



**EXAMINATION REPORT
OF**

**TypTap Insurance Company
Tampa, Florida**

NAIC Company Code: 15885

**as of
December 31, 2020**

**By
The Florida Office of Insurance Regulation**

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April 5, 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

TypTap Insurance Company
5300 West Cypress Street, Suite 100
Tampa, Florida 33607

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, 2017 through December 31, 2020, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 28, 2021. The fieldwork concluded as of April 5, 2022. The Company’s last full scope exam by representatives of the Office covered the period of January 15, 2016 through December 31, 2016.

The examination was a multi-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.

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 significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on December 28, 2015 and commenced business on January 15, 2016.

Dividends

The Company did not declare or pay any dividends to its stockholder 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	2,500,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

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

Directors		
Name	City, State	Principal Occupation, Company Name
Pareshbhai Suryakant Patel	Clearwater, Florida	Executive Chairman, HCI Group, Inc.
Robert Wayne Burks	Tampa, Florida	Director, Homeowners Choice Property & Casualty Insurance Company, Inc.
James Joseph Macchiarola	Clearwater, Florida	Director, Homeowners Choice Property & Casualty Insurance Company, Inc.
Gregory Politis	Safety Harbor, Florida	President, Xenia Property Management
Anthony Saravanos	Palm Harbor, Florida	Real Estate Division HCI Group, Inc.
Loreen Marie Spencer	Tampa, Florida	Director, Homeowners Choice Property & Casualty Insurance Company, Inc.

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

Senior Officers		
Name	City, State	Title
Pareshbhai Suryakant Patel	Clearwater, Florida	Executive Chairman
Kevin Andrew Mitchell	Tampa, Florida	President
Karin Sue Coleman	Tampa, Florida	Executive Vice President
James Mark Harmsworth	Tampa, Florida	Chief Financial Officer
Andrew Lloyd Graham	Tampa, Florida	Corporate Secretary

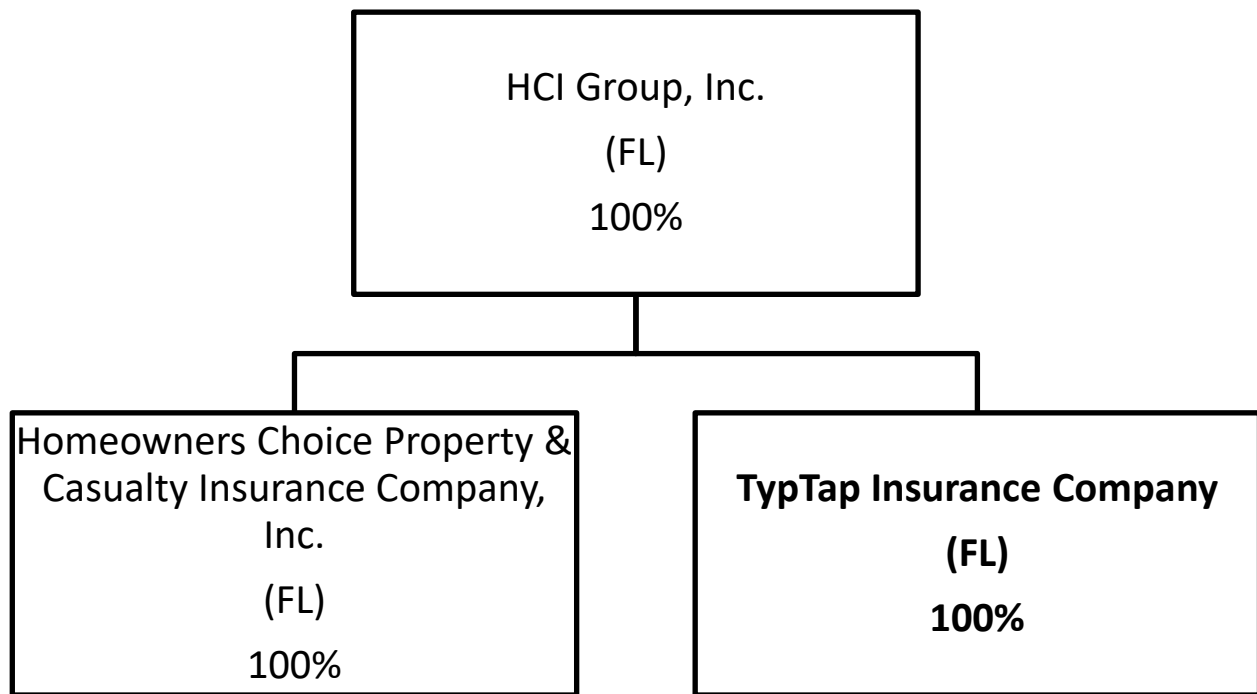
The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Audit Committee		
Robert Wayne Burks	James Joseph Macchiarola	Loreen Marie Spencer

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.

**TypTap Insurance Company
Simplified Organizational Chart
December 31, 2020**



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

Tax Allocation Agreement

The Company, its ultimate parent, HCI Group, Inc., and other affiliated companies, filed a consolidated federal income tax return. On December 31, 2020, the method of allocation between the Company and HCI Group, Inc. was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with HCI Group, Inc. Within sixty (60) days of the remittance by HCI Group, Inc. of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

Managing General Agent Agreement

The Company entered into a Managing General Agency Agreement with its affiliate, TypTap Management Company ("TMC") on November 5, 2020. The agreement shall be continuous until terminated by either party. For consideration, in part, TMC retained twenty-one and five-tenths percent (21.5%) of the Company's direct written premiums, three and five-tenths percent (3.5%) of gross written (direct and assumed) premiums for claim service fees, and reimbursement of TMC for catastrophe management fees.

ACCOUNTS AND RECORDS

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

TERRITORY AND PLAN OF OPERATIONS

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

- Florida
- Montana
- South Dakota
- Indiana
- Nevada
- Utah
- Mississippi
- South Carolina

The Company was authorized to transact insurance in Florida on January 15, 2016, and is currently authorized for the following lines of business as of December 31, 2020:

- Allied Lines
- Homeowners Multiple Peril

The Company primarily writes homeowners multiple peril policies in the state of Florida.

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 premiums during the period under examination.

Reinsurance Ceded

The Company cedes a portion of its homeowners' insurance exposure to other entities under catastrophe excess of loss reinsurance treaties.

Claddaugh Casualty Insurance Co. Ltd. ("Claddaugh"), an affiliate of the Company, is a participant in the Company's reinsurance treaties. The reinsurance program for 2020/21 included treaties for Property Catastrophe First Excess of Loss, Reinstatement Premium Protection Reinsurance Contract, and Reinstatement Premium Protection Reinsurance Contract. These agreements were submitted and approved by the Office.

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.)

TypTap Insurance Company
Assets
December 31, 2020

	Per Company
Bonds	\$17,527,857
Stocks:	
Common stocks	2,936,171
Cash, cash equivalents and short-term investments	89,059,902
Subtotals, cash and invested assets	\$109,523,930
Investment income due and accrued	104,533
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	2,458,442
Deferred premiums, agents' balances and installments booked but deferred and not yet due	4,856,364
Reinsurance:	
Amounts recoverable from reinsurers	81,025
Other amounts receivable under reinsurance contracts	2,113,613
Net deferred tax asset	1,371,728
Receivables from parent, subsidiaries and affiliates	110,694
Totals	\$120,620,329

TypTap Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2020

	Per Company
Losses	\$19,104,950
Loss adjustment expenses	171,880
Other expenses	129,317
Taxes, licenses and fees	489,227
Current federal and foreign income taxes	249,034
Unearned premiums	46,997,959
Advance premium	3,372,840
Ceded reinsurance premiums payable (net of ceding commissions)	11,251,932
Amounts withheld or retained by company for account of others	274,860
Payable to parent, subsidiaries and affiliates	4,927
Aggregate write-ins for liabilities	55,333
Total liabilities	\$82,102,259
Common capital stock	2,500,000
Gross paid in and contributed surplus	49,500,000
Unassigned funds (surplus)	(13,481,930)
Surplus as regards policyholders	\$38,518,070
Totals	\$120,620,329

TypTap Insurance Company
Statement of Income
December 31, 2020

	Per Company
Underwriting Income	
Premiums earned	\$49,064,895
Deductions	
Losses incurred	31,903,610
Loss adjustment expenses incurred	5,852,074
Other underwriting expenses incurred	23,746,886
Aggregate write-ins for underwriting deductions	961,175
Total underwriting deductions	\$62,463,745
Net underwriting gain (loss)	\$(13,398,850)
Investment Income	
Net investment income earned	\$754,346
Net realized capital gains (losses)	(183,162)
Net investment gain or (loss)	\$571,184
Other Income	
Net gain (loss) from agents' or premium balances charged off	\$(16,379)
Finance and service charges not included in premiums	116,287
Total other income	\$99,908
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(12,727,758)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(12,727,758)
Federal and foreign income taxes incurred	(1,834,316)
Net income	\$(10,893,442)
Capital and Surplus Account	
Surplus as regards policyholders December 31 prior year	\$27,283,257
Net Income	(10,893,442)
Change in net unrealized capital gains or (losses) less capital gains tax	137,986
Change in net deferred income tax	859,002
Change in non-admitted assets	(868,733)
Surplus adjustments:	
Paid in	22,000,000
Change in surplus as regards policyholders for the year	\$11,234,813
Surplus as regards policyholders, December 31, current year	\$38,518,070

TypTap Insurance Company
Reconciliation of Capital and Surplus
December 31, 2020

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2016, per Company			\$24,726,734
	Increase	Decrease	
Net Income or (loss)		\$14,820,180	
Change in net unrealized capital gain (loss)	\$385,811		
Change in net deferred income tax	\$2,151,046		
Change in non-admitted assets		\$925,341	
Change in paid in surplus	\$27,000,000		
Net increase (or decrease)			\$13,791,336
Surplus at December 31, 2020 per Company			\$38,518,070

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$38,518,070, exceeded the minimum of \$10 million required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

COVID-19

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.

Adverse Loss Development

The examination actuary examined the process used by the Company to estimate its 2020 reserves and did not report any material process issues. However, actuarial estimates are subject to a certain amount of uncertainty. And, subsequent to the examination period the Company estimated in its 2021 Annual Statement that its net loss reserves (which includes reinsurance in the calculation) related to prior years was understated by \$7.6 million and included this amount in its current year 2021 loss reserves. This is 19.7% of capital and surplus reported as of December 31, 2020 (i.e., that capital and surplus that was reported in the prior year).

Increase in Required Minimum Surplus

After the examination period, on July 1, 2021, the required minimum surplus increased from \$10 million to \$15 million as stated in Section 624.408, Florida Statutes. Both the Company's 2020 capital and surplus of \$38,518,070 and their 2021 capital and surplus of \$93,357,204 exceeded this enhanced minimum surplus requirement.

CONCLUSION

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

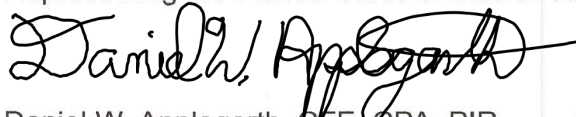
In addition to the undersigned, individuals from the following organizations and firms which included The Florida Office of Insurance Regulation ("the Office"), Examination Resources, LLC ("ER"), Highland Clark, LLC ("HC"), and Taylor-Walker & Associates, LLC ("TWA"), participated in the examination. These individuals are listed below:

Rachelle Gowins, CFE, MCM	Examination Manager	ER
Sigurd K. Proudfit, CFE, AMCM	Financial Examiner	ER
Tracy Gates, CISA, CFE, CPA	Managing IT Specialist	HC
Lori Lewter, CISA	IT Specialist	HC
Solomon Frazier, FSA, FCAS, MAAA	Actuarial Specialist	TWA
Brent M. Sallay, FCAS, MAAA	Actuarial Specialist	TWA
Marie Stuhlmuller	Examination Manager	The Office

Respectfully submitted,



Scott R. Kalna, CFE, AMCM
Examiner in Charge
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