



**EXAMINATION REPORT
OF
PURE INSURANCE COMPANY**

NAIC Company Code: 13204

**Fort Lauderdale, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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April 9, 2021

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 ("the NAIC"), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

PURE Insurance Company
800 Corporate Drive, Suite 420
Fort Lauderdale, Florida 33334

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, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation ("the Office") on July 27, 2020 to July 31, 2020. The fieldwork concluded as of April 9, 2021. The Company's last full scope examination by representatives of the Office covered the period of January 1, 2010 through December 31, 2014.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook ("the 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 the NAIC Statements of Statutory Accounting Principles ("SSAP").

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. 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 finding noted during this examination period has been resolved by the Company subsequent to the examination date. However, the finding or exception is discussed in detail in the body of the examination report.

Previous Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination.

Holding Company Transactions

The Company was not in compliance with Rule 69O-143.047, Florida Administrative Code, because the Office was not pre-notified of any of the transactions and/or agreements with Eagle Point Credit Company, Inc. in accordance with Rule 69O-143.047(4)(a)1, Florida Administrative Code. On July 25, 2016, the Company submitted its request for approval to the Office. The Office issued a letter of non-objection in regard to the transactions with Eagle Point Credit Company, Inc. on November 6, 2016. As a result, this previous examination finding was resolved.

Investments

The Company made several investments that were not compliant with Section 625.332(1)(b), Florida Statutes.

This previous examination finding was repeated in the current examination; however, it was resolved by the Company subsequent to the current examination date.

COMPANY HISTORY

General

The Company was incorporated in Florida on August 5, 2008 and commenced business on August 5, 2008. The Company was a wholly owned subsidiary of Privilege Underwriters Inc. ("PUI"). Effective August 5, 2008, the Company entered into a pooling agreement with its affiliate, Privilege Underwriters Reciprocal Exchange ("the Reciprocal"). Pursuant to the pooling agreement, the Company only assumed business from the Reciprocal, and did not write any direct business or issue policies.

Subsequent to the examination period, one hundred percent (100%) of the issued and outstanding shares of PUI's capital stock was sold to HCC Insurance Holdings, Inc. ("HCC"), a Delaware corporation, under a stock purchase agreement effective February 7, 2020. HCC was a wholly owned subsidiary of Tokio Marine & Nichido Fire Insurance Co., Ltd. ("Tokio Marine"), a Japanese joint stock corporation. As a result of the sale, the Company became a member of the Tokio Marine holding company group effective February 7, 2020.

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	1,500,000
Number of shares issued and outstanding	920,000
Total common capital stock	\$920,000
Par value per share	\$1.00

During the period under examination, the following capital contributions were made to the Company's gross paid in and contributed surplus:

- 2015: \$25,000,000
- 2017: \$45,000,000

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under 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. Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
James D. Carey ^{(1)(a)}	Riverside, Connecticut	Senior Principal, Stone Point Capital, LLC
John S. Baine	Vero Beach, Florida	General Partner, Starboard Specialty Funds, LLC
Ross J. Buchmueller	White Plains, New York	President and Chief Executive Officer, PURE Group of Companies
Christopher J. Harrington ^(b)	New York, New York	Partner, Kohlberg, Kravis, Roberts & Co.
Peter M. Mundheim ^(c)	Greenwich, Connecticut	Principal and Counsel, Stone Point Capital, LLC
Nicolas D. Zerbib ^(d)	Greenwich, Connecticut	Senior Principal, Stone Point Capital, LLC
Tagar C. Olson ^(e)	New York, New York	Member, Kohlberg, Kravis, Roberts & Co.
Lauren S. Seidman ^(f)	Greenwich, Connecticut	Vice President, Stone Point Capital, LLC

- (1) Chairperson
- (a) Resigned on January 29, 2020, and was replaced by Chris Williams as Director/Chairperson on February 7, 2020.
- (b) Resigned on January 29, 2020, and was replaced by Susan Rivera as Director on February 7, 2020.
- (c) Resigned on January 29, 2020, and was replaced by Kichiichiro Yamamoto as Director on February 7, 2020.
- (d) Resigned on January 29, 2020, and was replaced by Hisanobu Koga as Director on February 7, 2020.
- (e) Resigned on January 29, 2020, and was replaced by Michael J. Schell as Director on February 7, 2020.
- (f) Resigned on January 29, 2020.

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

Senior Officers		
Name	City, State	Title
Ross J. Buchmueller	White Plains, New York	President, Chief Executive Officer
Jeffrey A. Paraschac	Scarsdale, New York	Executive Vice President, Chief Financial Officer
Martin A. Hartley ^(a)	New Rochelle, New York	Executive Vice President, Chief Underwriting Officer
Kirk J. Raslowsky	Ringoes, New Jersey	Senior Vice President, General Counsel, Corporate Secretary

- (a) Resigned on October 1, 2020.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2019. The first person listed for each committee is the chairperson.

Remuneration and Nomination Committee		
Name	City, State	Title, Company Name
James D. Carey	Riverside, Connecticut	Board Chairperson, PURE Group Companies

Ross J. Buchmueller	White Plains, New York	President, Chief Executive Officer, Director, PURE Group Companies
John S. Baine	Vero Beach, Florida	Director, PURE Group Companies
Christopher J. Harrington	New York, New York	Director, PURE Group Companies

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

Audit Committee		
Name	City, State	Title, Company Name
Nicolas D. Zerbib	Greenwich, Connecticut	Director, PURE Group Companies
John S. Baine	Vero Beach, Florida	Director, PURE Group Companies
Christopher J. Harrington	New York, New York	Director, PURE Group Companies
Lauren S. Seidman	Greenwich, Connecticut	Director, PURE Group Companies

Investment and Finance Committee		
Name	City, State	Title, Company Name
Christopher J. Harrington	New York, New York	Director, PURE Group Companies
James D. Carey	Riverside, Connecticut	Board Chairperson, PURE Group Companies
John S. Baine	Vero Beach, Florida	Director, PURE Group Companies
Ross J. Buchmueller	White Plains, New York	President, Chief Executive Officer, Director, PURE Group Companies

Holding Company System

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

Tax Allocation Agreement

The Company, along with its parent, PUI, entered into a Tax Allocation Agreement on September 4, 2008, whereby the Company and PUI file a consolidated federal income tax return. On December 31, 2019, the method of allocation between the Company and PUI was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with PUI. Within ninety (90) days of the remittance by PUI of any income tax payment to the taxing authorities, all inter-company tax receivables/payables are to be settled. Subsequent to the examination period, the agreement was terminated effective February 7, 2020.

General Operating Agreement

The Company entered into a General Operating Agreement with PUI on August 5, 2008. Per the terms of the agreement, PUI shall provide certain managerial and administrative functions to the Company, including but not limited to, accounting, underwriting, claims, investment, support services, etc. PUI is to be reimbursed for actual expenses incurred on behalf of the Company and shared service costs are to be allocated based on management survey of total time spent in provision of services for the Company. Fees incurred under the agreement during 2019 amounted to \$5,908,827. The agreement allocated cost based upon the scope of work and responsibilities performed for the benefit of the affiliated company.

Reinsurance Pooling Agreement

As discussed below in the *Reinsurance* section, the Company entered into an affiliated Reinsurance Pooling Agreement with the Reciprocal effective August 5, 2008.

Investments

The Company made an investment that was not compliant with Section 625.332(1)(b), Florida Statutes. The Company and its affiliates' combined interest in the investment resulted in a

controlling interest. As such, consent from the Office was required and no such consent was obtained.

Subsequent Event: As a result of the subsequent acquisition of the Company by the Tokio Marine group, the Company and its subsequent affiliates no longer had a controlling interest in the investment and therefore, it no longer required consent from the Office. Therefore, the finding was considered subsequently resolved.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in White Plains, New York.

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

Custodial Agreement

The Company maintained a custodial agreement with U.S. Bank National Association executed on September 17, 2014 and a custodial agreement with U.S. Bank National Association (c/o U.S. Bank Global Corporate Trust) executed on October 21, 2014.

Independent Auditor Agreement

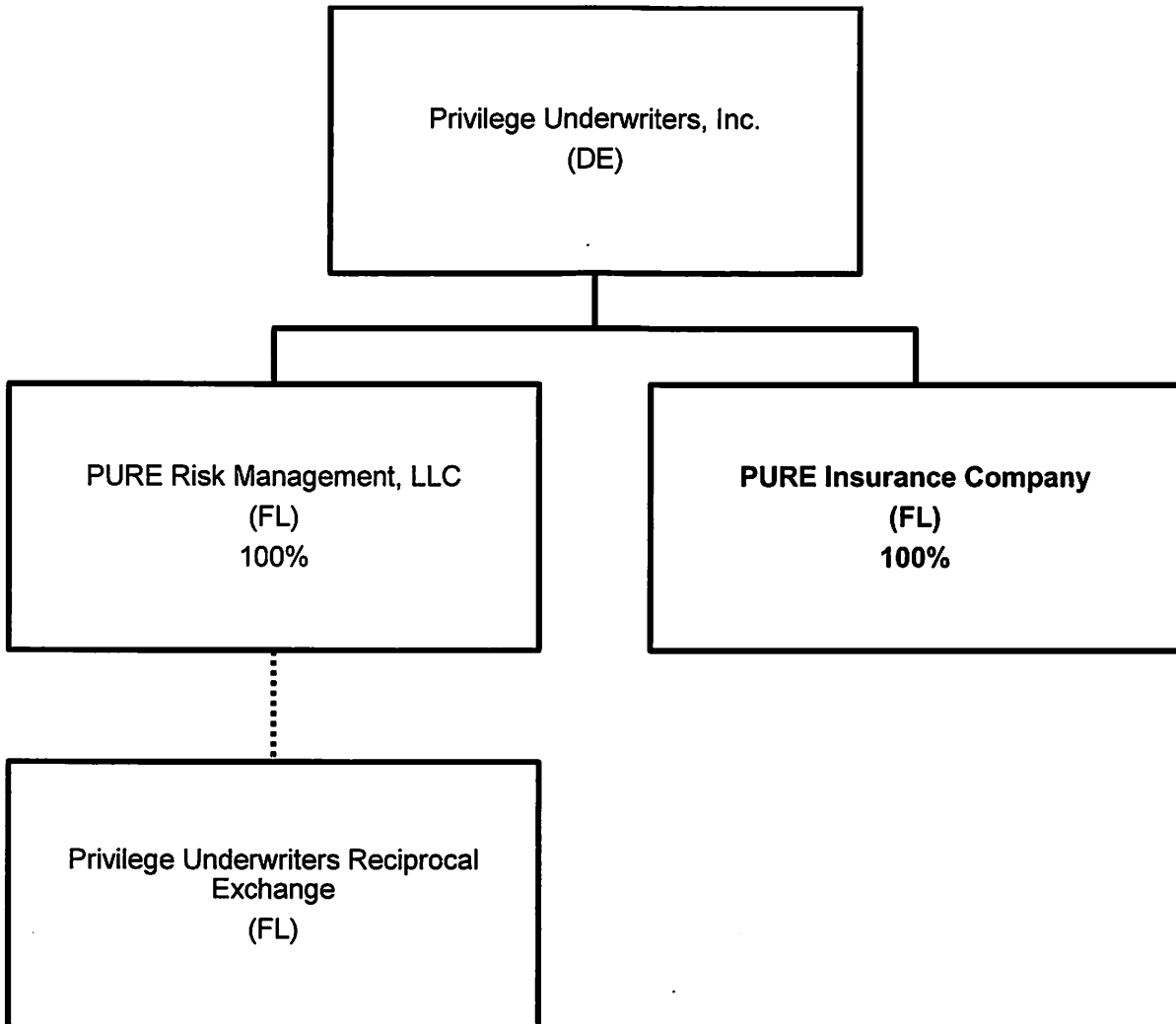
An independent CPA, EisnerAmper, LLP, audited the Company's statutory basis financial statements annually for all the years under examination.

Corporate Records Review

The recorded minutes of the Shareholder, Board of Directors (Board), and the Audit and Investment Committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events including the authorization of investments, as required by Section 625.304, Florida Statutes.

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

**PURE Insurance Company
Simplified Organizational Chart
December 31, 2019**



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida on October 16, 2008, and was authorized for the following lines of business as of December 31, 2019:

Other Liability
Private Passenger Auto Physical Damage
Private Passenger Auto Liability

Homeowners Multiple Peril
Ocean Marine
Inland Marine

The Company only assumed/reinsured business from the Reciprocal. The Company did not write any direct policies.

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

Effective August 5, 2008, the Company participated in a fifty percent (50%) affiliated reinsurance pooling agreement with the Reciprocal, whereby the Company assumed fifty percent (50%) of the Reciprocal's written business and related liabilities, net of reinsurance ceded through the Reciprocal's other reinsurance agreements.

Reinsurance Ceded

The Company did not cede any reinsurance during the period of this examination.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

PURE Insurance Company
Assets
December 31, 2019

	Per Company
Bonds	\$268,624,961
Stocks	
Preferred	\$125,987
Common	\$33,111,908
Cash and short-term investments	\$23,874,964
Other investments	\$11,203,519
Receivables for securities	\$32,750
Subtotal cash and invested assets	\$336,974,088
Interest income due and accrued	\$1,161,491
Agents' balances	
Uncollected premium	\$15,629,329
Current federal and foreign income taxes recoverable	\$9,781,564
Aggregate write-in for other than invested assets	9,810,772
Totals	\$373,357,245

PURE Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company
Losses	\$75,591,971
Reinsurance payable on losses and loss adjustment expenses	\$19,414,205
Loss adjustment expenses	\$7,987,697
Other expenses	\$352,284
Net deferred tax liability	\$5,072,269
Unearned premiums	\$74,799,057
Payable to parent, subsidiaries and affiliates	\$3,521,857
Payable for securities	\$533,438
Total liabilities	\$187,272,778
Common capital stock	\$920,000
Gross paid-in and contributed surplus	\$217,122,399
Unassigned funds (surplus)	(\$31,957,932)
Surplus as regards policyholders	\$186,084,467
Total liabilities, surplus and other funds	\$373,357,245

PURE Insurance Company
Statement of Income
December 31, 2019

	Per Company
Underwriting Income	
Premiums earned	\$205,634,517
Deductions	
Losses incurred	\$134,195,868
Loss adjustment expenses incurred	\$26,821,382
Other underwriting expenses incurred	\$99,135,530
Total underwriting deductions	\$260,152,780
Net underwriting gain (loss)	(\$54,518,263)
Investment Income	
Net investment income earned	\$7,264,580
Net realized capital gains (losses)	\$2,015,192
Net investment gain (loss)	\$9,279,772
Net income before dividends to policyholders and before federal & foreign income taxes	(\$45,238,491)
Net income, after dividends to policyholders, but before federal & foreign income taxes	(\$45,238,491)
Federal and foreign income taxes	(\$9,037,142)
Net income (loss)	(\$36,201,349)

	Per Company
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$217,161,299
Net income (loss)	(\$36,201,349)
Change in net unrealized capital gains or losses	\$4,284,382
Change in non-admitted assets	\$15,397
Change in net deferred income taxes	\$824,738
Change in surplus as regards policyholders for the year	(\$31,076,832)
Surplus as regards policyholders, December 31, current year	\$186,084,467

PURE Insurance Company
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2014, per Examination			\$136,616,750
	Increase	Decrease	
Net income (loss)		(\$15,884,609)	(\$15,884,609)
Change in net unrealized capital gain (loss)	\$2,053,452		\$2,053,452
Change in net deferred income tax		(\$8,033,393)	(\$8,033,393)
Change in non-admitted assets	\$1,332,267		\$1,332,267
Change in paid in surplus	\$70,000,000		\$70,000,000
Net increase (or decrease)			\$49,467,717
Surplus at December 31, 2019, per Examination			\$186,084,467

No adjustments were made to surplus in regard to policyholders as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Dee Dee Mays, FCAS, MAAA, of Perr & Knight, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, 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, Chris Burkhalter, FCAS, MAAA, of The Burkhalter Group, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

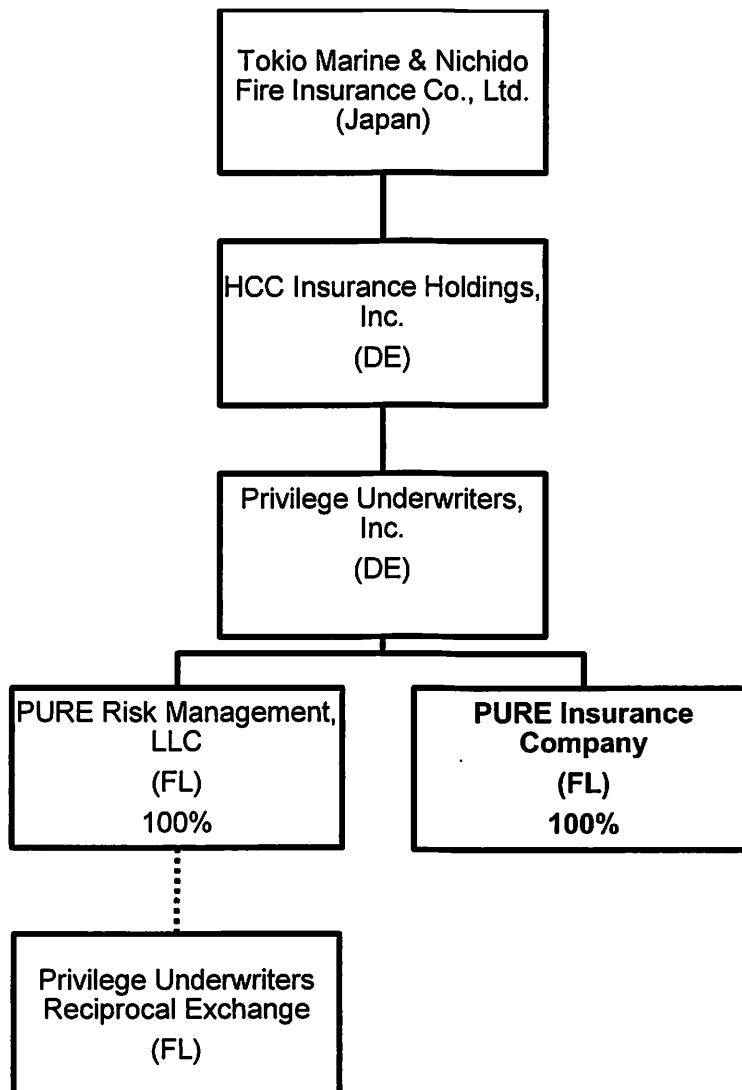
Capital and Surplus

The amount of capital and surplus reported by the Company of \$186,084,467, exceeded the minimum of \$17,779,293 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Effective February 7, 2020, one hundred percent (100%) of the issued and outstanding shares of PUI's capital stock was sold to HCC under a stock purchase agreement. HCC was a wholly owned subsidiary of Tokio Marine. As a result of the sale, the Company became a member of the Tokio Marine holding company group effective February 7, 2020.

A simplified organizational chart effective as of February 7, 2020, reflecting the current holding company system, is shown below.



Additionally, as a result of the sale, the Company provided notice to the Office regarding the replacement of its independent CPA, EisneAmper, LLP, with PricewaterhouseCoopers, LLP for audit services on a statutory basis for the year end 2020. This change was made to align with the Company's acquisition by and incorporation into the Tokio Marine group.

The Company intends to modify the participation percentages in its affiliated reinsurance pooling agreement with the Reciprocal from fifty percent (50%) to zero percent (0%). Therefore, the Reciprocal's pooling percentage would be one hundred percent (100%). In addition to the modification of participation percentages, the Company has indicated its intent to exercise its right under the affiliated pooling agreement to terminate the agreement with 12 months written notice. Such notice was made by the Company on January 6, 2021.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of PURE Insurance Company as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following also participated in the examination:

Sharon Stuber, CPA	Participating Examiner	Carr, Riggs & Ingram, LLC
Sophia Tran	Participating Examiner	Carr, Riggs & Ingram, LLC
Francois Houde, CPA, CA, CFE, CISA, AES	IT Specialist	Carr, Riggs & Ingram, LLC
Chris Burkhalter, FCAS, MAAA	Examination Actuary	The Burkhalter Group
Jeff Rockwell	Examination Manager	Office

Respectfully submitted,



Dale Miller, CPA, CFE, CFF
Examiner-in-Charge
Carr, Riggs, & Ingram, LLC
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CRA, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation