



**EXAMINATION REPORT
OF**

Lakeview Insurance Company

NAIC Company Code: 13648

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

Lakeview 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, 2012 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, 2011 through December 31, 2011.

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

On the following page 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.

Prior Examination Findings

There were no findings or exceptions noted during the examination as of December 31, 2011.

COMPANY HISTORY

General

The Company was incorporated in Florida on April 23, 2009, and commenced business on June 10, 2009 as Lakeview Insurance Company.

The Company was authorized to transact the 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 examination period.

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	273,915

Total common capital stock	\$2,739,150
Par value per share	\$10

On June 30, 2012, Emery Holding, Inc. contributed its one hundred percent (100%) ownership of the Company, to the Florida Family Insurance Company (FFIC). At the time of the contribution, Lakeview's statutory surplus totaled \$13,032,068. As a result, Lakeview is one hundred percent (100%) owned by FFIC. Control of FFIC was maintained by its parent, Emery Holding, Inc., who owned one hundred percent (100%) of the stock issued by FFIC, who in turn was one hundred percent (100%) owned by Florida Family Insurance Services, LLC (FFIS), a Delaware Limited Liability Corporation.

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.

There were no amendments to the Company's Articles of Incorporation or 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 on the following page.

Directors

Name	City, State	Principal Occupation
Walter Dale Hardy	Naples, Florida	Chief Executive Officer and Chairperson, Lakeview Insurance Company
William Tuttle Montei	Middleton, Wisconsin	Principal, Bill Montei, LLC
William Henry Wiggs	Arlington Heights, Illinois	Chief Financial Officer and Chairperson, Lakeview 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, Lakeview 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, Lakeview Insurance Company
Peter Joseph Corrigan	Jacksonville, Florida	President and Chief Underwriting Officer, Lakeview Insurance Company
William Henry Wiggs	Arlington Heights, Illinois	Chief Financial Officer, Lakeview Insurance Company
Anthony Obie McCarty	St. Augustine, Florida	Sr. Vice President, Claims, Lakeview 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.

Resolution: The Company notified the Office of the changes within its Holding Company Registration Statement. Additionally, one (1) biographical affidavit was submitted late and 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 and Director, Lakeview Insurance Company
Amy Houghton Bash ²	Barrington, Illinois	Director, Lakeview Insurance Company
David Paul Behnke ²	Roselle, Illinois	Director, Lakeview Insurance Company
Timothy James McKay	Glen Ellyn, Illinois	Director, Lakeview 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, Lakeview Insurance Company
Amy Houghton Bash ²	Barrington, Illinois	Director, Lakeview Insurance Company
Walter Dale Hardy	Naples, Florida	Chief Executive Officer, Lakeview Insurance Company
Timothy James McKay	Glen Ellyn, Illinois	Director, Lakeview Insurance Company
William Tuttle Montei ³	Middleton, Wisconsin	Chairperson and Director, Lakeview Insurance Company
William Henry Wiggs	Arlington Heights, Illinois	Chief Financial Officer, Lakeview Insurance Company
Peter Joseph Corrigan	Jacksonville, Florida	President and Chief Underwriting Officer, Lakeview 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.

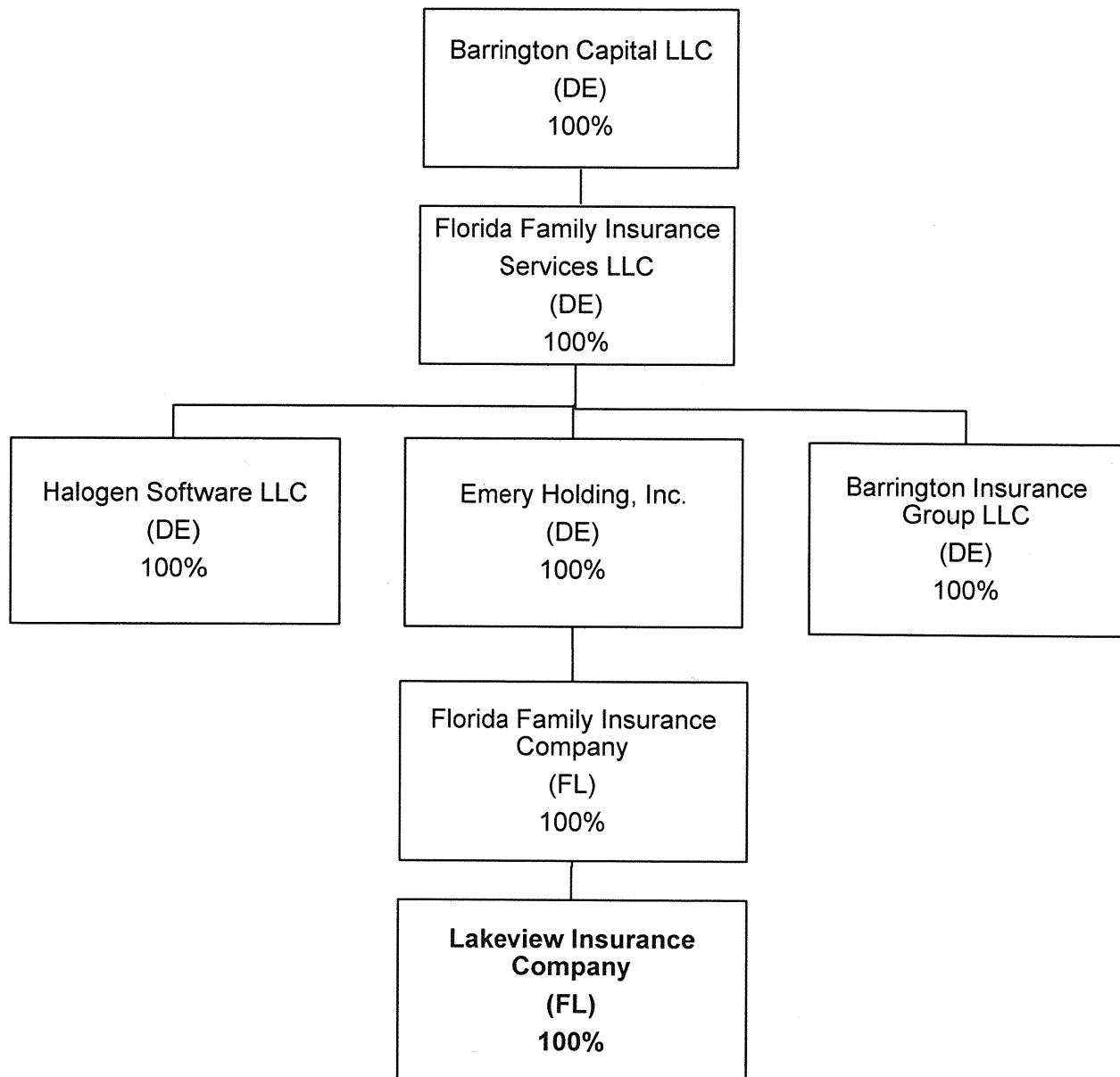
³ Chairperson as of June 2016.

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.

LAKEVIEW INSURANCE COMPANY
SIMPLIFIED ORGANIZATIONAL CHART
DECEMBER 31, 2015



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

Tax Sharing Agreement

The Tax Sharing Agreement was entered into as of January 1, 2008, by and between Emery Holding, Inc. and Florida Family Insurance Company. Emery and FFIC are members of an Insurance Company Affiliated Group filing a consolidated return. Emery formed Lakeview Insurance Company in 2009. The Tax Allocation Agreement was amended May 19, 2009, to include LIC. 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 Florida Family Insurance Services, LLC (FFIS) and FFIS's wholly-owned subsidiaries, Halogen Software, LLC (Halogen), Barrington Insurance Group, LLC (BIG), Emery Holding Inc. (Emery) and Emery's wholly-owned subsidiary, FFIC on May 19, 2009. 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 \$ 1,307,454.

Managing General Agent Agreement

The Company entered into a Managing General Agency Agreement with its affiliate, Florida Family Insurance Services, LLC (FFIS) on May 19, 2009. 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 \$5,790,076. 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 Florida Family on July 1, 2009. The Agreement requires the Company to cede one hundred percent (100%) of eligible direct premiums, losses and loss adjustment expenses and underwriting expenses to the pool, led by Florida Family. The pool, including FFIC's and Lakeview's eligible premiums, as well as losses and loss adjustment expenses are ceded twenty-five percent (25%) to the Company and seventy-five percent (75%) to Florida Family. The Company did not write any direct premium during the examination period.

Software Maintenance and Support Agreement

The Company entered into a Software Maintenance and Support Agreement (Support Agreement) with Halogen on October 6, 2009. The Support Agreement requires the Company Halogen two percent (2%) of premiums written for continuing maintenance and support of software. Fees incurred under this agreement during 2015 amounted to \$576,343.

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 assumed risks from Florida Family under the Pooling Agreement which became effective on July 1, 2009. Under the Pooling Agreement the Company assumes twenty-five percent (25%) of the pooled writing of FFIC.

Reinsurance Ceded

The Company has reinsurance agreements in place to cede risk on a quota share and excess of loss basis to related and unrelated reinsurers. The Company has a Multi-Line Quota Share Reinsurance Contract (QSA) with an unrelated reinsurer on all property lines of business, which has a quota share percentage of thirty percent (30%). Additionally, catastrophe reinsurance is available from unrelated private reinsurers and the Florida Hurricane Catastrophe Fund (FHCF). 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.

ACCOUNTS AND RECORDS

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

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a Custodial Agreement with U.S. Bank National Association executed on May 20, 2009. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, WeiserMazars LLP, audited the Company's statutory basis financial statements annually for the years 2012 through 2015, 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.

Investment Management Agreement

FFIC, LIC 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.

INFORMATION TECHNOLOGY REPORT

Richard Sowalsky, CISA, of Baker Tilly Virchow Krause LLP, performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

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

Lakeview Insurance Company

Assets

December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Bonds	\$30,647,147		\$30,647,147
Cash and Short-Term Investments	2,369,195		2,369,195
Investment Income due and Accrued	168,943		168,943
Agents' Balances:			
Uncollected premium	530,864		530,864
Current Federal and foreign income tax recoverable	18,042		18,042
Net deferred tax asset	793,113		793,113
Electronic data processing equipment and software	53,923		53,923
Receivable from parents, subsidiaries and affiliates	137,556		137,556
Aggregate write-in for other than invested assets	19,292		19,292
Totals	<u>\$34,738,075</u>	<u>\$0</u>	<u>\$34,738,075</u>

Lakeview Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Losses	\$2,358,889		\$2,358,889
Loss adjustment expenses	737,761		737,761
Other expenses	272,669		272,669
Taxes, licenses and fees	55,437		55,437
Unearned premium	11,039,716		11,039,716
Ceded Reinsurance premiums payable (net of ceding commissions)	1,858,495		1,858,495
Funds held under reinsurance treaties	1,377,732		1,377,732
Total Liabilities	\$17,700,700	\$0	\$17,700,700
Common capital stock	\$2,739,150		\$2,739,150
Gross paid in and contributed surplus	8,260,850		8,260,850
Unassigned funds (surplus)	6,037,376		6,037,376
Surplus as regards policyholders	\$17,037,376	\$0	\$17,037,376
Total liabilities, surplus and other funds	\$34,738,075	\$0	\$34,738,075

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

Underwriting Income

Premiums earned	\$16,890,921
Deductions:	
Losses incurred	\$8,212,313
Loss expenses incurred	1,513,357
Other underwriting expenses incurred	7,125,354
Total underwriting deductions	<u>\$16,851,024</u>
Net underwriting gain or (loss)	\$39,897

Investment Income

Net investment income earned	\$678,478
Net realized capital gains or (losses)	<u>13,699</u>
Net investment gain or (loss)	\$692,177

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$2,711)
Finance and service charges not included in premiums	32,598
Aggregate write-ins for miscellaneous income	<u>(171)</u>
Total other income	<u>\$29,716</u>
Net income before dividends to policyholders and before federal & foreign income taxes	\$761,790
Dividends to policyholders	<u>0</u>
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$761,790
Federal & foreign income taxes	<u>67,193</u>
Net Income	<u><u>\$694,596</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$16,472,235
Net Income	\$694,596
Change in Net unrealized capital gains or losses	2,349
Change in net deferred income tax	(135,034)
Change in nonadmitted assets	3,229
Change in surplus as regards policyholders for the year	<u>\$565,141</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$17,037,376</u></u>

Lakeview 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, 2011, per Examination			\$12,355,719
	<u>Increase</u>	<u>Decrease</u>	
Net Income	\$4,565,144		\$4,565,144
Change in Net Unrealized Capital Gains		(\$36,406)	(\$36,406)
Change in Net Deferred Income Tax	\$178,282	\$0	\$178,282
Change in Non-admitted Assets		(\$25,363)	(\$25,363)
Net increase (or decrease)			<u>\$4,681,657</u>
Surplus at December 31, 2015, per Examination			<u>\$17,037,376</u>

COMMENTS ON 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 \$17,037,376, 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's Opining Actuary include comment paragraphs to address the risks and uncertainties that could result in material adverse deviation in future Statements of Actuarial Opinion.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Lakeview 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 \$17,037,376, 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