



**EXAMINATION REPORT
OF
HERITAGE PROPERTY & CASUALTY
INSURANCE COMPANY**

NAIC Company Code: 14407

CLEARWATER, FLORIDA

**as of
December 31, 2015**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

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April 24, 2017

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

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2015, of the financial condition and corporate affairs of:

Heritage Property & Casualty Insurance Company
2600 McCormick Drive
Suite 300
Clearwater, Florida 33759

Hereinafter referred to as the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

The examination covered the period of January 1, 2015 through December 31, 2015 and commenced with planning at the Florida Office of Insurance Regulation (Office) on September 26, 2016 to September 30, 2016. The fieldwork commenced on October 7, 2016 and concluded on April 24, 2017. The last full-scope examination by the Office covered the period of January 1, 2014 through December 31, 2014. This is the Company's third year examination.

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 following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination. Some of the findings noted during this examination period have 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.

Reporting

The Company did not report an amendment to the Cost Allocation Agreement, executed on April 15, 2015, on the 2015 HCRS. The Company did not provide the amended Cost Allocation Agreement to the Office for prior review and approval. Therefore, the Company is not in compliance with Consent Order #17438-12-CO, paragraph 22(c).

Fidelity Bond Coverage

The Company was not specifically named on a 2015-2016 fidelity bond policy as an insured. As such, the Company is not in compliance with Rule 69O-138.001, Florida Administrative Code.

Prior Examination Findings

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2014, along with resulting action taken by the Company in connection therewith.

- 1) A current biographical affidavit for Joe Peiso, Vice President of Compliance, had not been supplied to the Florida Office of Insurance Regulation in accordance with the requirements of Section 628.051(2) Florida Statutes.

Resolution: The biographical affidavit was filed for Mr. Peiso and reviewed by the 2015 exam team.

- 2) During the period under review there were changes to two (2) officers and one (1) director. The Company is not in compliance with Section 628.261, Florida Statutes, by providing the Office with written notice of any change of personnel among the directors or principal officers of the insurer within forty-five (45) days of such change.

Resolution: This finding was remediated as there were no changes to the Company's officers or directors in 2015.

- 3) The Company did not provide the Office with executed reinsurance agreements as part of the 2014-2015 Annual Reinsurance Data Call in compliance with Section 624.610, Florida Statutes (Credit for Reinsurance) and as required by Consent Order 127438-12-CO paragraph 22(x).

The following reinsurance treaties and/or reinsurance summary statements were not submitted:

- a. For the Property Excess per Risk Treaty 109893001-14, effective June 27, 2014, no 2014 reinsurance treaty and/or reinsurance summary statement was filed.
- b. For the Factory Mutual Insurance Company Quota Share-Equipment Breakdown Treaty, no reinsurance 2014 summary statement was filed.
- c. For the American Southern Insurance Company Identity Theft Treaty, no reinsurance 2015 summary statement was filed.
- d. For the Arch Reinsurance Company Property Facultative Agreement H088080, no reinsurance 2015 summary statement was filed.

Additionally, on Schedule F, Part 6, the Company did not report any certified reinsurers. The review of Schedule F, Part 3, determined that the Company should have reported the following reinsurers as "Certified": Ace Tempest Reinsurance Ltd, Markel Bermuda Limited, and Tokio Millennium Re AG.

Resolution: The Company's 2015 Reinsurance Data Call was timely filed and determined complete. The Schedule F Part 6 reporting errors were reissued as part of the 2015 exam.

- 4) The Company did not file a separate report regarding the assets of its captive reinsurer, Osprey Re Ltd. in compliance with Section 624.424(11)(a) Florida Statutes.

Resolution: The Company did properly file a separate report of the assets of Osprey Re Ltd with its 2015 Annual Statement.

- 5) The Company did not file the 2014 CPA awareness letter as required by Rule 69O-137.002(6)(b) Florida Administrative Code.

Resolution: The Company filed the 2015 CPA awareness letter as required.

- 6) The review of the 2014 Holding Company Registration Statement did not report the surplus contributions to the Company of \$91,105,553 by the Parent, Heritage Insurance Holdings, Inc.

Resolution: This finding was reissued as applicable to the non-disclosure of a surplus contribution in the amount of \$1,074,197 from the Parent that was not disclosed in the 2015 Holding Company Registration Statement.

COMPANY HISTORY

General

The Company was incorporated in Florida on August 2, 2012 and commenced business on August 17, 2012 as Heritage Property and Casualty Insurance Company.

The Company was party to Consent Order 127438-12-CO filed August 17, 2012 regarding the application for the issuance of a Certificate of Authority. The Company was also party to Consent Orders requesting the assumption of selected policies from Citizens in 2015.

The Company was authorized to transact insurance coverage in Florida on August 17, 2012 and is currently authorized for the following coverages as of December 31, 2015:

Fire	Allied Lines	Homeowners' Multi-Peril
Mobile Home Multi-Peril	Other liability	

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

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	10,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$1,000,000
Par value per share	\$1.00

Surplus Notes

The Company issued surplus notes to HH in the amounts of \$7,000,000 and \$10,000,000 on October 10, 2012 and May 23, 2013, respectively. Both surplus notes earn interest at eight percent (8%) per annum with no stated maturity. The Company paid a total of \$1,702,795 for interest related to both surplus notes in 2015.

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

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

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 listed on the following page.

Directors

Name	City, State	Principal Occupation, Company Name
Bruce Thomas Lucas ¹	Palm Harbor, Florida	Chief Executive Officer Heritage Property & Casualty Insurance Co.
Richard Alexander Widdicombe	Tarpon Springs, Florida	President Heritage Property & Casualty Insurance Co.
Panagiotis Giorgas Apostalou	St. Petersburg, Florida	Owner, Florida BP Claims - Central Cleaning Services and Central Parking Services
Trifon Houvardas	Trinity, Florida	Investor & Real Estate Broker, Foresight Property Services, Foresight Holding, Inc. and Fasco Investments Inc.
Jeffrey Charles Pollick ^(a)	Clearwater, Florida	President Physicians Casualty RRG
Vijay Walvekar	Bloomfield Hills, Michigan	Vice President and Controller, Central Home Health Care, Inc.
Nicholas George Pappas	Palm Harbor, Florida	Restaurant Owner, Flamestone American Grill and Besa Grill
Irini Barlas	Palm Harbor, Florida	Chief Financial and Operating Officer, Megastar Advisors, LLC

¹ Chairperson

(a) Mr. Pollick was removed from the Board effective August 1, 2016 and was replaced by Ernesto Garateix and Shannon Lucas effective November 8, 2016.

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

Senior Officers

Name	City, State	Title
Bruce Thomas Lucas	Palm Harbor, Florida	Chairperson and Chief Executive Officer
Richard Alexander Widdicombe (a)	Tarpon Springs, Florida	President
Stephen Lowell Rohde	Delray Beach, Florida	Chief Financial Officer, Secretary, and Treasurer
Ernesto Jose Garateix	Litoia, Florida	Chief Operating Officer
Melvin Atwood Russell, Jr.	St. Petersburg, Florida	Chief Underwriting Officer
Sharon Ann Binnun	Palm Harbor, Florida	Executive Vice President – Finance
Paul Graham Neilson	Tarpon Springs, Florida	Vice President – Claims
Joseph Rene Peiso	Clearwater, Florida	Vice President - Compliance

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

Audit Committee

Name	City, State	Title
Irini Barlas ¹	Palm Harbor, Florida	Chief Financial and Operating Officer, Megastar Advisors, LLC
Vijay Walvekar	Bloomfield Hills, Michigan	Vice President and Controller, Central Home Health Care, Inc.
Trifon Houvardas	Trinity, Florida	Investor & Real Estate Broker Foresight Property Services, Foresight Holding, Inc. and Fasco Investments Inc.

¹ Chairperson

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

Investment Committee

Name	City, State	Title
Bruce Thomas Lucas ¹	Palm Harbor, Florida	Chairperson and Chief Executive Officer
Richard Alexander Widdicombe	Tarpon Springs, Florida	President
Stephen Lowell Rohde	Delray Beach, Florida	Chief Financial Officer, Secretary, and Treasurer

¹ Chairperson

Control

Control of the Company was maintained by its Parent, Heritage Insurance Holdings, Inc. (HIH). On May 23, 2014, HIH executed an initial public offering and concurrent private placement, changed its corporate structure from a limited liability company to a C corporation and changed its name to Heritage Insurance Holdings, Inc. As a result of this transaction, no shareholder controls in excess of ten percent (10%) of HIH common shares and the ultimate controlling party is the HIH Board of Directors. The Company amended the stock certificate on April 15, 2015 to reflect proper signatures by the Secretary and the President in accordance with its Bylaws, and also the new name of the Parent.

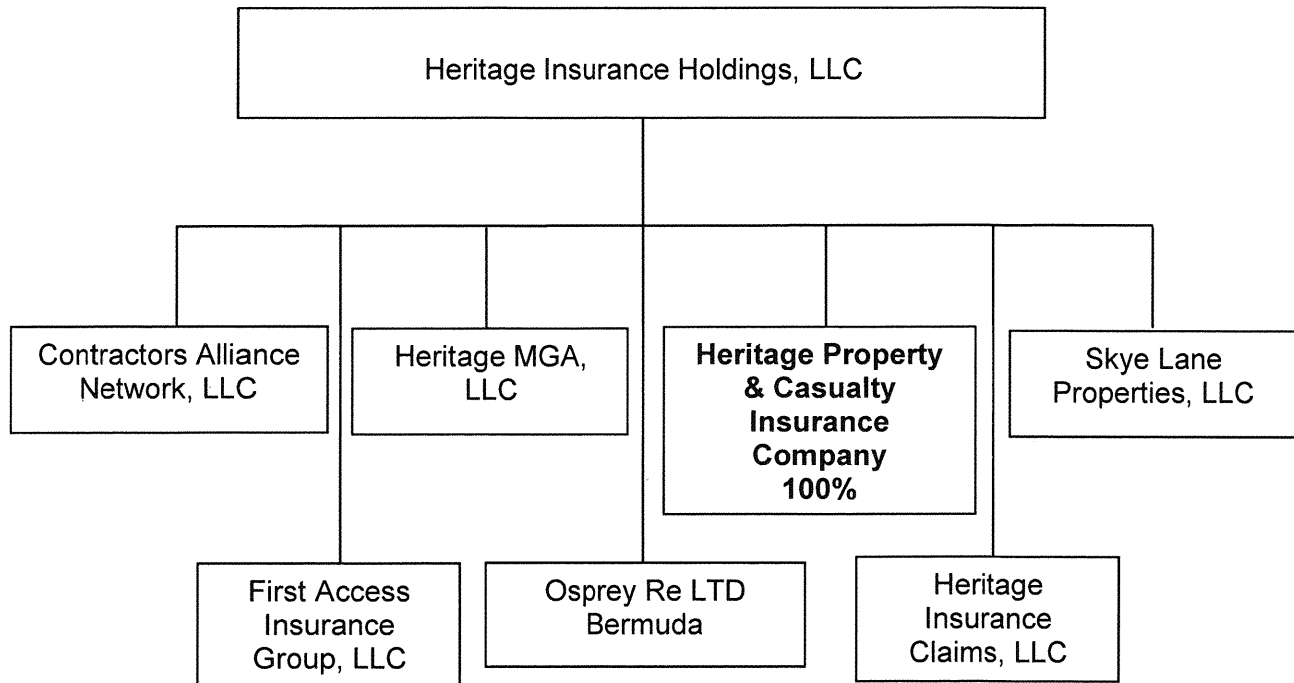
During 2015 the Parent made contributions to surplus totaling \$1,074,197.

Affiliated Companies

The most recent Holding Company Registration Statement was filed with the State of Florida on August 22, 2016, as required by Section 628.801, Florida Statutes.

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

Heritage Property & Casualty Insurance Company
Organizational Chart
December 31, 2015



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

Managing General Agency Agreement

The Company entered into an exclusive Managing General Agency Agreement with Heritage MGA, LLC (MGA) effective July 1, 2014. Under the terms of this agreement, the MGA provides underwriting, policy administration, claims administration services, and executive management services to the Company. The agreement continues in force with automatic renewals for successive one-year periods, unless otherwise terminated within the guidelines of the agreement. MGA fees are based on (i) twenty-three percent (23%) of direct written premiums and (ii) four percent (4%) of earned assumed premiums for all business originated or produced and services rendered, negotiated, or retained by the MGA. Additionally, claims-related services are based on three and five-tenths percent (3.5%) of earned premium under this agreement. Fees paid under this agreement during 2015 amounted to \$117,800,000 for MGA fees and \$5,400,000 million for policy fees.

Cost Allocation Agreement

The Company entered into a Cost Allocation Agreement with HHH, the MGA, and Heritage Insurance Claims, LLC on August 9, 2012. The methods of allocations used were the direct allocation rule and the revenue allocation rule. The agreement was amended effective April 15, 2015, to include the remaining affiliated companies in the holding group (Osprey Re LTD, Contractors Alliance Network LLC, First Access Insurance Group LLC, and Skye Lane Properties LLC.), and change the settlement terms to thirty (30) days from ninety (90) days.

Vendor Services Agreement

The Company entered into an agreement for vendor services with Contractors Alliance Network, LLC (CAN) on August 20, 2013, to exclusively manage the Company's network of approved claims handling vendors. Under this agreement, CAN provides or arranges for contractors and loss mitigation and repair services such as water mitigation, mold remediation, fire restoration and

management services for the Company. The agreement continues in force until December 31, 2015, and automatically renews for successive one-year periods, unless otherwise terminated within the guidelines of the agreement. The fees paid by the Company varies by type of loss mitigation or repair service. Total fees incurred under this agreement during 2015 amounted to \$20,700,000

Reinsurance Agreement

On June 1, 2015, the Company entered into a reinsurance contract with its captive reinsurance affiliate, Osprey Re, LTD. The Company ceded premium in the amount of \$8,500,000 for the 2015-2016 contract year.

TERRITORY AND PLAN OF OPERATIONS

As of December 31, 2015, the Company was authorized to transact insurance in the following states:

Florida

North Carolina

As of December 31, 2015, the Company had written no business in North Carolina.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(j), 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)(i)(3)(a), Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

The Company has assumed policies under a policy assumption agreement with Citizens Property Insurance Corporation (Citizens) since the inception of the Company in 2012, exclusively under the provisions of the state approved depopulation program designed to reduce Florida's exposure to property loss.

As of December 31, 2015, the Company had assumed, net of cancellations, an aggregate of approximately 69,000 policies through participation in the Citizens depopulation program. Citizens generally offers depopulations on a monthly basis. In 2015, the Company entered into ten (10) assumption transactions for personal residential policies and seven (7) assumption transactions for commercial residential properties. The seventeen (17) total assumption transactions resulted in approximately \$160,000,000 in premium for 2015.

Reinsurance Ceded

As of December 31, 2015, the Company's ceded reinsurance program consisted of catastrophe excess of loss reinsurance provided by agreements with various commercial reinsurers through reinsurance intermediary Willis Re, as well as with their affiliate Osprey Re LTD. (Osprey). The Company also participated in the Florida Hurricane Catastrophe Fund (FHCF). The Company retains aggregate catastrophe losses, from all events, exceeding its reinsurance coverage.

The Company's reinsurance is segmented into layers of coverage to protect for excess property catastrophe losses and loss adjustment expenses (LAE). The Company's 2015-2016 reinsurance program incorporates the mandatory coverage required by law to be placed with the FHCF, as

well as private reinsurance below, alongside and above the FHCF layer and aggregate reinsurance coverage.

There were no ceded incurred losses during the year ended December 31, 2015.

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

ACCOUNTS AND RECORDS

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

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a Custodial Agreement with Bank of America, NA executed on October 11, 2012. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, Grant Thornton LLP, audited the Company's statutory basis financial statements for 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 Advisory Agreement

The Company's investment transactions are carried out under the oversight of Merrill Lynch Wealth Management and governed by the Company's investment policy according to the terms established by the investment advisory agreement.

Reinsurance Intermediary Authorization Agreement

On February 12, 2014, the Company entered into a reinsurance intermediary agreement with Willis Re Inc. (Willis Re), replacing the prior agreement with Guy Carpenter, LLC. The agreement in effect with Willis Re for 2015 did not comply with various provisions of Section 626.7492(4) or Section 626.7492(5) Florida Statutes. Additionally, Company management was unable to evidence compliance with the provisions of Section 626.7492 (6)(c), Florida Statutes.

Subsequent Event: The Company terminated its agreement with Willis Re on November 10, 2016.

Regulatory and Counseling Services Agreement

Under this agreement Colodny, Fass, Talenfeld, Karlinsky, Abate & Webb, P.A. provides insurance regulatory services, counsel and advice for the Company.

INFORMATION TECHNOLOGY REPORT

Lindsey Pittman, CPA, CFE, CISA of Lewis & Ellis, Inc., gained an understanding of the information technology and computer systems of the Company. A full IT Review was not performed for this exam.

STATUTORY DEPOSITS

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

State	Description	Par Value	Market Value
FL	Cash	\$300,000	\$300,000
	Cash Interest	13,562	13,562
TOTAL, FLORIDA DEPOSITS		<hr/>	<hr/>
		\$313,562	\$313,562
TOTAL NORTH CAROLINA DEPOSITS	Short Term	\$300,000	\$300,000
TOTAL SOUTH CAROLINA DEPOSITS	Cash	\$125,000	\$125,000
TOTAL SPECIAL DEPOSITS		<hr/>	<hr/>
		\$738,562	\$738,562

FINANCIAL STATEMENTS PER EXAMINATION

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.

Heritage Property & Casualty Insurance Company

Assets

December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Bonds	\$362,046,446		\$362,046,446
Stocks:			
Preferred	15,995,379		\$15,995,379
Common	15,575,328		15,575,328
Mortgage Loans on Real Estate:			
First Liens	0		0
Cash, Cash Equivalent and Short-Term Investments	154,957,263		154,957,263
Other invested assets	411,340		411,340
Aggregate write-in for invested assets	0		0
Investment Income Due and Accrued	3,408,887		3,408,887
Agents' Balances:			
Uncollected premium	3,148,546		3,148,546
Deferred premium	26,165,068		26,165,068
Current federal/foreign IT Rec	348,332		348,332
Net deferred tax asset	18,756,228		18,756,228
EDP Equipment	0		0
Receivable from parents, subsidiaries and affiliates	888,499		888,499
Aggregate write-in for other than invested assets	160,890		160,890
	0		0
Totals	\$601,862,206	\$0	\$601,862,206

Heritage Property & Casualty Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Losses	\$62,527,740		\$62,527,740
Reinsurance payable on paid losses	\$175,202		\$175,202
Loss adjustment expenses	21,195,212		21,195,212
Other expenses	646,632		646,632
Taxes, licenses and fees	70,524		70,524
Current federal and foreign income taxes	0		0
Unearned premium	217,400,950		217,400,950
Advance Premium	12,137,639		12,137,639
Ceded reinsurance premiums payable	52,467,043		52,467,043
Remittances and items not allocated	411,848		411,848
Payable to parent, subsidiaries and affiliates	10,889,102		10,889,102
Payable for securities	2,199,296		2,199,296
Aggregate write-ins for liabilities	5,317,697		5,317,697
Total Liabilities	\$385,438,885	\$0	\$385,438,885
Common capital stock	\$1,000,000		\$1,000,000
Surplus notes	17,000,000		\$17,000,000
Gross paid in and contributed surplus	111,179,750		\$111,179,750
Unassigned funds (surplus)	87,243,571		87,243,571
Surplus as regards policyholders	\$216,423,321	\$0	\$216,423,321
Total liabilities, surplus and other funds	\$601,862,206	\$0	\$601,862,206

Heritage Property & Casualty Insurance Company
Statement of Income
December 31, 2015

Underwriting Income

Premiums earned	\$368,669,806
Deductions:	
Losses incurred	\$120,537,643
Loss expenses incurred	44,269,437
Other underwriting expenses incurred	142,668,720
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	<u>\$307,475,800</u>
Net underwriting gain or (loss)	\$61,194,006

Investment Income

Net investment income earned	\$6,019,325
Net realized capital gains or (losses)	1,055,368
Net investment gain or (loss)	<u>\$7,074,693</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$177,723)
Finance and service charges not included in premiums	(7,127)
Aggregate write-ins for miscellaneous income	395,593
Total other income	<u>\$210,743</u>
Net income before dividends to policyholders and before federal & foreign income taxes	\$68,479,442
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$68,479,442
Federal & foreign income taxes	<u>25,082,966</u>
Net Income	<u><u>\$43,396,476</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$172,711,865
Net Income	\$43,396,476
Net unrealized capital gains or losses	(4,842,009)
Change in net deferred income tax	4,078,128
Change in non-admitted assets	4,664
Change in provision for reinsurance	0
Change in excess statutory over statement reserves	0
Surplus adjustments: Paid in	1,074,197
Aggregate write-ins for gains and losses in surplus	0
Surplus Paid in	0
Change in surplus as regards policyholders for the year	<u>\$43,711,456</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$216,423,321</u></u>

Heritage Property & Casualty Insurance Company
Reconciliation of Capital and Surplus
December 31, 2015

Capital/Surplus Change during Examination Period

Surplus at December 31, 2014, per Examination

			\$172,711,865
	<u>Increase</u>	<u>Decrease</u>	
Net Income (loss)	43,396,476		\$43,396,476
Change in non-admitted assets	\$4,664		\$4,664
Net unrealized capital gains (losses)		(\$4,842,009)	(\$4,842,009)
Change in net deferred income tax	\$4,078,128		\$4,078,128
Cumulative effect of changes in accounting principles	<u>\$1,074,197</u>	<u> </u>	<u>\$1,074,197</u>
Net increase (or decrease)			<u>\$43,711,456</u>
Surplus at December 31, 2015, per Examination			<u><u>\$216,423,321</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses

\$ 83,722,952

An outside actuarial firm, Insurance Services Office, Inc., appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2015, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Glenn Wilson, FCAS, MAAA of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense workpapers 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 \$216,423,321 exceeded the minimum of \$31,875,444 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

Reporting

We recommend the Company comply with NAIC Annual Statement Instructions.

We recommend the Company ensure compliance with consent orders.

We recommend the Company report and fully disclose material transactions in the Holding Company Registration Statement.

We recommend the Company comply with NAIC Annual Statement Instructions regarding reporting of certified reinsurers on Schedule F.

Fidelity Bond Coverage

We recommend the Company file an updated fidelity bond coverage for period of 2015 – 2016, showing Heritage Property & Casualty Insurance Company as the insured.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Heritage Property & Casualty Insurance Company** as of December 31, 2015, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$216,423,321 which exceeded the minimum of \$31,875,444 required per entity by Section 624.408, Florida Statutes.

In addition to the undersigned, Lindsey Pittman, CPA, CFE, CISA, Examiner in Charge, Ryne Davison, CFE-Analyst, Participating Examiner, and April Wasleski, CPA, Participating Examiner, all of Lewis & Ellis, Inc., participated in the 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. We also recognize Greg Wilson, FCAS, MAAA, consulting actuary of Lewis & Ellis, Inc. who participated in the examination.

Respectfully submitted,

A handwritten signature in black ink, reading "Brian Sewell". The signature is written in a cursive, flowing style.

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