



**EXAMINATION REPORT
OF**

ASI PREFERRED INSURANCE CORP.

NAIC Company Code: 13142

ST. PETERSBURG, FLORIDA

**as of
December 31, 2015**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

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May 15, 2017

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

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 (NAIC), we have conducted an examination as of December 31, 2015, of the financial condition and corporate affairs of

ASI Preferred Insurance Corp.
1 ASI Way
St. Petersburg, Florida 33702-2514

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, 2012 through December 31, 2015 and commenced with planning at the Office on October 25, 2016 to October 27, 2016. The fieldwork commenced on October 31, 2016 and concluded as of May 15, 2017. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of January 1, 2011 through December 31, 2011.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (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 Statements of Statutory Accounting Principles (SSAP).

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes and general information about the insurer and its financial condition. 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

Enterprise Risk Report

The Company did not file their 2014 Form F (Enterprise Risk Report) timely in compliance with Section 628.801(2), Florida Statutes.

Prior Examination Findings

There were no findings, exceptions corrective action to be taken by the Company for the examination as of December 31, 2011.

COMPANY HISTORY

General

The Company was incorporated in Florida on February 13, 2008, and commenced business on April 14, 2008.

The Company is a Florida domiciled property-casualty insurer licensed to writing homeowners' multi-peril, fire and allied lines, inland marine and other liability insurance. The Company writes insurance policies through its Managing General Agent (MGA), ASI Underwriters Corp. (ASIU). The Company's MGA provides policy management services, including underwriting and claims administration, for all lines of business written by the Company.

On April 1, 2015, the Company's parent, ARX Holding Corp., entered into a Stock Purchase Agreement with The Progressive Corporation (Progressive). Per the terms of the agreement, Progressive acquired approximately sixty-three & two-tenths percent (63.2%) of the outstanding capital stock of ARX Holding Corp. through the purchase of the common and preferred stock of XL Re Ltd., Flexpoint Fund, LP and other non-management individuals and entities. Subsequently, in 2015, Progressive purchased additional ARX Holding Corp. stock from certain

employee shareholders and option holders, bringing its ownership of ARX Holding Corp. to sixty-nine percent and sixteen hundredth percent (69.16%).

The Company was authorized to transact insurance coverage in Florida on April 14, 2008 and is currently authorized for the following coverages as of December 31, 2015:

Fire	Inland Marine
Allied Lines	Other Liability
Homeowners Multi-Peril	

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2015, 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's parents contributed cash in the amount of \$3,000,000 and \$8,000,000 for years ended 2014 and 2015, respectively.

Surplus Notes

The Company had no surplus notes during the period of this examination.

Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance

The Company had no acquisitions, mergers, disposals, dissolutions or purchase or sales through reinsurance during the period of this examination.

CORPORATE RECORDS

The recorded minutes of the Shareholder(s), Board of Directors (Board) and certain internal committees 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.

Conflict of Interest

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

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, 2015 are shown below.

Directors

Name	City, State	Principal Occupation, Company Name
John Franklin Auer	St. Petersburg, Florida	President and Treasurer ASI Assurance Corp.

Patrick Kevin Callahan	Chardon, Ohio	Insurance Executive The Progressive Corporation
Brian Charles Domeck	Hunting Valley, Ohio	Former Chief Financial Officer The Progressive Corporation
Glenn Morris Renwick	Chargin Falls, Ohio	Executive Chairman of the Board The Progressive Corporation
Marc Steven Fasteau	New York, New York	Investment Banker Fulcrum Partners, LLC

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

Senior Officers

Name	City, State	Title, Company Name
John Franklin Auer	St. Petersburg, Florida	President and Treasurer
Kevin Robert Milkey	St. Petersburg, Florida	Executive Vice President
Angel Dawn Conlin	Tampa, Florida	Vice President, Secretary and General Counsel
Tanya Judith Fjare	St. Petersburg, Florida	Vice President
Jeffery William Hannon	St. Petersburg, Florida	Vice President
Patrick Thomas McCrink	Tampa, Florida	Vice President
Phillip Loren Brubaker	St. Petersburg, Florida	Vice President
Mary Frances Fournet	St. Petersburg, Florida	Vice President
Trevor Clark Hillier	St. Petersburg, Florida	Vice President

The Company's Board appointed two (2) internal committees. Following were the principal internal board committees and their members as of December 31, 2015:

Audit Committee

Name	City, State	Title
Brian Charles Domeck ¹	Hunting Valley, Ohio	Former Chief Financial Officer The Progressive Corporation
Glenn Morris Renwick	Chargrin Falls, Ohio	Executive Chairman of the Board, The Progressive Corporation
Marc Steven Fasteau	New York, New York	Investment Banker, Fulcrum Partners, LLC

¹ Chairperson

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

Investment Committee

Name	City, State	Title
Marc Steven Fasteau ¹	New York, New York	Investment Banker, Fulcrum Partners, LLC
Glenn Morris Renwick	Hunting Valley, Ohio	Former Chief Financial Officer, The Progressive Corporation

¹ Chairperson

Control

Control of the Company was maintained by American Strategic Insurance Corp., which owned forty percent (40%) of the stock issued by the Company and ARX Holding Corp., which owned sixty percent (60%) of the stock issued by the Company. American Strategic Insurance Corp. was one hundred percent (100%) owned by ARX Holding Corp. and ARK Holding Corp. is majority owned sixty-nine percent and sixteen hundredth percent (69.16%) by Progressive, an Ohio corporation.

Affiliated Companies

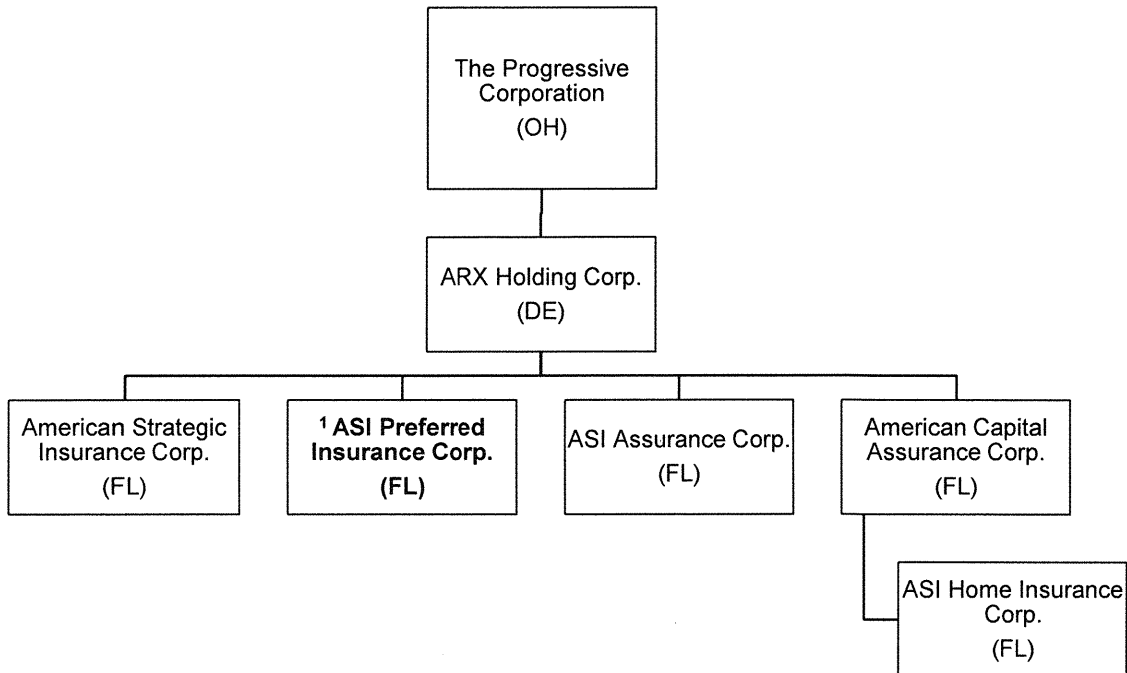
The most recent Holding Company Registration Statement was filed with the Office on March 31, 2017, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2015, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2015 annual statement provided a list of all related companies of the holding company group.

ASI Preferred Insurance Corp.

Organizational Chart

December 31, 2015



¹ASI Preferred Insurance Corp. was sixty percent (60%) owned by ARX Holding Corp. and forty percent (40%) owned by American Strategic Insurance Corp. at December 31, 2015.

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

Tax Allocation Agreement

Effective July 1, 2012, the Company entered into an agreement to file consolidated federal income tax returns with its parent, ARX Holding Corp., and its affiliates. The agreement provides that the Holding Company and its subsidiaries file consolidated federal income tax returns for such periods of time during which Holding Company and the subsidiaries are qualified to file. Holding Company and the subsidiaries agree to make all computations and settlements of the respective federal income tax liabilities of each company which a party to the agreement. The method of allocation between the companies is subject to written agreement, and approved by the Board of Directors whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Receivable (payable) tax balances are to be settled within ninety (90) days of tax payment. The agreement was amended on December 24, 2014, to amend certain articles of the original agreement. Namely, the amendment provides that all receivable (payable) tax balances are to be settled within thirty (30) days of tax payment.

Intercompany Settlement Agreement

Effective May 31, 2013, the Company entered into an Intercompany Settlement Agreement with its parent, ARX Holding Corp. and its affiliates. The agreement states that the companies are related parties through common ownership with ARX Holding Corp. and that in the ordinary course of business it may become feasible for one company to pay expenses on behalf of another company. The agreement provides that one company may pay expenses incurred on behalf of another company and the companies mutually agree to submit a bill once a month for any expenses incurred on behalf of another and shall remit payment in full no later than 90 days after receipt.

Reinsurance Allocation Agreement

Effective July 30, 2015, the Company and its insurance affiliates that are party to reinsurance contracts as multi-cedents entered into a Reinsurance Allocation Agreement. The agreement provides that the allocation of the cost between the companies will be based on the likelihood of the individual companies' books of business using each layer of coverage. This likelihood is based on the pure premium of each layer of coverage. The pure premium will be determined using the latest version of AIR Touchstone software based upon the in-force books of business of all companies as of August 31st, of the respective year. Reinsurance recoveries will be allocated on a pro-rata basis using the gross losses of each carrier.

Managing General Agency Agreement

Effective February 1, 2007, the Company entered into a Managing General Agency (MGA) Agreement with its affiliate, ASI Underwriters Corp. (ASIU). The agreement provides services for underwriting, claims processing, and premium collection. The Company granted authority to the ASIU to receive and accept proposals for and sell and issue policies of, commercial and resident property and casualty insurance. The Company also designated ASIU as the Company's claims representative for business written under the MGA agreement. The agreement was originally for a one (1) year term and automatically renews each successive year, unless otherwise terminated within the guidelines of the agreement. The agreement has been amended from time to time to update and revise certain sections of the agreement to reflect current conditions. The agreement complied with Section 626.7451, Florida Statute.

For underwriting and premium processing, the Company paid a commission on written premium of eight percent (8%) all lines of business. The Company also paid ASIU a \$25 policy fee on all new and renewal business. Commission cost incurred under this agreement for 2012; 2013; 2014 and 2015 amounted to \$9,166,663; \$10,194,023; \$10,579,750 and \$10,747,823, respectively and MGA fees incurred under this agreement for 2012; 2013; 2014 and 2015 amounted to \$2,378,625; \$2,614,324; \$2,872,574 and \$3,053,900, respectively.

For claims processing, the Company paid a monthly commission based on 5% of non-catastrophe paid losses and one percent (1%) for catastrophe paid losses. Claim processing cost incurred

under this agreement for 2012; 2013; 2014 and 2015 amounted to \$1,195,548; \$1,296,135; \$1,142,923 and \$1,306,811, respectively.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)3a, Florida Statutes. The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(j), Florida Statutes.

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's reinsurance program covers the Company and its insurer affiliates as the companies are multi-cedants on all ceded reinsurance contracts. The reinsurance program is a combination of personal lines catastrophe excess of loss and personal lines quota share and multi-line per risk treaties. The personal lines catastrophe excess of loss treaty is supplemented by a catastrophe bond and the Florida Hurricane Catastrophe Fund.

The Company's personal lines reinsurance program provided \$1,300,000,000 in excess of \$45,000,000 during the 2015-2016 contract year.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in St. Petersburg, Florida.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with U.S. Bank National Association executed on December 23, 2013. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

General Re Investment Management Agreement

Effective January 1, 2008, the Company's parent, ARX Holding Corp. and its subsidiaries entered into an Investment Management Agreement with General Re – New England Asset Management, Inc. (GENRE). The agreement provided that GENRE will make all investment decisions for the Company in accordance with the investment restrictions and guidelines. Management fees were assessed based on a percentage of the value of the investment portfolio.

Willis Re Reinsurance Intermediary Authorization Agreement

Effective January 9, 2014, the Company and its affiliates entered into a Reinsurance Intermediary Authorization Agreement with Willis Re Inc. (Willis Re). The agreement provides that Willis Re will provide reinsurance brokering services to the Company and comply with supplemental authorization agreement provisions as required by specific state code. Willis Re is to render periodic accounts to the Company detailing all material transactions, including information necessary to support all commissions, charges, and other fees received by or owing to Willis Re.

Willis Re is also to remit all funds due to the Company within thirty (30) days of receipt. The agreement was found to be in compliance with Section 626.7492, Florida Statutes.

Aon Reinsurance Intermediary-Broker Agreement

Effective June 1, 2014, the Company and its affiliates entered into a Reinsurance Intermediary Authorization Agreement with Aon Benfield, Inc. (Aon). The agreement provides that Aon will provide reinsurance brokering services to the Company and comply with all written standards established by the Company. Aon will render accounts at least quarterly the Company accurately detailing all material transactions, including information necessary to support all commissions, charges and other fees received by, or owing to, Aon from the Company. Aon will remit all funds due the Company in accordance with applicable reinsurance agreements, but in no event later than thirty (30) days after receipt. The agreement was found to be in compliance with Section 626.7492, Florida Statutes.

Independent Auditor Agreement

An independent CPA, BDO, LLP, audited the Company's statutory basis financial statements annually for the years 2012, 2013, 2014 and 2015, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Phillip McMurray, CISSP, CISA, AES, IT Specialist and Stephen Skenyon, CPA, CISA, IT Specialist, of Risk and Regulatory Consulting, LLC, performed a review and evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes.

State	Description	Par Value	Market Value
FL	USTN	0.5% \$ 325,000	\$ 322,543
TOTAL FLORIDA DEPOSITS		<u>\$ 325,000</u>	<u>\$ 322,543</u>
TOTAL OTHER DEPOSITS		<u>\$ -</u>	<u>\$ -</u>
TOTAL SPECIAL DEPOSITS		<u><u>\$ 325,000</u></u>	<u><u>\$ 322,543</u></u>

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during the course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Office, are reflected on the following pages.

ASI Preferred Insurance Corp.

Assets

December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Bonds	\$43,628,911		\$43,628,911
Cash and Short-Term Investments	36,005,668		36,005,668
Other investments	2,492,663		2,492,663
Receivables for securities	813		813
Investment income due and accrued	352,288		352,288
Agents' Balances:			
Uncollected premium	767,581		767,581
Deferred premium	3,360,799		3,360,799
Reinsurance recoverable	2,492,527		2,492,527
Net deferred tax asset	3,463,164		3,463,164
EDP equipment and software	60,213		60,213
Receivable from parents, subsidiaries and affiliates	6,805		6,805
Aggregate write-in for other than invested assets	15,893		15,893
	<hr/>		
Totals	\$92,647,325	\$0	\$92,647,325
	<hr/>		

ASI Preferred Insurance Corp.
Liabilities, Surplus and Other Funds
December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Losses	\$5,766,793		\$5,766,793
Loss adjustment expenses	686,818		686,818
Commissions payable	2,404,327		2,404,327
Other expenses	986,286		986,286
Taxes, licenses and fees	772,164		772,164
Current federal income taxes	121,031		121,031
Unearned premium	38,074,308		38,074,308
Advance premium	3,972,215		3,972,215
Ceded reinsurance premium payable	5,373,331		5,373,331
Payable to parent, subsidiaries and affiliates	570,997		570,997
Aggregate write-ins for liabilities	523,211		523,211
	<hr/>		
Total Liabilities	\$59,251,481	\$0	\$59,251,481
Common capital stock	\$1,000,000		\$1,000,000
Gross paid in and contributed surplus	25,000,000		25,000,000
Unassigned funds (surplus)	7,395,844		7,395,844
Surplus as regards policyholders	\$33,395,844	\$0	\$33,395,844
	<hr/>		
Total liabilities, surplus and other funds	\$92,647,325	\$0	\$92,647,325
	<hr/>		

ASI Preferred Insurance Corp.
Statement of Income and Capital and Surplus Account
December 31, 2015

Underwriting Income

Premiums earned	\$25,778,694
Deductions:	
Losses incurred	\$5,377,441
Loss expenses incurred	2,055,957
Other underwriting expenses incurred	18,413,273
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	<u>\$25,846,671</u>
Net underwriting gain or (loss)	(\$67,977)

Investment Income

Net investment income earned	\$776,051
Net realized capital gains or (losses)	17,261
Net investment gain or (loss)	<u>\$793,312</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$14,571)
Finance and service charges not included in premiums	290,096
Aggregate write-ins for miscellaneous income	107
Total other income	<u>\$275,632</u>
Net income before dividends to policyholders and before federal & foreign income taxes	\$1,000,967
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$1,000,967
Federal & foreign income taxes	<u>1,516,259</u>
Net Income	<u><u>(\$515,292)</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$24,516,511
Net Income	(\$515,292)
Change in net unrealized capital gains or losses	(287,674)
Change in net deferred income tax	1,404,226
Change in non-admitted assets	278,073
Surplus adjustments: Paid in	8,000,000
Change in surplus as regards policyholders for the year	<u>\$8,879,333</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$33,395,844</u></u>

ASI Preferred Insurance Corp.
Reconciliation of Capital and Surplus
December 31, 2015

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

Surplus as regards policyholders December 31, 2011 per Examination			\$15,542,241
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>	
Net Income (loss)	\$5,400,082		
Change in net unrealized capital gain (loss)		\$622,335	
Change in net deferred income tax	\$2,034,945		
Change in non-admitted assets	\$40,911		
Change in paid in surplus	\$11,000,000		
Dividends to stockholders			
Total Gains and Losses	<u>\$18,475,938</u>	<u>\$622,335</u>	
Net Increase/(Decrease) in surplus as regards policyholders			<u>\$17,853,603</u>
Surplus as regards policyholders December 31, 2015 per Examination			<u><u>\$33,395,844</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$6,453,611

Gary S. Traicoff, FCAS, MAAA of the Progressive Insurance Group, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2015, 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 actuaries, Lisa Chanzit, FCAS, MAAA, Actuarial Specialist and Andrew Chandler, ACAS, MAAA, Actuarial Specialist, of Risk and Regulatory Consulting, LLC, reviewed the loss and loss adjustment expense work papers provided by the Company and they were in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$33,395,844 exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On January 1, 2016, the Company along with its parent, ARX Holding Corp. and its affiliates entered into a Cost Allocation Agreement with Progressive Casualty Insurance Company (PCIC). The agreement provides that PCIC may provide services and facilities that will complement the operations and provide quality services and products to the Company's customers. Additionally, the Company may have the capacity to provide, from time to time services to PCIC and its affiliates. The initial term of the agreement is one (1) year, which shall automatically renew for consecutive one (1) year terms. After the first year, either party may terminate this Agreement with or without cause by giving ninety (90) days written notice of termination to the other.

Effective January 1, 2016, the Company along with its parent, ARX Holding Corp. and its affiliates entered into an Investment Management Agreement with Progressive Capital Management Corporation (PCM). The agreement provides that PCM will manage the Company's investment portfolio in accordance with the Company's investment guidelines. The agreement also provides that PCM will provide investment accounting services and assist in preparing the Company's statutory Schedule D. Management fees are assessed based on a percentage of the value of the investment portfolio as of the last trading day of the month.

Effective January 28, 2016, the Company executed a custodial agreement with Citibank N.A. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

The Managing General Agency Agreement was amended on February 10, 2016, to update and revise the appointment and authority, claims representation, compensation and other certain sections of the agreement.

The Company received authorization to transact insurance in Massachusetts on February 22, 2016.

Effective May 31, 2016, the Tax Allocation Agreement was amended to remove American Capital Assurance Corp. and Safe Harbour Underwriters, LLC. Furthermore, the agreement was amended on June 1, 2016, to add Ark Royal Insurance Company and Ark Royal Underwriters, LLC.

Effective May 31, 2016, the Intercompany Settlement Agreement was amended to remove American Capital Assurance Corp. and Safe Harbour Underwriters, LLC. Furthermore, the agreement was amended on June 1, 2016 to add Ark Royal Insurance Company and Ark Royal Underwriters, LLC.

On June 1, 2016, ARX Holding Corp. entered into a securities exchange agreement with Ark Royal Holding, LLC, ultimate parent of the Ark Royal Insurance Company, whereby, ARX Holding Corp. exchanged American Capital Assurance Corp. and Safe Harbour Underwriters, LLC for Ark Royal Insurance Company and its Managing General Agent, ARK Royal Underwriters, LLC.

Effective June 1, 2016, the Reinsurance Allocation Agreement was amended to add Ark Royal Insurance Company.

The Company's parents contributed cash in the amount of \$7,000,000 for year ended 2016.

SUMMARY OF RECOMMENDATIONS

Enterprise Risk Report

We recommend that the Company file their Form F (Enterprise Risk Report) timely in compliance with Section 628.801(2), Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **ASI Preferred Insurance Corp.** as of December 31, 2015, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards policyholders was \$33,395,844, which exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Joshua J. Johnson, CFE, Examiner-in-Charge, Shawn Hernandez, CFE, Participating Examiner and Emma Bebee, CPA, Participating Examiner, of Risk and Regulatory Consulting, LLC, also participated in the examination. Members of the Office who participated in the examination include Jeffrey Rockwell, MBA, Financial Examiner/Analyst Supervisor, Examination Manager and Paula Bowyer, APIR, Financial Examiner/Analyst II, Participating Examiner. Additionally, Lisa Chanzit, FCAS, MAAA, Actuarial Specialist, Andrew Chandler, ACAS, MAAA, Actuarial Specialist, Phillip McMurray, CISSP, CISA, AES, IT Specialist, and Stephen Skenyon, CPA, CISA, IT Specialist of Risk and Regulatory Consulting, LLC and Dave Palmer, CFE, Examination Manager, of Lewis and Ellis, LLC, are recognized for participation in the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian Sewell", written in a cursive style.

Brian Sewell, CFE, MCM
Chief Financial Examiner
Florida Office of Insurance Regulation