



**EXAMINATION REPORT
OF
ASHMERE INSURANCE COMPANY**

NAIC Company Code: 40398

**Fort Lauderdale, Florida
as of
December 31, 2016**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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February 28, 2018

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 (NAIC), we have conducted an examination as of December 31, 2016, of the financial condition and corporate affairs of

Ashmere Insurance Company
401 E. Las Olas Blvd, Suite 1540
Fort Lauderdale, Florida 33301

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, 2016, and commenced with planning at the Florida Office of Insurance Regulation (“Office”) on November 14, 2017, to November 16, 2017. The fieldwork commenced on November 14, 2017, and concluded as of February 28, 2018. The Company’s last full scope examination by representatives of the Illinois Department of Insurance covered the period of January 1, 2007, through December 31, 2011.

The examination was a multi-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

The finding noted during this examination period has been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

Previous Examination Findings

The Company (F.K.A. American Fuji Fire and Marine Insurance Company) was last examined by the Illinois Department of Insurance as of December 31, 2011. The Company was acquired by National Fidelity Holdings, Inc. ("NFH") on October 6, 2016. As such, this is the first examination of the Company by the Office since having been acquired by NFH and re-domesticating to Florida. The prior examination is not relevant to this examination since the Company is completely different as part of NFH. There were no findings, exceptions, or corrective action to be taken by the Company.

COMPANY HISTORY

General

The Company was incorporated on October 6, 1981, and commenced business on January 1, 1982. The Company re-domesticated to Florida on October 6, 2016.

Dividends

During 2016 and prior to re-domestication, the Company returned capital of \$1,997,518 and paid dividends of \$1,002,482 with the approval of the Illinois Department of Insurance.

Capital Stock and Capital Contributions

As of December 31, 2016, the Company's capitalization was as follows:

Number of authorized common capital shares	140,000
Number of shares issued and outstanding	50,070
Total common capital stock	\$5,007,000
Par value per share	\$100.00

Surplus Notes

The Company did not have any surplus notes during the period of this examination.

Acquisitions, Mergers, Disposals, Dissolutions

On December 17, 2013, the Company entered into a Transfer and Assumption Agreement with Citation Insurance Company ("Citation"). The Company assumed all known, unknown and contingent liabilities of Citation relating to events occurring on or before December 17, 2013. To the extent that Citation does not meet its obligations under the agreement, the Company remains primarily liable for these liabilities.

On December 16, 2014, the Company entered into a Transfer and Assumption Agreement with Oakwood Insurance Company ("Oakwood"). Oakwood assumed all known, unknown and contingent liabilities of the Company relating to events occurring on or before December 16, 2014. To the extent that Oakwood does not meet its obligation under the agreement, the Company remains primarily liable for these liabilities.

On October 6, 2016, National Fidelity Holdings, Inc. ("NFH"), a Delaware corporation, acquired one hundred percent (100%) of the outstanding stock of the Company from Guilford Holdings, Inc., an indirect wholly owned subsidiary of White Mountains Insurance Group.

In connection with NFH's purchase of the Company, both Guilford Holdings and Sirius Re Holdings, Inc. agree to fully indemnify NFH and the Company for loss relating to the purchase, including the failure of Oakwood to perform under the December 16, 2014, Transfer and Assumption Agreement.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. The Directors serving as of December 31, 2016, are shown below:

Directors

Name	City, State	Principal Occupation, Company Name
Charles Kevin Schuver	Weston, Florida	President, Ashmere Insurance Company

Brandon Clinton Driscoll ¹	Jupiter, Florida	Treasurer, Ashmere Insurance Company
Ernest Nicolae Csiszar	Columbia, South Carolina	Retired
Ronald Patrick Formento	Naperville, Illinois	President, Transport Drivers, Inc.
Charles Henry Walsh, Jr.	Oak Brook, Illinois	Managing Partner, Walsh Partners

¹ Effective October 6, 2017, Mr. Driscoll resigned from the Board.

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

Senior Officers

Name	City, State	Title
Charles Kevin Schuver	Weston, Florida	President
Brandon Clinton Driscoll ¹	Jupiter, Florida	Treasurer
Gary William Roche	Fort Lauderdale, Florida	Secretary

¹ Effective October 6, 2017, Mr. Driscoll resigned as Treasurer.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2016:

Governance Committee

Name	City, State	Title, Company Name
Ernest Nicolae Csiszar ¹	Columbia, South Carolina	Retired
Charles Henry Walsh, Jr.	Oak Brook, Illinois	Managing Partner, Walsh Partners

Ronald Patrick Formento	Naperville, Illinois	President, Transport Drivers, Inc.
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¹ Chairperson

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

Audit Committee

Name	City, State	Title, Company Name
Ernest Nicolae Csiszar ¹	Columbia, South Carolina	Retired
Charles Henry Walsh, Jr.	Oak Brook, Illinois	Managing Partner, Walsh Partners
Ronald Patrick Formento	Naperville, Illinois	President, Transport Drivers, Inc.

¹ Chairperson

Investment Committee

Name	City, State	Title, Company Name
Brandon Clinton Driscoll ^{1 (a)}	Jupiter, Florida	Treasurer, Ashmere Insurance Company
Charles Henry Walsh, Jr.	Oak Brook, Illinois	Managing Partner, Walsh Partners
Ronald Patrick Formento	Naperville, Illinois	President, Transport Drivers, Inc.

¹ Chairperson

^(a) Effective October 6, 2017, Mr. Driscoll resigned from the Board.

Holding Company System

The Company is a Florida domiciled property and casualty insurance company which primarily writes workers' compensation insurance. On October 6, 2016, the Company was acquired by NFH in accordance with a stock purchase agreement. NFH is in turn wholly-owned by Deerfield Insurance Holdings, Inc., a closely held corporation.

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

Tax Allocation Agreement

The Tax Allocation Agreement effective October 12, 2016, was for the tax years beginning on and after October 12, 2016, and was entered into by and among the Company, NFH and Deerfield Insurance Holdings, Inc. There was no amount due from the Company at December 31, 2016.

Expense Allocation Agreement

An Expense Allocation Agreement was effective on October 12, 2016, by and between NFH and the Company for the terms under which NFH is reimbursed for the services that NFH provides to and the expenses NFH incurs for the benefit of the Company. There was no amount due from the Company at December 31, 2016.

Program Administration Agreement

The Program Administration Agreement was effective October 19, 2016, by and between the Company and Patriot Underwriters, Inc. ("PUI"), whereby the Company appointed PUI as its exclusive general agent for the purpose of underwriting, issuance and delivery of binders, policies certificates of insurance or contracts of insurance, amendments and endorsements thereto. The amount due from the Company at December 31, 2016, was \$5,384.

Managed Care Services Agreement

A Managed Care Services Agreement was effective October 19, 2016, by and between the Company and Patriot Care Management, Inc. ("PCM"), in which the Company retained PCM to

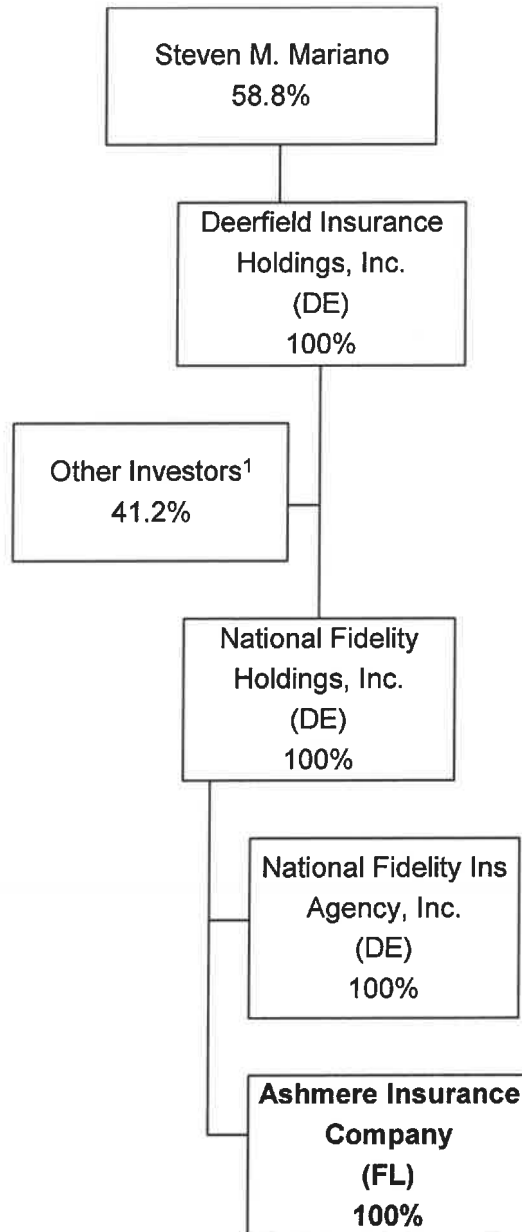
provide certain managed care services in connection with claims. There was not an amount due from the Company at December 31, 2016.

Claims Services Agreement

A Claims Services Agreement became effective October 19, 2016, by and between the Company and Patriot Risk Services, Inc. ("PRS"), whereby the Company retains PRS to provide claims handling services. The amount due from the Company at December 31, 2016, was \$21.

Schedule Y of the Company's 2016 annual statement provided a list of all related companies of the holding company group. An organizational chart as of December 31, 2016, reflecting the holding company system, is shown on the following page.

**Ashmere Insurance Company
Simplified Organizational Chart
December 31, 2016**



¹ None of the other investors owns ten percent (10%) or more of the outstanding common stock of Deerfield Insurance Holdings, Inc.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Fort Lauderdale, Florida.

Corporate Records Review

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 Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with The Bank of New York Mellon as of December 31, 2016. The agreement was terminated effective January 10, 2017 and Regions Bank became the custodian for the assets formerly held with Bank of New York Mellon. The agreements complied with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, Johnson and Lambert, audited the Company’s statutory basis financial statements annually for the years 2013, 2014, 2015 and 2016, in accordance with Section 624.424(8), Florida Statutes. Supporting workpapers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Arizona	California
Colorado	Connecticut	Delaware
District of Columbia	Florida	Georgia
Hawaii	Idaho	Illinois
Indiana	Iowa	Kansas
Kentucky	Louisiana	Maryland
Massachusetts	Michigan	Minnesota
Montana	Nebraska	Nevada
New Jersey	New Mexico	New York
North Carolina	North Dakota	Ohio
Oklahoma	Oregon	Pennsylvania
South Carolina	South Dakota	Tennessee
Texas	Utah	Washington
Wisconsin		

The Company was authorized to transact insurance in Florida on February 22, 1990, and is currently authorized for the following coverages as of December 31, 2016:

Accident and Health	Aircraft
Allied Lines	Auto Warranties
Bail Bonds	Boiler and Machinery
Burglary and Theft	Commercial Automobile Liability
Commercial Auto Physical Damage	Commercial Multi-peril
Credit	Credit Disability
Earthquake	Farmowners Multi-peril
Fidelity	Fire
Homeowners Multi-peril	Glass
Home Warranties	Industrial Extended Coverage
Industrial Fire	Inland Marine
Medical Malpractice	Mobile Home Multi-peril
Mobile Home Physical Damage	Mortgage Guaranty
Multi-peril Crop	Ocean Marine
Other Liability	PPA Physical Damage

Prepaid Legal
Service Warranties (Non-Auto)
Workers' Compensation

Private Passenger Auto Liability
Surety

Subsequent Event: As of April 12, 2018, the Company was approved by the Office to surrender all of its lines of insurance with the exception of Workers Compensation line of business. As such, the Company is only authorized to write and reinsure Workers Compensation line of business as of the date of this report.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)(3)(a), Florida Statutes. The Company did not have any complaints during the examination period.

The Company maintained a claims procedure manual that included procedures for handling claims in accordance with Section 626.9541(1)(i), Florida Statutes.

REINSURANCE

Reinsurance Assumed

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

Reinsurance Ceded

Upon acquisition of the Company by NFH, the Company was covered by multiple existing reinsurance treaties on a combined basis with Guarantee Insurance Company ("GIC"). The combined reinsurance treaties were effective June 30, 2016, through June 1, 2017, and provided coverage of \$48,000,000 excess of \$2,000,000 on a per occurrence basis.

Subsequent Event: Effective January 1, 2017, the Company entered into a stand-alone reinsurance agreement providing \$1,000,000 in excess of \$1,000,000.

Subsequent Event: Effective April 1, 2017, the Company entered into a thirty-five percent (35%) quota share reinsurance agreement with Harco Re for the first \$1,000,000 per occurrence. The

agreement runs through April 1, 2018, with the Company's net retention for all claims being sixty-five percent (65%) of the first \$1,000,000 per occurrence.

Subsequent Event: On the June 1, 2017, renewal of the \$48,000,000 excess of \$2,000,000, the Company placed the first \$3,000,000 excess of \$2,000,000 on a stand-alone basis. The combined treaties with GIC in excess of \$5,000,000 were no longer allowed due to GIC being placed into liquidation.

INFORMATION TECHNOLOGY REPORT

Michael Nadeau, IT Manager, of Eide Bailly, LLP, performed an 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, and with various state officials as required or permitted by law:

State	Description		Par Value	Market Value
FL	USTNTS	0.75%	\$ 2,750,000	\$ 2,716,175
TOTAL FLORIDA DEPOSITS			<u>\$ 2,750,000</u>	<u>\$ 2,716,175</u>
GA	Market Fund		\$ 0.62	\$ 0.62
GA	USTBDS	7.25%	100,000	130,289.45
CA	USTBDS	1.0%	110,000	110,000
MA	USTBDS	7.25%	500,000	637,755
MA	USTNTS	3.50%	60,000	61,683
NC	FDS		0.13	0.13
NC	USTNTS	3.50%	80,000	82,224
NC	USTBDS	0.75%	250,000	250,127.50
NM	USTNTS	3.50%	300,000	308,414.10
NV	USTBDS	0.75%	300,000	300,000.00
OR	USTNTS	3.50%	400,000	411,220.0
TOTAL OTHER DEPOSITS			<u>\$ 2,100,001</u>	<u>\$ 2,291,714</u>
TOTAL SPECIAL DEPOSITS			<u>\$ 4,850,001</u>	<u>\$ 5,007,889</u>

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during 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.

Ashmere Insurance Company

Assets

December 31, 2016

	Per Company	Examination Adjustments	Per Examination
Bonds	\$4,870,337		\$4,870,337
Cash, cash equivalents and short-term investments	4,019,217		4,019,217
Receivable for securities	5,025		5,025
Investment income due and accrued	34,817		34,817
Premiums and Considerations:			
Uncollected premiums and agents' balances in the course of collection	5,724		5,724
Deferred premiums and agents' balances and installments booked but deferred and not yet due	30,168		30,168
Net deferred tax asset	386,815		386,815
Total	<u>\$9,352,103</u>		<u>\$9,352,103</u>

Ashmere Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2016

	Per Company	Examination Adjustments	Per Examination
Losses	\$242		\$242
Loss adjustment expenses	43		43
Commissions payable, contingent commissions and other similar charges	5,384		5,384
Other expenses	159,163		159,163
Taxes, licenses and fees	872		872
Unearned premiums	35,433		35,433
Ceded reinsurane premiums payable	21		21
Total Liabilities	\$201,158		\$201,158
Common capital stock	\$5,007,000		\$5,007,000
Gross paid in and contributed surplus	3,993,632		3,993,632
Unassigned funds (surplus)	150,313		150,313
Surplus as regards policyholders	\$9,150,945		\$9,150,945
TOTALS	\$9,352,103		\$9,352,103

Ashmere Insurance Company
Statement of Income
December 31, 2016

Underwriting Income

Premiums earned		\$437
	Deductions:	
Losses incurred		\$242
Loss adjustment expenses incurred		64
Other underwriting expenses incurred		742,691
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$742,997</u>
Net underwriting gain or (loss)		(\$742,560)

Investment Income

Net investment income earned		\$80,724
Net realized capital gains or (losses)		891
Net investment gain (loss)		<u>\$81,615</u>

Other Income

Aggregate write-ins for miscellaneous income		(413)
Total other income		<u>(\$413)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal & foreign income taxes		(\$661,358)
Dividends to policyholders		0
Net income, after dividends to policyholders, after capital gains tax and before all other federal & foreign income taxes		(\$661,358)
Federal & foreign income taxes incurred		0
Net Income		<u><u>(\$661,358)</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$12,427,190
Net Income		(\$661,358)
Change in net deferred income tax		386,815
Surplus adjustments:		
Paid in		(1,999,220)
Dividends to stockholders		(1,002,482)
Change in surplus as regards policyholders for the year		<u>(\$3,276,245)</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$9,150,945</u></u>

Ashmere Insurance Company
Reconciliation of Capital and Surplus
December 31, 2016

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, 2011, per Examination			\$75,024,151
	<u>Increase</u>	<u>Decrease</u>	
Net Income (Loss)		\$2,517,133	
Change in net deferred income tax		\$553,667	
Change in non-admitted assets	\$1,199,443		
Change in paid in capital		\$3,993,000	
Change in paid in surplus		\$31,006,368	
Change in treasury stock		\$29,002,482	
Net increase (or decrease)			<u>(\$65,873,207)</u>
Surplus at December 31, 2016, per Examination			<u>\$9,150,944</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

There was minimal business produced in 2016 and no material Company specific data for an actuary to utilize. As a result, there was no opinion rendered of the amounts carried in the balance sheet as of December 31, 2016, for unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$9,150,945 is below the \$10,000,000 required by Section 624.408, Florida Statutes.

Subsequent Event: As of April 12, 2018, the Company was approved by the Office to surrender all of its lines of insurance with the exception of Workers Compensation line of business. As such, the Company is only authorized to write and reinsure Workers Compensation line of business as of the date of this report. This lowered the minimum surplus requirement to \$4,000,000 pursuant to Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On December 22, 2017, the Office was notified of the acquisition of the Company, pursuant to Sections 628.461 or 628.4615, Florida Statutes. The acquisition is pending as of the date of this report.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Ashmere Insurance Company** as of December 31, 2016, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards to policyholders was \$9,150,945, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, James Menck CFE, Examiner-in-Charge, Jim Williams, CFE, Michael Nadeau, CFE, AES, and Bob Burch, CFE, Participating Examiners of Eide Bailly LLP, also participated in the examination. Members of the Office who participated in the examination include Marie Stuhlmuller, Financial Examiner/Analyst Supervisor, Examination Manager, and Christopher Brown, Financial Specialist, Participating Examiner. Additionally, Michael Nadeau, CFE, AES, CISA, IT Specialist of Eide Bailly LLP, is recognized for participation in the examination.

Respectfully submitted,



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