



**EXAMINATION REPORT
OF**

Florida Family Insurance Company

NAIC Company Code: 10688

Bonita Springs, Florida

**as of
December 31, 2015**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

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March 31, 2017

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, 2015, of the financial condition and corporate affairs of

Florida Family Insurance Company
27599 Riverview Center Boulevard, Suite 100
Bonita Springs, Florida 34134

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, 2011 through December 31, 2015 and commenced with planning at the Office on September 13, 2016 to September 15, 2016. The fieldwork commenced on October 4, 2016, and concluded as of March 31, 2017. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of January 1, 2006 through December 31, 2010.

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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The following is a summary of material adverse findings, significant non-compliance findings or material changes in the financial statements.

Statement of Actuarial Opinion

The Company's opining actuary did not include a discussion of the risks and uncertainties considered that could result in material adverse deviation in the 2015 Statement of Actuarial Opinion.

Compliance with Statutory Accounting Principles

The Company was not following the requirements of SSAP #64. In this regard, in Note 10 of the December 31, 2015 annual statement, FFIC disclosed that it netted receivables from affiliates Florida Family Insurance Services, LLC. and Halogen Software, LLC. against a payable to affiliate Lakeview Insurance Company, and reported the net receivable from affiliates on its balance sheet.

Prior Examination Findings

There were no findings or exceptions noted during the examination as of December 31, 2010.

COMPANY HISTORY

General

The Company was incorporated in Florida on March 19, 1996, and commenced business on May 1, 1996, as Florida Family Mutual Insurance Company. During 2001, in conjunction with approval of the Office, the policyholders of Florida Family Mutual Insurance Company approved a conversion of the Company from a non-assessable mutual insurer to a stock insurer. Under the terms of the demutualization offering and a separate related agreement between the Company and Florida

Family Insurance Services, LLC (FFIS), a \$5,000,000 debenture was exchanged for approximately ninety-eight & nine-tenths percent (98.9%) of the Company. Also, incorporated was approval by the Office of its name change to “Florida Family Insurance Company” on January 3, 2001.

The Company was authorized to transact the following insurance coverage(s) in Florida on December 31, 2015:

Homeowners Multi-Peril
Fire

Allied Lines

Dividends to Stockholders

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	6,000,000
Number of shares issued and outstanding	4,471
Total common capital stock	\$447,100
Par value per share	\$100

Control of the Company was maintained by its parent, Emery Holding, Inc., which owned one hundred percent (100%) of the stock issued by the Company, which in turn was one hundred percent (100%) owned by FFIS, a Delaware limited liability corporation. FFIS in turn was one hundred percent (100%) owned by Barrington Capital, LLC, a Delaware Limited Liability Company.

On June 30, 2012, Emery Holding, Inc. contributed its wholly owned subsidiary, Lakeview Insurance Company, to the Company. At the time of the contribution, Lakeview’s statutory surplus

totaled \$13,032,068. On December 26, 2012 Emery Holding, Inc. contributed \$2,000,000 to the Company.

Surplus Debentures

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

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

The Company had no acquisitions, mergers, disposals, and 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.

On September 28, 2011, the Company's Articles of Incorporation were amended to effectuate a reverse stock split, by which each one hundred (100) shares of common stock, \$10.00 par value immediately prior to the effective date of the amendment ("pre-reverse split common stock") were automatically reclassified and changed into one (1) fully paid and non-assessable share of common stock, \$100.00 per value per share ("post-reverse split common stock") (the "reverse split") provided that no fractional shares shall be issued. Thereafter, any holder of record of post-reverse split common stock representing solely a fraction of a share of post-reverse split common stock shall receive in lieu thereof an amount in cash equivalent to \$62.00 per share of pre-reverse split shares held by such holder immediately prior to the effective time of the reverse split and representing a fractional share of the post-reverse split common stock after the reverse split. The effect of this amendment was to cancel each fractional share of post-reverse split common stock,

which resulted in Emery Holding, Inc., becoming one hundred percent (100%) owner of the Company.

There were no amendments to the Company's bylaws during the period under examination.

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.

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
Walter Dale Hardy	Naples, Florida	Chief Executive Officer and Chairperson, Florida Family Insurance Company
William Tuttle Montei	Middleton, Wisconsin	Principal, Bill Montei, LLC
William Henry Wiggs	Arlington Heights, Illinois	Chief Financial Officer and Chairperson, Florida Family Insurance Company
Timothy James McKay	Glen Ellyn, Illinois	Attorney, Wilson Elser
David Paul Behnke ¹	Roselle, Illinois	Certified Public Accountant
Amy Houghton Bash ¹	Barrington, Illinois	Clinical Social Worker
Peter Joseph Corrigan	Jacksonville, Florida	President, Florida Family Insurance Company

¹ Mr. Behnke and Ms. Bash left the Board in June 2016.

The Board in accordance with the Company's bylaws appointed the following Senior Officers:

Senior Officers

Name	City, State	Title
Walter Dale Hardy	Naples, Florida	Chief Executive Officer, Florida Family Insurance Company
Peter Joseph Corrigan	Jacksonville, Florida	President and Chief Underwriting Officer, Florida Family Insurance Company
William Henry Wiggs	Arlington Heights, Illinois	Chief Financial Officer, Florida Family Insurance Company
Anthony Obie McCarty	St. Augustine, Florida	Senior Vice President, Claims, Florida Family Insurance Company

Notice of Change of Officer or Director

Section 628.261 Florida Statutes, Notice of change of director or officer, requires that an insurer shall give the Office written notice of any change of personnel among the directors or principal officers of the insurer within forty-five (45) days of such change. The written notice shall include all information necessary to allow the Office to determine that the insurer will be in compliance with Section 624.403(3) Florida Statutes, and at a minimum shall contain the information required by Section 628.051(2)(b), (c), and (d), Florida Statutes. Our review disclosed that several Officer changes occurring during the examination period were not within the timeframes required by the aforementioned Statute and Code.

Subsequent Event: The Company notified the Office of the changes within its Holding Company Registration Statement. Additionally, one (1) biographical affidavit was submitted late and was accepted by the Office.

The Company's Board appointed several internal committees. The following were the internal board committees and their members as of December 31, 2015:

Audit Committee

Name	City, State	Title
William Tuttle Montei ¹	Middleton, Wisconsin	Chairperson, Florida Family Insurance Company
Amy Houghton Bash ²	Barrington, Illinois	Director, Florida Family Insurance Company
David Paul Behnke ²	Roselle, Illinois	Director, Florida Family Insurance Company
Timothy James McKay	Glen Ellyn, Illinois	Director, Florida Family Insurance Company

¹ Chairperson

² Mr. Behnke and Ms. Bash left the Board in June 2016, as such they are no longer members of the Audit Committee

Investment Committee

Name	City, State	Title
David Paul Behnke ^{1,2}	Roselle, Illinois	Chairperson, Florida Family Insurance Company
Amy Houghton Bash ²	Barrington, Illinois	Director, Florida Family Insurance Company
Walter Dale Hardy	Naples, Florida	Chief Executive Officer, Florida Family Insurance Company
Timothy James McKay	Glen Ellyn, Illinois	Director, Florida Family Insurance Company
William Tuttle Montei ³	Middleton, Wisconsin	Director, Florida Family Insurance Company
William Henry Wiggs	Arlington Heights, Illinois	Chief Financial Officer, Florida Family Insurance Company

Peter Joseph Corrigan

Jacksonville, Florida

President and Chief
Underwriting Officer,
Florida Family Insurance
Company

¹ Chairperson as of December 31, 2015

² Mr. Behnke and Ms. Bash left the Board in June 2016, as such they are no longer members of the Investment Committee

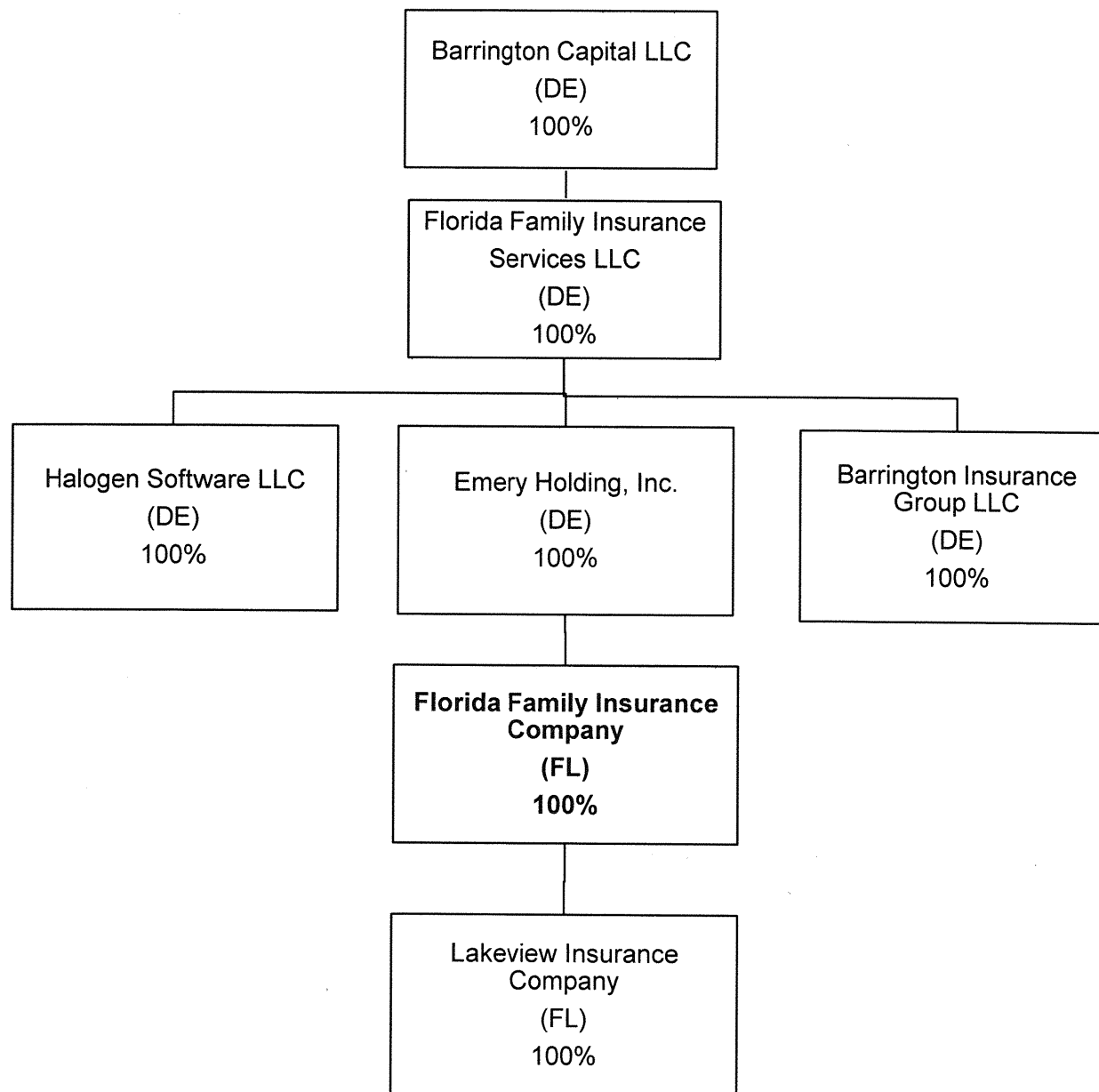
³ Chairperson as of June 2016

Affiliated Companies

The most recent Holding Company Registration Statement was filed with the Office on March 13, 2017, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified 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.

**FLORIDA FAMILY INSURANCE COMPANY
SIMPLIFIED ORGANIZATIONAL CHART
DECEMBER 31, 2015**



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

Tax Sharing Agreement

Effective January 1, 2008, the Company, along with its parent, entered into a Tax Sharing Agreement. The agreement allows the Company and its parent to file a consolidated federal income tax return. On May 19, 2009, the agreement was amended to include Lakeview Insurance Company (Lakeview). On December 31, 2015, the method of allocation between the Company and its parent was based on a determination of separate return tax liability or tax savings. On or before April 30th of such taxable year, the Company shall estimate its separate return tax liability, tax savings or the tax increase for such taxable year, and pay to its parent within thirty (30) days following the end of each quarter, one-fourth of the estimated amount. To the extent that the amounts paid are subsequently determined to be different when the final consolidated return of the Insurance Company Affiliated Group for the taxable year is filed, the difference shall be paid to the appropriate member within thirty (30) days from the date such return is filed.

Cost Sharing Agreement

The Company entered into a Cost Sharing Agreement with FFIS and its wholly-owned subsidiaries, Halogen Software, LLC (Halogen), Barrington Insurance Group, LLC (BIG) and Emery Holding, Inc. (Emery) on January 1, 2008. The agreement was amended effective May 19, 2009, to include Lakeview. Pursuant to the agreement, the parties agree to share certain office space and facilities, in addition, each party has certain employees who perform services and support on behalf of the other, and the parties agree to reimburse each other for such services and support performed. The agreement indicates that the allocations and charges will be determined on the basis of generally accepted cost accounting principles. Fees incurred under this agreement during 2015 amounted to \$3,922,361.

Managing General Agent Agreement

The Company entered into a Managing General Agency Agreement with its affiliate, FFIS on September 1, 2000. The agreement continues in force for a term of five (5) years and will automatically renew for successive five (5) year periods, unless otherwise terminated within the

guidelines of the agreement. Pursuant to the agreement, FFIS is designated as the exclusive agent of the Company. Fees were based on eighteen percent (18%) of direct written premium and a maximum \$25 per-policy fee on policies effectuated on behalf of the Company. Claims administration services were included in the agreement. Fees incurred under this agreement during 2015 amounted to \$ 17,370,228. The agreement was in compliance with Section 626.7451, Florida Statutes.

Reinsurance and Pooling Agreement

The Company entered into a Reinsurance and Pooling Agreement (Agreement) with Lakeview on July 1, 2009. The Agreement requires Lakeview to cede one hundred percent (100%) of eligible direct premiums, losses and loss adjustment expenses, and underwriting expenses to the Company. The Lakeview policies and policies written by the Company are retroceded seventy-five percent (75%) to the Company and twenty-five percent (25%) to Lakeview. The Company reinsures the net outstanding insurance business of Lakeview and the Company agrees to serve as the lead entity of the Pool without any form of additional compensation. Lakeview did not write any direct premium during the examination period. The agreement was in compliance with Section 626.7492(4), Florida Statutes.

Software Maintenance and Support Agreement

The Company entered into a Software Maintenance and Support Agreement (Support Agreement) with Halogen on December 23, 1998. The Support Agreement requires the Company to pay Halogen two percent (2%) of premiums written for continuing maintenance and support of software. Fees incurred under this agreement during 2015 amounted to \$1,729,028.

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)(3)(a), 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, and 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 related and unrelated reinsurers. The Company has a Multi-Line Quota Share Reinsurance Agreement (QSA) with an unrelated reinsurer on all property lines of business, which has a quota share percentage of thirty percent (30%). The Company follows a practice of purchasing levels of catastrophe reinsurance that, in conjunction with the QSA, limit the Companies' losses net of reinsurance to \$1,400,000 on a combined basis.

The Company also maintains the aforementioned Reinsurance and Pooling Agreement with an affiliated insurer, Lakeview. The Company cedes twenty-five percent (25%) of eligible direct premiums as well as losses and loss adjustment expenses to Lakeview. The Company also purchases catastrophe reinsurance from unrelated private reinsurers and the Florida Hurricane Catastrophe Fund.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Bonita Springs, Florida.

The Company and non-affiliates had the following significant agreements:

Custodial Agreement

The Company maintained a Custodial Agreement with U.S. Bank National Association effective December 1, 2015. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, WeiserMazar LLP, audited the Company's statutory basis financial statements annually for the years 2011 through 2015, 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.

Investment Management Agreement

The Company, Lakeview and its affiliates and Asset Allocation Management ("AAM") entered into an agreement March 25, 2013. The agreement was for Investment Management Services to be provided by AAM. A fee schedule was established with a minimum annual fee of \$60,000. The market value of the assets for FFIC will be combined with its affiliates for the purpose of fee calculation.

Torrent Technologies

The Company and Torrent Technologies entered into a Master Services Agreement September 23, 2014. In consideration of the Company's obligations under the Arrangement with Federal Emergency Management Agency ("FEMA"), Torrent Technologies will perform the functions

necessary to the issuance, renewal, endorsement and cancellation of flood policies, deposit premiums receipts, pay sales commissions and premium refunds, respond to the Company's producers' written and telephone inquiries and report statistical and financial data. Torrent shall not perform Claims Administration functions; rather the Company shall perform claims processing.

INFORMATION TECHNOLOGY REPORT

Baker Tilly Virchow Krause, LLP Information Technology specialist Rich Sowalsky, CISA, 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 as required or permitted by law:

State	Description	Par Value	Market Value
FL	Certificate of Deposit	\$ 300,000	\$ 300,000
TOTAL FLORIDA DEPOSITS		<u>\$ 300,000</u>	<u>\$ 300,000</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 300,000</u>	<u>\$ 300,000</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 Florida Office of Insurance Regulation, are reflected on the following pages.

Florida Family Insurance Company

Assets

December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Bonds	\$83,608,431		\$83,608,431
Stocks:			
Common	17,037,377		17,037,377
Real Estate:			
Cash and Short-Term Investments	2,784,588		2,784,588
Investment Income due and Accrued	429,275		429,275
Agents' Balances:			
Uncollected premium	1,592,592		1,592,592
Current Federal and foreign income tax recoverable	878,692		878,692
Net deferred tax asset	2,472,563		2,472,563
Electronic data processing equipment and software	161,789		161,789
Receivable from parents, subsidiaries and affiliates	326,572		326,572
Aggregate write-in for other than invested assets	57,875		57,875
Totals	<u>\$109,349,755</u>	<u>\$0</u>	<u>\$109,349,755</u>

Florida Family Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Losses	\$7,076,669		\$7,076,669
Loss adjustment expenses	2,213,283		2,213,283
Other expenses	823,761		823,761
Taxes, licenses and fees	166,311		166,311
Unearned premium	33,119,148		33,119,148
Ceded Reinsurance premiums payable (net of ceding commissions)	5,575,485		5,575,485
Funds held under reinsurance treaties	4,133,195		4,133,195
Total Liabilities	\$53,107,852	\$0	\$53,107,852
Common capital stock	\$447,100		\$447,100
Gross paid in and contributed surplus	29,084,241		29,084,241
Unassigned funds (surplus)	<u>26,710,562</u>		<u>26,710,562</u>
Surplus as regards policyholders	<u>\$56,241,903</u>	<u>\$0</u>	<u>\$56,241,903</u>
Total liabilities, surplus and other funds	<u><u>\$109,349,755</u></u>	<u><u>\$0</u></u>	<u><u>\$109,349,755</u></u>

Florida Family Insurance Company
Statement of Income and Capital and Surplus Account
December 31, 2015

Underwriting Income

Premiums earned	\$50,672,763
Deductions:	
Losses incurred	\$24,636,939
Loss expenses incurred	4,540,066
Other underwriting expenses incurred	21,376,052
Total underwriting deductions	<u>\$50,553,057</u>
Net underwriting gain or (loss)	\$119,706

Investment Income

Net investment income earned	\$1,875,407
Net realized capital gains or (losses)	(474,199)
Net investment gain or (loss)	<u>\$1,401,208</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$8,133)
Finance and service charges not included in premiums	97,793
Aggregate write-ins for miscellaneous income	(514)
Total other income	<u>\$89,147</u>

Net income before dividends to policyholders and before federal & foreign income taxes	\$1,610,061
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$1,610,061
Federal & foreign income taxes	157,774
Net Income	<u><u>\$1,452,286</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$54,489,023
Net Income	\$1,452,286
Change in Net unrealized capital gains or losses	567,420
Change in net deferred income tax	(259,767)
Change in nonadmitted assets	(7,090)
Change in provision for reinsurance	32
Change in surplus as regards policyholders for the year	<u>\$1,752,880</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$56,241,903</u></u>

Florida Family Insurance Company
Reconciliation of Capital and Surplus
December 31, 2015

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, 2010, per Examination			\$21,588,419
	<u>Increase</u>	<u>Decrease</u>	
Net Income	\$12,813,725		\$12,813,725
Change in net unrealized capital gains	3,976,835		3,976,835
Change in net deferred income tax	981,417		981,417
Change in non-admitted assets	12,672		12,672
Change in provision for reinsurance	138		138
Paid in capital		(4,050,270)	(4,050,270)
Paid in surplus	21,025,318		21,025,318
Aggregate write-ins for gains and losses surplus		(106,350)	(106,350)
Net increase (or decrease)			<u>34,653,485</u>
Surplus at December 31, 2015, per Examination			<u><u>\$56,241,903</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Assets

Receivable from parent, subsidiaries and affiliates

SSAP #64 states that assets and liabilities shall be offset and reported net only when a valid right of setoff exists. A right of setoff is a reporting entity's legal right, by contract or otherwise, to discharge all or a portion of the debt owed to another party by applying an amount that the other party owes to the reporting entity against the debt. A valid right of setoff exists only when all the following conditions are met:

- a. Each of the two (2) parties owes the other determinable amounts. An amount shall be considered determinable for purposes of this provision when it is reliably estimable by both parties to the agreement;
- b. The reporting entity has the right to offset the amount owed with the amount owed by the other party;
- c. The reporting party intends to offset, and
- d. The right to offset is enforceable by law.

SSAP #64 further states that amounts due to or from affiliates shall be offset and reported net only when the aforementioned provisions are met. However, our review disclosed that the Company was not following the requirements of SSAP #64. In this regard, in Note 10 of the Company's December 31, 2015 Annual Statement, the Company disclosed that it netted receivables from affiliates Florida Family Insurance Services, LLC. (\$9,509) and Halogen Software, LLC. (\$454,619) against a payable to affiliate Lakeview Insurance Company (\$137,556), and reported the net receivable from affiliates (\$326,572) on its balance sheets. This had no impact on the reported surplus of the Company, and the amount of the reclassification was not material; therefore, we did not adjust the financial statements.

Liabilities

Losses and Loss Adjustment Expenses

The Company's appointed actuary, an employee, 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's consulting actuary, Greg Wilson, FCAS, MAAA, of Lewis and Ellis, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion. However, the Office consulting actuary noted that the National Association of Insurance Commissioners (NAIC) Property & Casualty Annual Statement Instructions require that the Statement of Actuarial Opinion include specific comment paragraphs to address the risks and uncertainties that could result in material adverse deviation. If such risk exists, the opining actuary should include an explanatory paragraph to describe the major factors, combination of factors, or particular conditions underlying the risks and uncertainties that the actuary reasonably believes could result in material adverse deviation. However, we noted that a discussion of the risks considered was not included in the 2015 Actuarial Opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$56,241,903 exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

Statement of Actuarial Opinion Disclosure

We recommend that the Company Actuary include comment paragraphs to address the risks and uncertainties that could result in material adverse deviation in future Statements of Actuarial Opinion.

Compliance with Statutory Accounting Principles

We recommend that the Company report assets and liabilities in accordance with the requirements of SSAP #64.

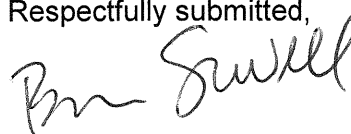
CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Florida Family Insurance Company** 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 to policyholders was \$56,241,903 which exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Lester C. Schott, CFE, CPA, Examiner-in-Charge, and Jennifer Romano, Participating Examiner of Baker Tilly Virchow Krause, LLP, participated in this examination. Members of the Office who participated in the examination include Jeffrey Rockwell, MBA, Financial Examiner/Analyst Supervisor, Examination Manager and Renata Denis, MBA, PIR, Financial Examiner/ Analyst II, Participating Examiner. Additionally, Greg Wilson, FCAS, MAAA, of Lewis and Ellis and Richard Sowalsky, CISA, and James Bodalski, CPA, Information Technology specialists of Baker Tilly, 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 Examiner
Florida Office of Insurance Regulation