



**EXAMINATION REPORT
OF
EDISON INSURANCE COMPANY**

NAIC Company Code: 12482

**Boca Raton, Florida
as of
December 31, 2017**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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February 22, 2019
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, 2017, of the financial condition and corporate affairs of

Edison Insurance Company
903 NW 65th Street, Suite 200
Boca Raton, Florida 33487

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, 2013 through December 31, 2017 and commenced with planning at the Florida Office of Insurance Regulation (“Office”) on September 10, 2018 to September 12, 2018. The fieldwork commenced on October 10, 2018, and concluded as of February 22, 2019. The Company's last full scope examination by representatives of the Office covered the period of January 1, 2009 through December 31, 2012.

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

The following is a summary of non-compliance with state Law:

The Company's custodial agreement with JPMorgan Chase Bank did not adhere to Rule 69O-143.042, Florida Administrative Code. Although not resolved during this examination period, the Office has confirmed the Company executed an amendment to the custodial agreement with JPMorgan Chase Bank that complies with Rule 69O-143.042, Florida Administrative Code.

The Company did not have written agreements for transactions, invoices, and supporting documentation with related parties per SSAP 25.

Previous Examination Findings

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2012.

COMPANY HISTORY

General

Edison Insurance Company is a wholly own subsidiary of Florida Peninsula Insurance Company ("FPIC"). The Company was incorporated on March 9, 2005 and received its Certificate of Authority from the Office and began insurance operations on January 4, 2006.

Effective January 5, 2010, Edison Insurance Group LLC was purchased by Florida Peninsula Holdings, LLC (Holdings). Holdings then contributed 100% of the wholly owned shares of the Company to FPIC.

Effective January 1, 2012, the Company had ceased writing any new business with all subsequent policy renewals written through FPIC. The Company had been running off its outstanding claims from that point in time. Effective September 18, 2014, the Office issued a consent order allowing

the Company to resume writing new residential property insurance policies in the State of Florida. The Company began writing business again at the end of 2014.

The Company holds Florida licensing in Homeowners' Multi-Peril line of business. Currently, the Company is licensed in Florida and New Jersey.

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, 2017, 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	\$3,500,000
Par value per share	\$3.50

Surplus Notes

On December 29, 2014, Edison Insurance Company (Maker) issued and received the proceeds from a Subordinated Surplus Debenture (Debenture) in the amount of \$16,000,000. This Debenture was executed between the Company and FPIC (Payee). The term of the note is ten (10) years at an interest rate of 5.5% per annum. Upon approval from the Office, accrued interest shall be payable annually commencing on January 1, 2015, and continuing on the first day of each year thereafter during the term of this Debenture. Interest shall accrue on the unpaid principal balance. The principal amount of this Debenture, and all accrued and unpaid interest hereon, shall be due and payable on October 1, 2024. The Maker shall not make any principal or interest payment in respect to this Debenture except out of surplus, excluding capital, and only if the Maker is in compliance with The Florida Insurance Code and approved in advance by the Office.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this 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. Directors serving as of December 31, 2017, are shown below:

Directors

Name	City, State	Principal Occupation, Company Name
Paul Montgomery Adkins	Boca Raton, Florida	Chairman, FPIC
Roger Louis Desjadon	Franklin Park, New Jersey	Chief Executive Officer, FPIC
Clint Bryan Strauch	Hollywood, Florida	Chief Operations Officer, FPIC
Francis Joseph Lattanzio	Glastonbury, Connecticut	Chief Financial Officer, FPIC
Gary Andrew Cantor	Gulf Stream, Florida	Executive Vice President, FPIC
Stacey Alexander Giulianti	Cumberland Foreside, Maine	General Counsel FPIC

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

Senior Officers

Name	City, State	Title
Roger Louis Desjadon	Franklin Park, New Jersey	Chief Executive Officer
Francis Joseph Lattanzio	Glastonbury, Connecticut	Treasurer
Stacey Alexander Giulianti	Cumberland Foreside, Maine	Secretary

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2017.

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

Audit Committee

Name	City, State	Title, Company Name
Gary Andrew Cantor ⁽¹⁾	Gulf Stream, Florida	Executive Vice President, FPIC
Francis Joseph Lattanzio	Glastonbury, Connecticut	Chief Financial Officer, FPIC
Stacey Alexander Giulianti	Cumberland Foreside, ME	General Counsel, FPIC
Cynthia Sue Murphy	Bradenton, Florida	Controller, FPIC

¹ Chairman

Investment Committee

Name	City, State	Title, Company Name
Roger Louis Desjadon ⁽¹⁾	Franklin Park, New Jersey	Chief Executive Officer, FPIC
Francis Joseph Lattanzio	Glastonbury, Connecticut	Chief Financial Officer, FPIC
Gary Andrew Cantor	Gulf Stream, Florida	Vice President, FPIC

¹ Chairman

Holding Company System

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

Tax Allocation Agreement

The Company, with FPIC, filed a consolidated federal income tax return. On December 31, 2017, the method of allocation between the Company and its subsidiary was on a wait-and-see or percentage method. Each member of the group recorded an intercompany income tax receivable or payable. Within thirty (30) days of the remittance by the Company of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

Managing General Agent And Claim Service Agreement

The Company entered into a Managing General Agency and Claims Administration Agreement with its affiliate, Florida Peninsula Managers LLC on January 1, 2010. The agreement continues in force unless otherwise terminated within the guidelines of the agreement. Management fees were based on twenty-five percent (25%) of total earned annual premium and included a \$25 policy fee. Claims administration services were included in the agreement. Claims administration fees were calculated based on five percent (5%) of total earned annual premiums. Fees incurred under this agreement during 2017 amounted to \$18,734,708.

The Company reported transactions without written agreements, invoices and supporting documentation. This does not adhere to SSAP 25.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Boca Raton, Florida.

Custodial Agreement

The Company maintained a custodial agreement with JP Morgan Chase Bank N.A. executed on July 9, 2014. The agreement did not comply with Rule 69O-143.042, Florida Administrative Code. Although not resolved during this examination period, the Office has confirmed the Company executed an amendment to the custodial agreement with JPMorgan Chase Bank that complies with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

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

Corporate Records Review

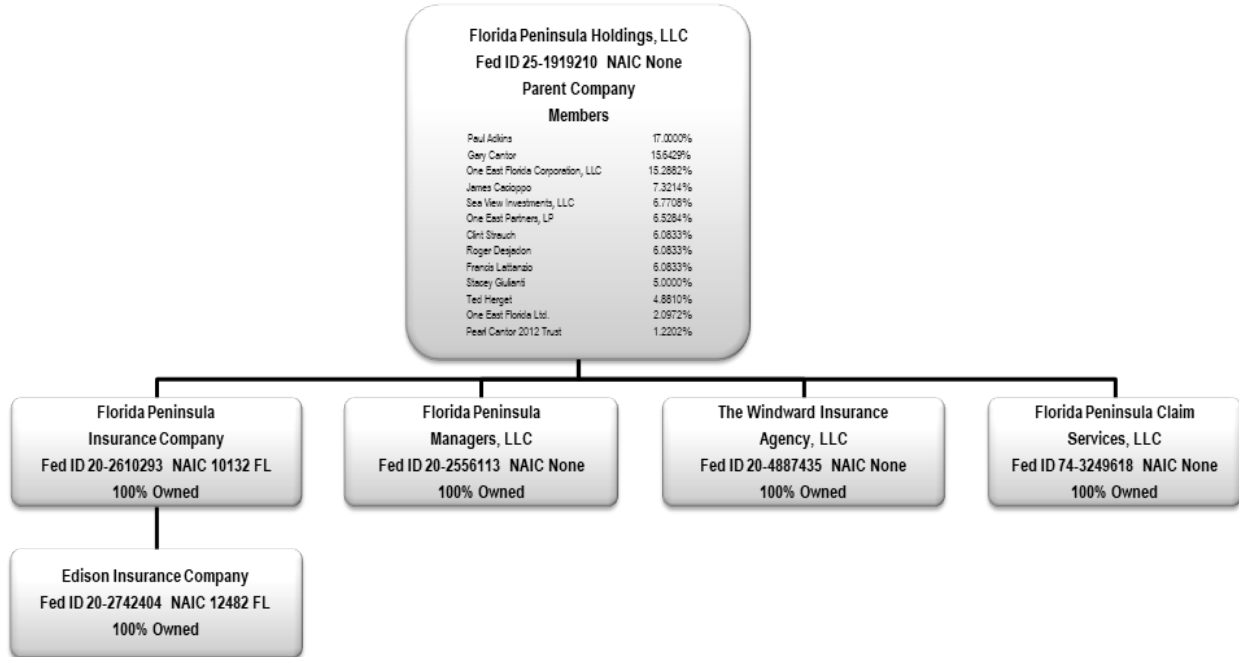
The recorded minutes of the Shareholder(s), Board and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida 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.

An organizational chart as of December 31, 2017, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2017 annual statement provided a list of all related companies of the holding company group.

**Edison Insurance Company
Organizational Chart
December 31, 2017**



TERRITORY AND PLAN OF OPERATIONS

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

Florida

New Jersey

The Company was authorized to transact insurance in Florida on March 9, 2005, and is currently authorized for the following coverage(s) as of December 31, 2017:

Homeowners Multiple Peril

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 ceded risk on a quota share and excess of loss basis to authorized and unauthorized reinsurers. The Company also participated in the Florida Hurricane Catastrophe Fund and maintained aggregate excess of loss reinsurance and reinstatement premium

protection. Reinsurance with private reinsurers was purchased through intermediaries Towers Watson and Aon Benfield.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

INFORMATION TECHNOLOGY REPORT

Philip Brudney, CPA, CISA, Director, of risk3sixty, 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	Cash	\$404,173	\$404,173
TOTAL SPECIAL DEPOSITS		<u>\$404,173</u>	<u>\$404,173</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.

Edison Insurance Company

Assets

December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Bonds	\$36,709,570		\$36,709,570
Cash and Short-Term Investments	16,326,843		16,326,843
Investment income due and accrued	<u>199,539</u>		<u>199,539</u>
Agents' Balances:			
Uncollected premium	622,324		622,324
Deferred premium	<u>2,032,736</u>		<u>2,032,736</u>
Reinsurance recoverable	2,007,257		2,007,257
Other reinsurance contracts receivable	<u>58,002</u>		<u>58,003</u>
Current Federal & foreign taxes recoverable	801,886		801,886
Net deferred tax asset	<u>915,531</u>		<u>915,531</u>
Receivable from parent, subsidiaries, and affiliates	<u>6,067,115</u>		<u>6,067,115</u>
Aggregate write-in for other than invested assets	<u>137,181</u>		<u>137,181</u>
Totals	<u>\$65,877,983</u>	<u>\$0</u>	<u>\$65,877,983</u>

Edison Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2017

Losses	\$13,394,312	\$13,394,312
Loss adjustment expenses	710,851	710,851
Taxes licenses and fees	384,012	384,012
Unearned premium	18,650,357	18,650,357
Advance premium	1,194,151	1,194,151
Ceded reinsurance premiums payable	8,395,290	8,395,290
Remittance and Items not allocated	40,182	40,182
Drafts outstanding	16,765	16,765
Payable to parent, subsidiaries and affiliates	1,568,507	1,568,507
Aggregate write-ins for liabilities	473,557	473,557
Total Liabilities	\$44,827,983	\$44,827,983
Common capital stock	\$3,500,000	\$3,500,000
Surplus note	16,000,000	16,000,000
Gross paid in and contributed surplus	21,366,002	21,366,002
Unassigned fund (surplus)	(19,816,002)	(19,816,002)
Surplus as regards policyholders	\$21,050,000	\$21,050,000
Total liabilities, surplus and other funds	\$65,877,983	\$65,877,983

Edison Insurance Company
Statement of Income
December 31, 2017

Loss adjustment expenses incurred	\$5,608,781
Other underwriting expenses incurred	\$8,287,548
 Total underwriting deductions	 \$34,189,072
 Net underwriting gain or (loss)	 (\$3,771,833)

Investment Income

Net investment income earned	\$437,972
Net realized capital gains or (losses)	(18,362)
Net investment gain or (loss)	\$419,609

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$12,383)
Finance and service charges not included in premiums	117,455
Aggregate write-ins for miscellaneous income	210,536
Total other income	\$315,608

Net income before dividends to policyholders and after capital gains for and all other federal and foreign income taxes	(\$3,036,616)
Net Income, after dividends to policyholders, after capital gains tax and before all other federal & foreign income taxes	(\$3,036,616)
Federal & foreign income taxes incurred	(792,426)
 Net Income	 (\$2,244,190)

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$21,210,658
 Net Income	 (\$2,244,190)
Change in net deferred income taxes	(371,626)
Change in non-admitted assets	(27,801)
Surplus adjustment paid in	2,482,959
Change in surplus as regards policyholders for the year	(\$160,658)
 Surplus as regards policyholders, December 31 current year	 \$21,050,000

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Derek W. Freihaut, F.C.A.S., M.A.A.A. of Pinnacle Actuarial Resources, Inc. (“Pinnacle”), appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2017, 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’s consulting actuary, Greg Wilson, F.C.A.S., M.A.A.A., of Lewis & Ellis, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$21,050,000, exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

The Office recommends that the Company's custodial agreement with JPMorgan Chase Bank adhere to 690-143.042, Florida Administrative Code. Although not resolved during this examination period, the Office has confirmed the Company executed an amendment to the custodial agreement with JPMorgan Chase Bank that complies with Rule 690-143.042, Florida Administrative Code.

The Office recommends the Company establish written agreements for related parties, prepare invoices, and maintain supporting documentation to adhere to SSAP 25.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Edison Insurance Company** as of December 31, 2017, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards to policyholders was \$21,050,000, which exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

The following participated in the examination:

Roshi Fekrat, CFE, CPA, CIA, AMCM	Examiner-in-Charge	Global Insurance Enterprises, Inc.
Chineta Alford, CFE	Participating Examiner	Global Insurance Enterprises, Inc.
Connie Hare, AFE, CFE (Fraud)	Examination Manager	Office
Casey Hengstebeck	Participating Examiner	Office
Greg Wilson, FACS, MAAA	Exam Actuary	Lewis & Ellis, Inc.
Philip Brudney, CISA, CPA	IT Specialist	risk3sixty

Respectfully submitted,



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