decrease)			\$7,659,315
Surplus as of December 31, 2019 per Company			\$42,332,111

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### Liabilities

<b>Losses</b>	\$9,317,812
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<b>Loss Adjustment Expenses</b>	\$1,514,191
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Kyle Mrotek, FCAS, MAAA, Consulting Actuary, The Actuarial Advantage, Inc., 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 Lead State consulting actuary, David Heppen, FCAS, MAAA, Consulting Actuary, Risk & Regulatory Consulting, LLC, reviewed the loss and loss adjustment expense work papers provided by the Group and the Company. The examination actuary was in concurrence with this opinion.

### Capital and Surplus

The amount of capital and surplus reported by the Company of \$42,332,111 exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

## **SUBSEQUENT EVENTS**

A COVID-19 pandemic health emergency was declared in the first quarter of 2020. As a result, economic uncertainties have arisen which could impact the Company's operations and financial position. The impact on the Company depends on the length and severity of the pandemic and the impact of the pandemic on insureds, on potential insureds, vendors and employees is likely to have a financial impact. The impact cannot be determined at this time.

Effective February 10, 2020, the Company obtained approval to change its name to SafePort Insurance Company.

Effective January 19, 2021, Peter R. Kellogg (Ultimate Controlling Person) sold his entire ownership in Goose Creek Capital, Inc. to his son, Charles Kellogg. Goose Creek Capital, Inc. owns 100% of IAT Re. IAT Re owns 100% of IAT Insurance Group, Inc. IAT Insurance Group, Inc. owns 100% of Bay Area Insurance Services, Inc. Bay Area Insurance Services, Inc. owns 100% of the Company. There were no other operational or organizational structure changes.

## **SUMMARY OF RECOMMENDATIONS**

The are no recommendations as a result of this examination.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Service 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:

Jeffrey Rockwell, MBA	Exam Manager	Office
Kelly Willison CFE, CPA	Exam Supervisor	INS Regulatory Insurance Services, Inc.
David Hall CPA, CISA, CITP	IT Examiner	Risk & Regulatory Consulting
David Heppen FCAS, MAA	Actuary	Risk & Regulatory Consulting

Respectfully submitted,



Peter Bliss, CFE  
Contract Examiner in Charge  
INS Regulatory Insurance Services, Inc.  
Representing the Florida Office of Insurance Regulation



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