



**EXAMINATION REPORT
OF
GULFSTREAM PROPERTY AND CASUALTY
INSURANCE COMPANY**

NAIC Company Code: 12237

**Sarasota, Florida
as of
December 31, 2017**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS.....	1
CURRENT EXAMINATION FINDINGS.....	1
PREVIOUS EXAMINATION FINDINGS.....	2
COMPANY HISTORY.....	2
GENERAL	2
DIVIDENDS	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS	2
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	3
MANAGEMENT AND CONTROL.....	3
CORPORATE GOVERNANCE.....	3
HOLDING COMPANY SYSTEM.....	5
EXECUTIVE MANAGEMENT AGREEMENT	5
MANAGING AGENCY CONTRACT.....	5
TAX SHARING AGREEMENT.....	6
MANAGING GENERAL AGENT AGREEMENT	6
CUSTODIAL AGREEMENT	7
INVESTMENT MANAGEMENT AGREEMENT	7
INDEPENDENT AUDITOR AGREEMENT.....	7
ACCOUNTS AND RECORDS	7
CORPORATE RECORDS REVIEW	7
CONFLICT OF INTEREST.....	7
ORGANIZATIONAL CHART	9
TERRITORY AND PLAN OF OPERATIONS.....	10
TREATMENT OF POLICYHOLDERS.....	10
REINSURANCE	10
REINSURANCE ASSUMED	10
REINSURANCE CEDED.....	11
INFORMATION TECHNOLOGY REPORT.....	11
STATUTORY DEPOSITS.....	12
FINANCIAL STATEMENTS	13
ASSETS.....	14
LIABILITIES, SURPLUS AND OTHER FUNDS.....	15
STATEMENT OF INCOME	16
RECONCILIATION OF CAPITAL AND SURPLUS.....	17
COMMENTS ON FINANCIAL STATEMENT ITEMS	18

LIABILITIES	18
CAPITAL AND SURPLUS	18
SUBSEQUENT EVENTS.....	19
SUMMARY OF RECOMMENDATIONS	20
CONCLUSION.....	21

October 1, 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, 2017, of the financial condition and corporate affairs of

Gulfstream Property and Casualty Insurance Company
5240 Paylor Lane
Sarasota, Florida 34240

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 May 7, 2018, to May 11, 2018. The fieldwork commenced on May 7, 2018, and concluded as of October 1, 2018. The Company’s last full scope examination by representatives of the Office covered the period of January 1, 2008, through December 31, 2012.

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. Other items may be 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 significant findings of fact, material adverse findings, significant findings such as non-compliance with state law(s), SSAPs, annual financial statement instructions or material changes in the financial statements.

Letters of Credit

Several letters of credit lacked provisions as required in accordance with Rule 69O-144.005(6), Florida Administrative Code. The following letters of credit were cited as deficient: Peak Reinsurance Company Limited, Validus Reinsurance Ltd., Chubb Tempest Reinsurance Ltd., SCOR Global P&C and Renaissance Reinsurance Ltd.

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

The Company was incorporated in Florida on October 8, 2004, and commenced business on January 18, 2005. There were no amendments made to the Company's Articles of Incorporation or Bylaws during the examination period.

Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder(s) in 2015 in the amount of \$3,400,000. No other dividends were paid during the examination period.

Capital Stock and Capital Contributions

As of December 31, 2017, the Company's capitalization was as follows:

Number of authorized common capital shares	25,000
Number of shares issued and outstanding	25,000
Total common capital stock	\$2,500,000
Par value per share	\$100.00

Control of the Company was maintained by New Holdings, Inc. ("New Holdings"), a Delaware corporation, which owned one hundred percent (100%) of the common capital stock issued by the Company. As of December 31, 2017, New Holdings was owned seventy-two and forty-five hundredths percent (72.45%) by Jane P. Huggins and twenty-seven and fifty-five hundredths percent (27.55%) by Seibels, Bruce & Co.

During 2017, the Company received \$500,000 in capital contributions from New Holdings.

Surplus Notes

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

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 Directors was held in accordance with Section 628.231, Florida Statutes.

The Directors serving as of December 31, 2017, are shown on the following page:

Directors

Name	City, State	Principal Occupation, Company Name
Bryan Douglas Rivers ¹	Columbia, South Carolina	Chief Financial Officer & Treasurer, Seibels, Bruce & Co.

Rex Warren Huggins	Florence, South Carolina	Chairman & Chief Executive Officer, The Seibels Bruce Group, Inc.
Kyle Lee Redfearn	Tallahassee, Florida	Attorney
Nanette Delaine Brunson	Bradenton, Florida	President & Chief Executive Officer, Gulfstream Property & Casualty Insurance Company
Kerry Wayne Ford	Bradenton, Florida	Vice President, Gulfstream Property & Casualty Insurance Company

¹ Chairman

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Senior Officers:

Senior Officers

Name	City, State	Title
Nanette Delaine Brunson	Bradenton, Florida	President & Chief Executive Officer
David Neil Block	Lakewood Ranch, Florida	Treasurer & Chief Financial Officer
Kerry Wayne Ford	Bradenton, Florida	Vice President
Perry Ian Cone	Lakewood Ranch, Florida	Secretary

The Company's Bylaws provides that the Board may establish such internal committees as it deems appropriate. As of December 31, 2017, the Audit Committee was the only established committee. The Company maintained an Audit Committee, as required by Section 624.424(8)(c), Florida Statutes.

Audit Committee

Name	City, State	Title, Company Name
Kyle Lee Redfearn ¹	Tallahassee, Florida	Attorney

Bryan Douglas Rivers	Columbia, South Carolina	Treasurer & Chief Financial Officer, Seibels, Bruce & Co.
----------------------	--------------------------	--

Rex Warren Huggins	Florence, South Carolina	Chairman & Chief Executive Officer, The Seibels Bruce Group, Inc.
--------------------	--------------------------	--

¹ Chairman

Holding Company System

The latest holding company registration statement was filed with the State of Florida on March 29, 2018, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

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

Executive Management Agreement

The Company maintained an Executive Management Agreement with its parent, New Holdings, effective October 15, 2004. Pursuant to the agreement, the parent provided the Company with management and administrative services. New Holdings received up to five tenths percent (0.5%) of direct written premium for its services. Under this agreement, the Company incurred expenses of \$709,398 in 2017.

Managing Agency Contract

The Company entered into a Managing Agency Contract ("MAC") with Gulfstream Property and Casualty MGA, Inc. ("Gulfstream MGA") effective October 15, 2004, to provide comprehensive management and administration of the Company's insurance business. The MAC was amended January 2016 and May 2017. Pursuant to the contract, Gulfstream MGA either directly provided or supervised subcontractors who provided underwriting, claims administration, premium collection, accounting, marketing, agent relations, reinsurance negotiation, exposure management, or acquisition of office space, furniture and supplies. In return for these services, Gulfstream MGA received up to twenty-seven percent (27%) of direct premiums written on risks located in Florida, as well as thirty percent (30%) of direct premiums written and collected on risks in all states other than Florida where the Company transacts business, written and collected hereunder for all business originated or produced and services rendered, negotiated, or retained

by Gulfstream MGA. With respect to any business written by the Company in the state of Texas, such services will be provided by the managing general agent, Atlas General Agency, LLC. As compensation for the supervision of Atlas General Agency, LLC, Gulfstream MGA received an amount equal to one and one-half percent (1.5%) of the direct written premiums on policies written by the Company in the state of Texas under the managing general agency agreement between the Company and Atlas General Agency, LLC. In addition, Gulfstream MGA received a per-policy fee of \$25 in Florida, and in all other states, a per-policy fee that did not exceed the maximum amount authorized under the applicable laws and regulations in such other states. Gulfstream MGA had an annual premium volume limit of \$200,000,000 for each line of business. Per a Waiver of Commission Agreement, Gulfstream MGA waived \$800,000 in commissions during 2017. The Company incurred expenses of \$38,174,608 (net of waiver) in 2017.

Tax Sharing Agreement

The Company had a tax sharing agreement with New Holdings and Gulfstream MGA effective October 1, 2004. The agreement was amended in April 2012 to also include New Holdings Bermuda, Ltd. The companies filed a consolidated federal income tax return. The method of allocation of tax liability between the companies was based upon calculations on a separate return basis, including current credit for net losses. The agreement required the intercompany tax balances to be settled within a reasonable time after the filing of the consolidated federal income tax return.

The Company and non-affiliates had the following agreements:

Managing General Agent Agreement

The Company maintained a managing general agent agreement with Atlas General Agency, LLC ("Atlas General") executed on November 11, 2015. Atlas General provided comprehensive management and administration of the Company's insurance business in the state of Texas. Atlas General received a commission of twenty percent (20%) of net written premium with a sliding scale commission of up to thirty-two and eight tenth percent (32.80%). In addition, Atlas General received a two percent (2%) claims service fee calculated as a percentage of net written premium and for any catastrophe event that resulted in excess of 750 claims, Atlas General received an additional amount of \$50 per claim.

Custodial Agreement

The Company maintained a custodial agreement with Wells Fargo Bank, N.A. executed on April 4, 2012. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Investment Management Agreement

As of April 1, 2012, the Company maintained an Investment Management Agreement with New England Asset Management, Inc. The Company appointed New England Asset Management, Inc. as the investment manager for a portion of its assets.

Independent Auditor Agreement

An independent CPA, Dixon, Hughes, Goodman, LLP, audited the Company's statutory basis financial statements annually for the years 2013, 2014, 2015, 2016 and 2017, 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.

ACCOUNTS AND RECORDS

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

Corporate Records Review

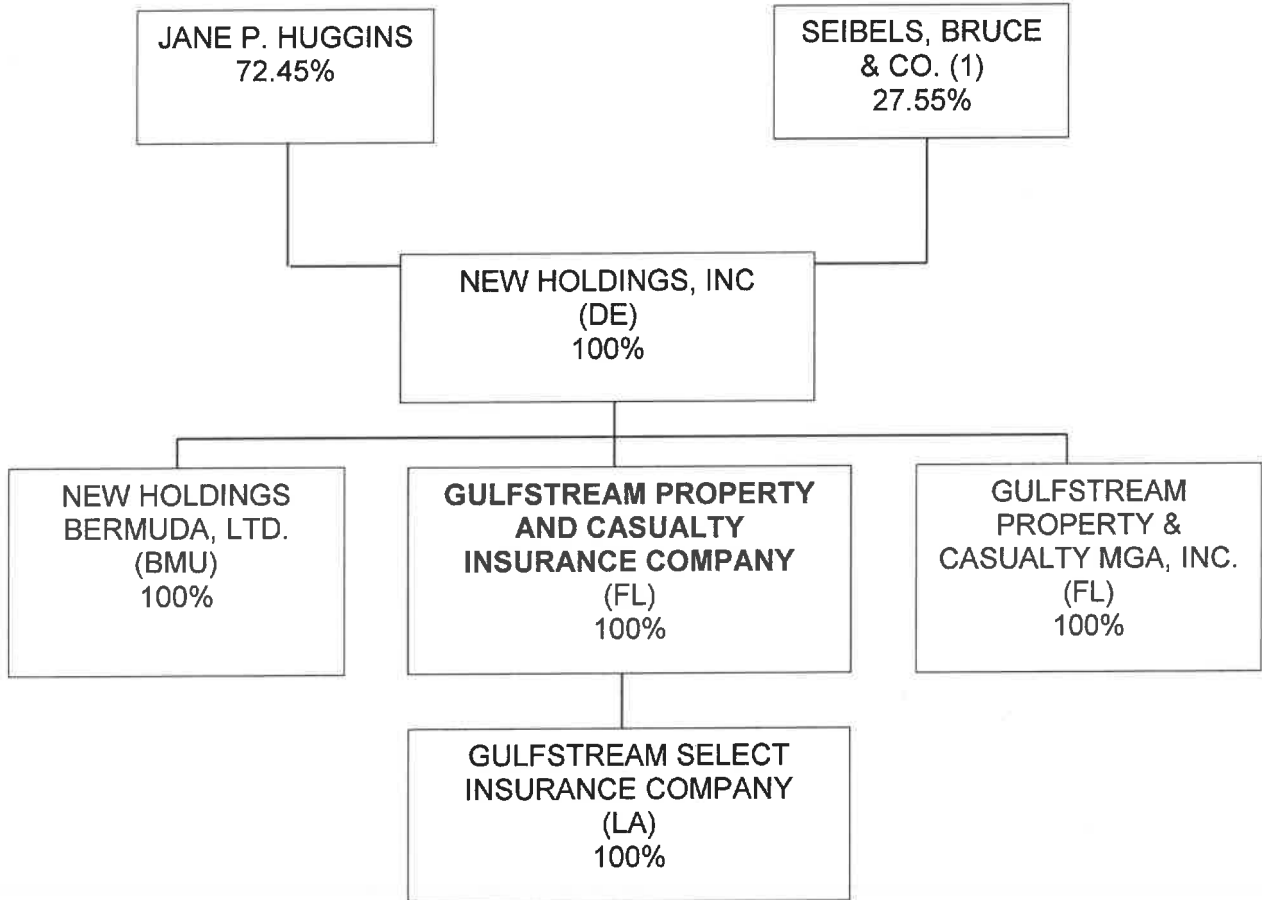
The recorded minutes of the Shareholder(s), Board and internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with Section 607.1601, Florida Statutes, including the authorization 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.

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

**Gulfstream Property and Casualty Insurance Company
Organizational Chart
December 31, 2017**



(1) Seibels, Bruce & Co is 100% owned by The Seibels Bruce Group, Inc., which is 65.9% owned by Jane P. Huggins.

TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Florida	Louisiana
Massachusetts	Mississippi	South Carolina
Texas		

The Company was authorized to transact insurance in Florida on November 30, 2004, and is currently authorized for the following coverages as of December 31, 2017:

Fire	Inland Marine
Allied Lines	Other Liability
Homeowners Multi-Peril	

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, 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

As of December 31, 2017, the Company's ceded reinsurance program consisted of quota share, excess of loss and catastrophe agreements with various reinsurers. The treaties were placed through reinsurance intermediary, Willis Re, Inc. The Company also participated in the Florida Hurricane Catastrophe Fund.

During 2017, the Company participated as a write-your-own carrier under the National Flood Insurance Program.

The Company ceded \$91,076,991 in premiums during the year ended December 31, 2017.

INFORMATION TECHNOLOGY REPORT

Darlene Lenhart-Schaeffer, CISA, IT Examiner, of Lewis & Ellis, Inc., 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 Deposit	\$ 300,000	\$ 300,000
FL	Cash Deposit	200,000	200,000
FL	Cash Interest	59,758	59,758
TOTAL FLORIDA DEPOSITS		<u>\$ 559,758</u>	<u>\$ 559,758</u>
MA	USTN	1.6% \$ 100,000	\$ 97,453
SC	Cash Equivalent	125,000	125,000
TOTAL OTHER DEPOSITS		<u>\$ 225,000</u>	<u>\$ 222,453</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 784,758</u>	<u>\$ 782,211</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.

Gulfstream Property and Casualty Insurance Company

Assets

December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Bonds	\$32,783,854		\$32,783,854
Real Estate:			
Properties occupied by Company	1,460,347		1,460,347
Cash and Short-Term Investments	56,531,919		56,531,919
Investment income due and accrued	272,197		272,197
Agents' Balances:			
Uncollected premium	3,849,589		3,849,589
Deferred premium	4,943,450		4,943,450
Reinsurance recoverable	6,484,366		6,484,366
Current federal and foreign income tax recoverable	490,291		490,291
Net deferred tax asset	1,665,508		1,665,508
Aggregate write-in for other than invested assets	1,590,613		1,590,613
Totals	<u>\$110,072,134</u>	<u>\$0</u>	<u>\$110,072,134</u>

Gulfstream Property and Casualty Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2017

Other expenses	412,524		412,524
Taxes, licenses and fees	1,755,292		1,755,292
Unearned premium	34,064,740		34,064,740
Advance premium	113,328		113,328
Ceded reinsurance premiums payable	25,353,717		25,353,717
Provision for reinsurance	8,507		8,507
Payable to parent, subsidiaries and affiliates	2,534,166		2,534,166
Aggregate write-ins for liabilities	751,037		751,037
Total Liabilities	\$78,602,878	\$0	\$78,602,878
Common capital stock	\$2,500,000		\$2,500,000
Gross paid in and contributed surplus	23,000,000		23,000,000
Unassigned funds (surplus)	5,969,256		5,969,256
Surplus as regards policyholders	\$31,469,256	\$0	\$31,469,256
Total liabilities, surplus and other funds	<u>\$110,072,134</u>	<u>\$0</u>	<u>\$110,072,134</u>

Gulfstream Property and Casualty Insurance Company
Statement of Income
December 31, 2017

Underwriting Income

Premiums earned		\$60,758,159
	Deductions:	
Losses incurred		\$27,833,980
Loss expenses incurred		10,800,984
Other underwriting expenses incurred		22,311,047
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$60,946,011</u>
Net underwriting gain or (loss)		(\$187,852)

Investment Income

Net investment income earned		\$1,159,633
Net realized capital gains or (losses)		<u>(3,044)</u>
Net investment gain or (loss)		\$1,156,589

Other Income

Net gain or (loss) from agents' or premium balances charged off		(\$261,139)
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		<u>(\$261,139)</u>
Net income before dividends to policyholders and before federal & foreign income taxes		\$707,599
Dividends to policyholders		<u>0</u>
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$707,599
Federal & foreign income taxes		<u>140,246</u>
Net Income		<u><u>\$567,353</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$31,482,294
Net Income		\$567,353
Net unrealized capital gains or losses		1,862
Change in net deferred income tax		(1,008,160)
Change in non-admitted assets		(65,586)
Change in provision for reinsurance		(8,507)
Surplus adjustments: Paid in		500,000
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>(\$13,038)</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$31,469,256</u></u>

Gulfstream Property and Casualty Insurance Company
Reconciliation of Capital and Surplus
December 31, 2017

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, 2012, per Examination	<u>Increase</u>	<u>Decrease</u>	\$26,224,690
Net Income (loss)	\$9,618,615		\$9,618,615
Change in net unrealized capital gain (loss)		(\$1,415)	(\$1,415)
Change in net deferred income tax		(\$1,238,183)	(\$1,238,183)
Change in non-admitted assets		(\$225,944)	(\$225,944)
Change in provision for reinsurance		(\$8,507)	(\$8,507)
Change in paid in surplus	\$500,000		\$500,000
Dividends to stockholders		(\$3,400,000)	(\$3,400,000)
Net increase (or decrease)			<u>\$5,244,566</u>
Surplus at December 31, 2017, per Examination			<u>\$31,469,256</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Robert P. Daniel, ACAS, MAAA, of Merlinos & Associates, Inc., 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 consulting actuaries, Katie Koch, FCAS, MAAA, and Greg Wilson, FCAS, MAAA, of Lewis & Ellis, Inc., 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 \$31,469,256, exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

The Company formed a subsidiary, Gulfstream Select Insurance Company ("Gulfstream Select"). Gulfstream Select was incorporated in the State of Louisiana on December 12, 2017, and capitalized on January 4, 2018, with a \$3,500,000 capital contribution from the Company. The Company made an additional capital contribution in the amount of \$2,500,000 on May 17, 2018, to Gulfstream Select. Gulfstream Select was approved to commenced business in the State of Louisiana on August 17, 2018.

The Company received a \$500,000 capital contribution from its parent which was approved by the Office on August 14, 2018.

On September 24, 2018, the Company received a \$1,500,000 capital contribution from its parent as reflected in its Financial Statement for the period ended September 30, 2018.

SUMMARY OF RECOMMENDATIONS

Letters of Credit

We recommended the Company amend its letters of credit with Peak Reinsurance Company Limited, Validus Reinsurance Ltd., Chubb Tempest Reinsurance Ltd., SCOR Global P&C and Renaissance Reinsurance Ltd and maintain letters of credit in compliance with Rule 69O-144.005(6), Florida Administrative Code.

CONCLUSION

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

The Company's surplus as regards to policyholders was \$31,469,257, which exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

The following participated in the examination:

David Palmer, CFE	Examiner-in-Charge	Lewis & Ellis, Inc.
Ryne Davison, CFE	Participating Examiner	Lewis & Ellis, Inc.
Sheila Coomes, CPA	Participating Examiner	Lewis & Ellis, Inc.
Marie Stuhlmuller	Examination Manager	Office
Wytonia Dennis	Participating Examiner	Office
Greg Wilson, FCAS, MAAA	Exam Actuary	Lewis & Ellis, Inc.
Katie Koch, FCAS, MAAA	Exam Actuary	Lewis & Ellis, Inc.
Darlene Lenhart-Schaeffer, CISA	IT Specialist	Lewis & Ellis, Inc.

Respectfully submitted,



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