



**EXAMINATION REPORT  
OF  
LEXINGTON NATIONAL INSURANCE  
CORPORATION**

**NAIC Company Code: 37940**

**Orlando, Florida**

**as of  
December 31, 2015**

**BY THE  
FLORIDA OFFICE OF INSURANCE REGULATION**

## TABLE OF CONTENTS

LETTER OF TRANSMITTAL .....	-
SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS .....	2
CURRENT EXAMINATION FINDINGS .....	2
PRIOR EXAMINATION FINDINGS .....	3
COMPANY HISTORY .....	3
GENERAL .....	3
DIVIDENDS .....	3
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS .....	4
SURPLUS NOTES .....	4
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS AND PURCHASE OR SALES THROUGH REINSURANCE .....	4
CORPORATE RECORDS .....	4
CONFLICT OF INTEREST.....	4
MANAGEMENT AND CONTROL.....	5
MANAGEMENT .....	5
CONTROL .....	9
AFFILIATED COMPANIES .....	9
SIMPLIFIED ORGANIZATIONAL CHART .....	10
TERRITORY AND PLAN OF OPERATIONS.....	11
TREATMENT OF POLICYHOLDERS .....	11
REINSURANCE.....	12
REINSURANCE ASSUMED.....	12
REINSURANCE CEDED.....	12
ACCOUNTS AND RECORDS .....	12
CUSTODIAL AGREEMENT .....	13
MANAGING GENERAL AGENT AGREEMENT.....	13
INDEPENDENT AUDITOR AGREEMENT .....	13
INFORMATION TECHNOLOGY REPORT .....	13
STATUTORY DEPOSITS .....	14
FINANCIAL STATEMENTS.....	15
ASSETS .....	16
LIABILITIES, SURPLUS AND OTHER FUNDS .....	17
STATEMENT OF INCOME AND CAPITAL AND SURPLUS ACCOUNT .....	18
RECONCILIATION OF CAPITAL AND SURPLUS.....	23
COMMENTS ON FINANCIAL STATEMENTS.....	24
LIABILITIES .....	24

CAPITAL AND SURPLUS .....	24
<b>SUBSEQUENT EVENTS.....</b>	<b>25</b>
<b>SUMMARY OF RECOMMENDATIONS.....</b>	<b>26</b>
HOLDING COMPANY REGISTRATION STATEMENT.....	26
AGENTS' BALANCES IN THE COURSE OF COLLECTION.....	26
PREMIUM TAX DISCLOSURE.....	26
<b>CONCLUSION.....</b>	<b>27</b>

May 4, 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

**Lexington National Insurance Corporation**  
3907 Winding Lake Circle  
Orlando, Florida 32835

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, 2015 through December 31, 2015 and commenced with planning at the Office on August 15, 2016 to August 19, 2016. The fieldwork commenced on August 22, 2016 and concluded as of May 4, 2017. The Company was last examined by representatives of the Maryland Insurance Administration covering the period of January 1, 2007 through December 31, 2011.

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.

#### **Consent Order 163931-14-CO item # 17**

The Company was permitted by Consent Order 163931-14-CO item # 17 to maintain its books and records in the state of Maryland through May 31, 2015. Thereafter, the Company was required to maintain its home office and its books and records in the state of Florida in accordance with Section 628.271, Florida Statutes. The Company believes it complied with the requirements of the Consent Order, but agrees, by December 1, 2017, to establish a home office in Florida and maintain its books and records in this state. The Company shall notify the Office in writing of its home office address no later than December 1, 2017.

#### **Agents' Balances in the Course of Collection**

The Company was not in compliance with Rule 69O-138.024, Florida Administrative Code. This rule implements the provisions of Section 625.012(5), Florida Statutes, and applies to all authorized insurers as defined in Section 624.09, Florida Statutes. For purposes of determining the admissibility as an asset of agents' balances, the policy inception date, defined as the time when the insurance thereunder takes effect, is the first day of the 90 days in which the agents' balances must be collected or be considered past due. While the Company asserts that it maintains complete and accurate records of the total consideration paid for all bail bonds written by the company and any outstanding premium, as required by Section 624.4094(3), the Company does not have the capability to age the aging agent balances on a policy by policy basis as required by the Rule. Unless and until the Company has the capability to age agent balances on an individual policy basis, it agrees to non-admit all agent balances that are not aged on a policy by policy basis.

#### **Premium Tax Disclosure**

The Company was not in compliance with Section 624.4094, Florida Statutes. Each domestic bail bond insurer shall disclose in the notes to the financial statement the amount of premium

taxes incurred by the company in each state. The Company did not include the amount of premium taxes incurred by the Company in each state in either its 2015 or 2016 Annual Financial Statements. The Company did disclose the amount of premium taxes incurred by the Company in each state beginning with the 2017 First Quarter Financial Statement. The Company will refile the notes to the 2016 Annual Financial Statements.

### **Prior Examination Findings**

The following is a summary of material adverse findings, significant non-compliance findings or material changes in the financial statements in the Maryland Insurance Administration's prior examination report as of December 31, 2011, along with resulting action taken by the Company in connection therewith.

The Maryland Insurance Administration's prior examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

## **COMPANY HISTORY**

### **General**

The Company was incorporated in Maryland on October 23, 1989 and commenced business on June 1, 1990. The Company received approval from the Office on December 11, 2014 to re-domesticate from its original state of domicile, Maryland, to Florida. The re-domestication took effect on January 1, 2015.

The Company was authorized to transact insurance in Florida on February 12, 1996, and was authorized for the following coverages as of December 31, 2015:

Surety

Bail bonds

### **Dividends**

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder(s) in 2015 in the amounts of \$1,350,000.

## **Capital Stock and Capital Contributions**

As of December 31, 2015, the Company's capitalization was as follows:

Number of authorized common capital shares	200,000
Number of shares issued and outstanding	120,000
Total common capital stock	\$2,000,400
Par value per share	\$16.67

## **Surplus Notes**

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

## **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 shown below.

### **Directors**

<b>Name</b>	<b>City, State</b>	<b>Principal Occupation, Company</b>
Phyllis Kimmelman Frank	Aventura, Florida	Vice President, Lexington National Insurance Corporation
Ronald Allen Frank	Baltimore, Maryland	President, Lexington National Insurance Corporation
Harold I. Hackerman	Baltimore, Maryland	President, Ellin & Tucker
Richard Brian Silberstein	Baltimore, Maryland	President, Silberstein Insurance Group
Mark Thomas Holtschneider	Kingsville, Maryland	Executive Vice President, and General Counsel, Lexington National Insurance Corporation
Sheldon Harvey Press	Baltimore, Maryland	Retired, Workers Comp Commission – State of Maryland
Stevan Marc Meizlish	Baltimore, Maryland	President, MeizCorp. Media Group

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

### **Senior Officers**

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Ronald Allen Frank	Baltimore, Maryland	President
Nicholas John Wachinski	Baltimore, Maryland	Chief Executive Officer
Mark Thomas Holtschneider	Kingsville, Maryland	Executive Vice President and General Counsel
Kimberly Ellen Marzullo	Baltimore, Maryland	Treasurer

Lisa Rene Slater	Baltimore, Maryland	Chief Operating Officer, Vice President, Secretary
Phyllis Kimmelman Frank	Aventura, Florida	Vice President
Randy Kenneth Parton	Orlando, Florida	Senior Vice President
John Michael Monks	Houston, Texas	Vice President

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

#### **Executive Committee**

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Ronald Allen Frank <sup>1</sup>	Baltimore, Maryland	President
Mark Thomas Holtschneider	Kingsville, Maryland	Executive Vice President and General Counsel

<sup>1</sup> Chairperson

#### **Audit Committee**

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Harold I. Hackerman <sup>1</sup>	Baltimore, Maryland	President, Ellin & Tucker
Sheldon Harvey Press	Baltimore, Maryland	Retired, Workers Comp Commission - State of Maryland
Stevan Marc Meizlish	Baltimore, Maryland	President, MeizCorp. Media Group

<sup>1</sup> Chairperson

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

### **Finance Committee**

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Mark Thomas Holtschneider <sup>1</sup>	Kingsville, Maryland	Director, Executive Vice President, and General Counsel
Kimberly Ellen Marzullo	Baltimore, Maryland	Treasurer
Richard Brian Silberstein	Baltimore, Maryland	President, Silberstein Insurance Group

<sup>1</sup> Chairperson

### **Litigation Committee**

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Sheldon Harvey Press	Baltimore, Maryland	Workers Comp Commission - State of Maryland
Harold I. Hackerman <sup>1</sup>	Baltimore, Maryland	President, Ellin & Tucker
Stevan Marc Meizlish	Baltimore, Maryland	President, MeizCorp. Media Group

<sup>1</sup> Chairperson

### **Succession Committee**

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Ronald Allen Frank <sup>1</sup>	Baltimore, Maryland	President
Harold I. Hackerman	Baltimore, Maryland	President, Ellin & Tucker
Richard Brian Silberstein	Baltimore, Maryland	President, Silberstein Group

<sup>1</sup> Chairperson

## **Control**

Control of the Company was maintained by Phyllis Kimmelman-Frank, an individual, as follows:

Phyllis K Frank (individual)	39.1%
Phyllis K Frank Irrevocable Trust-2010	10.0%
Phyllis K Frank Irrevocable Trust-2012	10.0%

The remaining stock was held as follows:

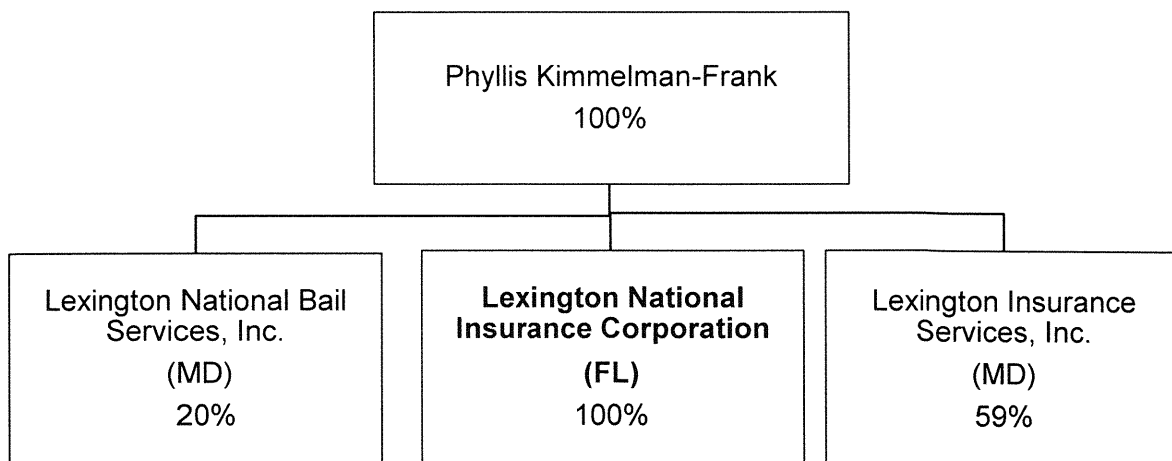
Ronald A Frank (individual)	24.45%
Treasury Stock	24.45%

## **Affiliated Companies**

The most recent Holding Company Registration Statement was filed with the Office on March 31, 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.

**Lexington National Insurance Corp.**  
**Simplified Organizational Chart**  
**December 31, 2015**



## **TERRITORY AND PLAN OF OPERATIONS**

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

Alabama	Kentucky	North Dakota
Alaska	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Maryland	Oregon
California	Massachusetts	Pennsylvania
Colorado	Michigan	Rhode Island
Connecticut	Minnesota	South Carolina
Delaware	Mississippi	South Dakota
District of Columbia	Missouri	Tennessee
Florida	Montana	Texas
Georgia	Nebraska	Utah
Hawaii	Nevada	Vermont
Idaho	New Hampshire	Virginia
Illinois	New Jersey	Washington
Indiana	New Mexico	West Virginia
Iowa	New York	Wyoming
Kansas	North Carolina	

### **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**

The Company ceded risk on a facultative basis.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Baltimore, Maryland. The Company was not in compliance with Sections 628.271, 628.281, and 628.520, Florida Statutes with regards to having an office in the State of Florida. The listed Statutory Home Office was not the Company's principal place of business. The Company never designated its principal place of business in the State of Florida other than a temporary location provided in its re-domestication application; therefore, approval for the current statutory home office was not provided by the Office for the period under examination and subsequently to date.

### **Holding Company Registration Statement**

The Company was not in compliance with Section 628.801, Florida Statutes, which requires the Company to file its Holding Company Registration Statement and Enterprise Risk Report by April 1st, of each year. The Company filed its Holding Company Registration Statement and Enterprise Risk Report on April 18, 2016.



The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained a Custodial Agreement with Wells Fargo Advisors, LLC executed on August 4, 2015. The Company also had a custodial agreement with Salem Trust Corp. executed May 19, 2015. The agreements complied with Rule 69O-143.042, Florida Administrative Code.

### **Managing General Agent Agreement**

The Company utilized a non-affiliated Managing General Agent (MGA) to produce insurance business in the State of Florida. The MGA was responsible for quoting policies to customers, claims administration, billing, and collecting premiums on behalf of the insurer. The Company retained the right for binding authority and ensures all policies meet company underwriting guidelines.

### **Independent Auditor Agreement**

An independent CPA, Solomon and Nislow, PA, audited the Company's statutory basis financial statements for the year 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.

## **INFORMATION TECHNOLOGY REPORT**

Joanna Latham, CFE, AES, CPA, CISA, CRISC, IT Specialist with the consulting firm Jennan Enterprises, LLC, 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	BONDS	<u>\$ 1,524,511</u>	<u>\$ 1,556,577</u>
TOTAL FLORIDA DEPOSITS		<u>\$ 1,524,511</u>	<u>\$ 1,556,577</u>
AI	BOND	\$ 59,965	\$ 64,308
DE	CASH/EQUIVALENTS	10,000	10,000
GA	CASH/EQUIVALENTS	100,000	100,000
IN	CASH/EQUIVALENTS	75,022	75,022
MA	BOND	113,248	120,948
NV	BOND	200,018	200,184
NH	BOND	261,565	259,420
NM	BOND	131,033	131,535
NC	CASH/EQUIVALENTS	1,232,564	1,268,759
OK	BOND	1,377,110	1,424,918
OR	BOND	274,559	274,046
PA	CASH/EQUIVALENTS	1,210,278	1,210,278
SC	BOND	237,342	235,736
TN	CASH/EQUIVALENTS	1,205,386	1,205,386
TX	CASH/EQUIVALENTS	4,200,773	4,200,773
VI	BOND	210,032	210,053
WY	BOND	<u>192,219</u>	<u>191,654</u>
TOTAL OTHER DEPOSITS		<u>\$ 11,091,114</u>	<u>\$ 11,183,020</u>
TOTAL SPECIAL DEPOSITS		<u><u>\$ 12,615,625</u></u>	<u><u>\$ 12,739,597</u></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 Office, are reflected on the following pages.

# Lexington National Insurance Corporation

## Assets

December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Bonds	\$7,031,185		\$7,031,185
Stocks:			
Common	2,629,935		2,629,935
Mortgage Loans	6,270,313		6,270,313
Cash	7,664,920		7,664,920
Premiums and consideration:			
Uncollected premium and agents' balances in the course of collection	1,013,191		1,013,191
Interest and dividend income due & accrued	49,875		49,875
Build Up Funds	25,409,171		25,409,171
Escrow Funds	12,513		12,513
Bond Collateral Funds	5,640,628		5,640,628
Aggregate write-in for	<u>10,291</u>	<u></u>	<u>10,291</u>
Totals	<u>\$55,732,022</u>	<u>\$0</u>	<u>\$55,732,022</u>

**Lexington National Insurance Corporation**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2015**

	Per Company	Examination Adjustments	Per Examination
Losses	\$243,818		\$243,818
Loss adjustment expenses	11,182		11,182
Commissions Payable	171,475		171,475
Other expenses	315,777		315,777
Taxes, licenses and fees	181,387		181,387
Unearned premium	3,323,601		3,323,601
Ceded reinsurance premiums payable	675		675
Amounts withheld	31,062,312		31,062,312
Promissory Note	<u>3,511,273</u>		<u>3,511,273</u>
Total Liabilities	\$38,821,500	\$0	\$38,821,500
Common capital stock	\$2,000,400		\$2,000,400
Gross paid in and contributed surplus	424,600		424,600
Unassigned funds (surplus)	<u>19,367,220</u>		<u>19,367,220</u>
Less Treasury Stock	4,881,698		4,881,698
Surplus as regards policyholders	<u>\$16,910,522</u>	<u>\$0</u>	<u>\$16,910,522</u>
Total liabilities, surplus and other funds	<u><u>\$55,732,022</u></u>	<u><u>\$0</u></u>	<u><u>\$55,732,022</u></u>

**Lexington National Insurance Corporation**  
**Statement of Income and Capital and Surplus Account**  
**December 31, 2015**

**Underwriting Income**

Premiums earned	\$11,195,403
<b>Deductions:</b>	
Losses incurred	\$394,967
Loss expenses incurred	0
Other underwriting expenses incurred	8,665,294
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	<u>\$9,060,261</u>
Net underwriting gain or (loss)	\$2,135,142

**Investment Income**

Net investment income earned	\$108,175
Net realized capital gains or (losses)	(5,358)
Net investment gain or (loss)	<u>\$102,817</u>

**Other Income**

Net gain or (loss) from agents' or premium balances charged off	\$0
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	289,566
Total other income	<u>\$289,566</u>
Net income before dividends to policyholders and before federal & foreign income taxes	\$2,527,525
Dividends to policyholders	0
Net Income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$2,527,525
Federal & foreign income taxes	0
Net Income	<u><u>\$2,527,525</u></u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year	\$15,595,584
Net Income	\$2,527,525
Net unrealized capital gains or losses	(96,886)
Change in non-admitted assets	235,439
Change in provision for reinsurance	0
Change in excess statutory over statement reserves	0
Surplus adjustments: Paid in	0
Dividends to stockholders	(1,350,000)
Aggregate write-ins for gains and losses in surplus	(1,140)
Examination Adjustment	0
Change in surplus as regards policyholders for the year	<u>\$1,314,938</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$16,910,522</u></u>

**Lexington National Insurance Corporation**  
**Reconciliation of Capital and Surplus**  
**December 31, 2015**

No adjustments were made to surplus as regards policyholders as a result of the examination.

**Capital/Surplus Change during Examination Period**

Surplus at December 31, 2014			\$15,595,584
	<u>Increase</u>	<u>Decrease</u>	
Net Income	\$2,527,525		
Changes in net unrealized capital losses		(\$96,886)	
Changes in nonadmitted assets	\$235,439		
Dividends to Stockholders		(\$1,350,000)	
Aggregate Write-ins		(\$1,140)	
Total Gains and Losses	\$2,762,964	(\$1,448,026)	
Net increase (or decrease)			<u>\$1,314,938</u>
Surplus at December 31, 2015, per Examination			<u><u>\$16,910,522</u></u>

## **COMMENTS ON FINANCIAL STATEMENTS**

### **Liabilities**

#### **Losses and Loss Adjustment Expenses**

Glenn M. Walker, FCAS MAAA, G.M. Walker Actuarial Services, appointed by the Board, 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, Brent M. Sallay, FCAS, MAAA of Taylor-Walker Consulting, LLC, 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 was \$16,910,522, which exceeded the minimum of \$1,500,000 required by Section 624.408, Florida Statutes.



## **SUBSEQUENT EVENTS**

During 2016, the Company entered into an agreement where a triangular merger would be completed with HK Insurance Services, Inc., one of its general agents. The general agent is owned by one of the non-voting stockholders of the Company.

## **SUMMARY OF RECOMMENDATIONS**

### **Consent Order**

We recommend that the Company comply with Consent Order 163931-14-CO.

### **Holding Company Registration Statement**

We recommend that the Company submit the Holding Company Filings by the due date requirement of April 1<sup>st</sup>, of each year, as required by Section 628.801, Florida Statutes.

### **Agents' Balances in the Course of Collection**

We recommend that the Company adhere to Rule 69O-138.024 Florida Administrative Code and maintain a current aging schedule on all of its agents' balances on a policy by policy basis.

### **Premium Tax Disclosure**

We recommend that the Company adhere to the provision of the Section 624.4094, Florida Statutes regarding disclosure of the required information in the Notes to the Financial Statement in the insurer's Annual Statement filed with the Office.

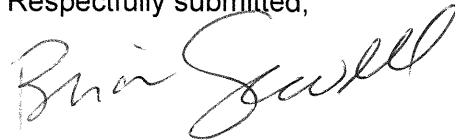
## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Lexington National Insurance Corporation** 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 \$16,910,522, which exceeded the minimum of \$1,500,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Eric C. Dercher (CFE), Examiner-in-Charge, of ProInsurance Consulting Group, LLC, also participated in the examination. Members of the Office who participated in the examination include Connie Hare, CFE (Fraud), AFE, Financial Examiner/Analyst Supervisor, Examination Manager and Casey Hengstebeck Reinsurance/Financial Specialist, Participating Examiner. Additionally, Brent M. Sallay, FCAS, MAAA and Solomon L. Frazier, FSA, ACAS, MAAA, actuaries, of Taylor-Walker Consulting, LLC, and Joanna Latham, CFE, AES, CPA, CISA, CRISC, IT Specialist, of Jennan Enterprises, LLC recognized for participation in the examination.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Brian Sewell".

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