



**EXAMINATION REPORT  
OF  
PREPARED INSURANCE COMPANY**

**NAIC Company Code: 13687**

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

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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November 2, 2018

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

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), we have conducted an examination as of December 31, 2017, of the financial condition and corporate affairs of

**Prepared Insurance Company**  
1715 North Westshore Boulevard, Suite 930  
Tampa, Florida 33607

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

## **SCOPE OF EXAMINATION**

This examination covered the period of January 1, 2013 through December 31, 2017, and commenced with planning at the Florida Office of Insurance Regulation (“Office”) on May 2, 2018, to May 4, 2018. The fieldwork commenced on May 16, 2018, and concluded as of November 2, 2018. The Company’s last full scope examination by representatives of the Office covered the period of January 1, 2012, through December 31, 2012.

The examination was a multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes, and general information about the insurer and its financial condition. 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 significant findings of fact, material adverse findings and significant non-compliance findings such as non-compliance with state law(s), SSAPs, annual financial statement instructions or material changes in the financial statements.

## **Custodial Agreement**

The Company's custodial agreement with Comerica Bank & Trust, National Association did not contain all the requirements of Rule 69O-143.042, Florida Administrative Code.

## **Reinsurance**

The Company was not in compliance with Rule 69O-137.001, Florida Administrative Code, with regards to reinsurers reported on Schedule F of the 2017 Annual Financial Statement. Hannover Ruck SE was reported on Schedule F as an Authorized Reinsurer when the reinsurer should have been reported as a Certified Reinsurer. **Subsequent Event:** The Company amended Schedule F on September 11, 2018, to report Hannover Ruck SE as a Certified Reinsurer.

The Company's Reinsurance Broker Agreement with TigerRisk Partners, LLC ("TigerRisk") was not in compliance with Section 626.7492(4)(c), Florida Statutes, regarding the manner in which the funds may be held by the reinsurance intermediary broker in a fiduciary capacity in a bank which is a qualified United States financial institution. **Subsequent Event:** The Company properly amended the Reinsurance Broker Agreement to comply with Section 626.74929(4)(c), Florida Statutes, on August 29, 2018.

The Company overstated the ceded reinsurance credit for amounts ceded to Indigo Re, an unauthorized reinsurer, by \$1,072,490. An adjustment was posted to the examination financial statements to correct this error. **Subsequent Event:** On October 24, 2018, Indigo Re posted additional collateral in the amount of \$1,072,490 to fund its share of amounts of outstanding loss and loss adjustment expense reserves.

## **Statutory Deposits**

The Company did not complete Schedule E – Part 3 – Special Deposits of the 2017 Annual Financial Statement, as required by Rule 69O-137.001, Florida Administrative Code. **Subsequent Event:** The Company amended the Schedule E – Part 3 – Special Deposits of the 2017 Annual Financial Statement, on June 29, 2018.

## Previous Examination Findings

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2012.

## COMPANY HISTORY

### General

The Company is a wholly-owned subsidiary of Prepared Holdings, LLC ("Parent"). The Company was incorporated in Florida on April 16, 2009, and commenced business on September 18, 2009. The Company writes homeowners' insurance coverage in the states of Florida and Louisiana.

### Dividends

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

### Capital Stock and Capital Contributions

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

Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	5,000,000
Total common capital stock	\$5,000,000
Par value per share	\$1.00

As of December 31, 2017, the Company was owned one hundred percent (100%) by the Parent. The Parent was owned by Prepared Investor Group, LLC, a Delaware Limited Liability Company, seventy and three-tenths percent (70.3%) and Broadcast Insurance Holdings, LP, a Florida limited partnership, twenty-four and eight-tenths percent (24.8%). No other investors owned more than ten percent (10%) or greater of the Parent other than Prepared Investor Group, LLC and Broadcast Insurance Holdings, LP.

Prepared Investor Group, LLC is wholly-owned by PLW Investments, LLC, which in turn is wholly-owned by Patrick L. White.

Broadcrest Insurance Holdings, LP is controlled by its general partner, BIH, LLC. John Burden is the sole manager of BIH, LLC and Chief Executive Officer of Broadcrest Asset Management, LLC.

During the examination period, the Company reported capital contributions from the Parent of:

2014	\$2,850,000
2015	\$3,700,000
2016	\$6,800,000
2017	\$18,338,507
Total	\$31,688,507

### Surplus Notes

The Company reported surplus notes of \$3,900,000 as of December 31, 2017. The following lists the obligations:

Date Issued	Holder	Amount
12/18/2012	Prepared Holdings, LLC	\$1,400,000
05/07/2013	Prepared Holdings, LLC	\$2,500,000
	Total	\$3,900,000

### Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this examination.

## MANAGEMENT AND CONTROL

### Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. The Directors serving as of December 31, 2017, are shown on the following page.

#### Directors

Name	City, State	Principal Occupation, Company Name
------	-------------	---------------------------------------



Patrick Lawrence White	Austin, Texas	Chief Executive Officer and Chairman, Prepared Insurance Company
Eric Lee Gobble	Lutz, Florida	President and Chief Risk Officer, Prepared Insurance Company
Jeffrey Eugene Myers	Odessa, Florida	Chief Financial Officer and Secretary, Prepared Insurance Company
Scot Edward Moore	Orlando, Florida	President, Lighthouse Property Insurance Corporation
John Oliver Burden	Winter Park, Florida	Chief Executive Officer, Broadcrest Asset Management, LLC

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

#### **Senior Officers**

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Patrick Lawrence White	Austin, Texas	Chief Executive Officer and Chairman
Eric Lee Gobble	Lutz, Florida	President and Chief Risk Officer
Jeffrey Eugene Myers	Odessa, Florida	Chief Financial Officer and Secretary
Scot Edward Moore	Orlando, Florida	Treasurer

The Company's Board appointed several internal committees. The principal internal board committees and their members as of December 31, 2017 are on the following pages.

**Executive Committee**

<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Patrick Lawrence White <sup>1</sup>	Austin, Texas	Chief Executive Officer and Chairman, Prepared Insurance Company
Eric Lee Gobble	Lutz, Florida	President and Chief Risk Officer, Prepared Insurance Company
Jeffrey Eugene Myers	Odessa, Florida	Chief Financial Officer and Secretary, Prepared Insurance Company
Scot Edward Moore	Orlando, Florida	President, Lighthouse Property Insurance Corporation

<sup>1</sup> Chairman

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

**Audit Committee**

<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Scot Edward Moore <sup>1</sup>	Orlando, Florida	President, Lighthouse Property Insurance Corporation
Jeffrey Eugene Myers	Odessa, Florida	Chief Financial Officer and Secretary, Prepared Insurance Company
John Oliver Burden	Winter Park, Florida	Chief Executive Officer, Broadcrest Asset Management, LLC

<sup>1</sup> Chairman

### Investment Committee

<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Patrick Lawrence White <sup>1</sup>	Austin, Texas	Chief Executive Officer and Chairman, Prepared Insurance Company
Jeffrey Eugene Myers	Odessa, Florida	Chief Financial Officer and Secretary, Prepared Insurance Company
John Oliver Burden	Winter Park, Florida	Chief Executive Officer, Broadcrest Asset Management, LLC

<sup>1</sup> Chairman

### Holding Company System

As of December 31, 2017, the Company was owned one hundred percent (100%) by the Parent. The Parent was owned by Prepared Investor Group, LLC, a Delaware Limited Liability Company, seventy and three-tenths percent (70.3%) and Broadcrest Insurance Holdings, LP, a Florida limited partnership, twenty-four and eight-tenths percent (24.8%). No other investors owned more than ten percent (10%) or greater of the Parent other than Prepared Investor Group, LLC and Broadcrest Insurance Holdings, LP.

Prepared Investor Group, LLC is wholly-owned by PLW Investments, LLC, which in turn is wholly-owned by Patrick L. White.

Broadcrest Insurance Holdings, LP is controlled by its general partner, BIH, LLC. John Burden is the sole manager of BIH, LLC and Chief Executive Officer of Broadcrest Asset Management, LLC.

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

### Cost Sharing Agreement

The Company entered into a Cost Sharing Agreement with Prepared Holdings, LLC and Prepared Managers, LLC ("PML") on November 1, 2011. The agreement allocated cost based upon the scope of work and responsibilities performed for the benefit of the affiliated company. Fees incurred under this agreement during 2017 amounted to \$2,316,000.

## **Managing General Agency and Claims Administration Agreement**

The Company entered into a Managing General Agency and Claims Administration Agreement with Prepared Managers, LLC (MGA) on April 17, 2009. The agreement continues in force for a term of three (3) years with the option to renew for additional one-year (1) periods, unless otherwise terminated within the guidelines of the agreement. Fees were based on twenty-five percent (25%) of written annual premium. The MGA charged a fee of \$25 per policy for new and renewal business. Claims administration services were included in the agreement as part of MGA's fee with additional charges for catastrophe management services and subrogation and salvage. On a limited basis, claims handling services were outsourced to third party adjusters. The agreement was amended as of October 23, 2009, to increase the minimum allowable deductible on Errors & Omissions coverage from \$100,000 to \$250,000. The agreement was also amended as of March 16, 2010, to allow the MGA, at its sole discretion, to forgive any portion or all of its commission due under this agreement. Fees incurred under this agreement during 2017 amounted to \$14,050,000.

## **ACCOUNTS AND RECORDS**

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

The Company implemented a web-based general ledger system during 2012. The Company outsourced its primary business transaction processes (claims, policy and premiums administration) to the MGA, which sub-contracted with third party service providers. These third-party service providers hosted and maintained the systems that were used to process the Company's premiums and claims.

The Company and non-affiliates had the following agreements:

### **Brokerage Authorization Contract**

The Company maintained a reinsurance brokerage authorization contract with TigerRisk effective March 20, 2017. The agreement pertains to brokerage fees earned and collected by TigerRisk

with respect to reinsurance placed by TigerRisk for the Company with effective dates during the agreement term.

The Company's reinsurance Broker Authorization Contract with TigerRisk allows for a method of holding funds, which is not in compliance with Section 626.7492(4)(c), Florida Statutes, regarding the manner in which the funds may be held by the reinsurance intermediary broker in a fiduciary capacity in a bank which is a qualified United States financial institution. **Subsequent Event:** The Company properly amended the Reinsurance Broker Agreement to comply with Section 626.7492(4)(c) on August 29, 2018.

### **Custodial Agreement**

The Company maintained a custodial agreement with Comerica Bank & Trust, National Association executed on July 15, 2014. The Company's custodial agreement did not meet all the requirements of Rule 69O-143.042, Florida Administrative Code as follows:

- a) The custodial agreement was not authorized by the Board which was a violation of 69O-143.042(2), Florida Administrative Code, which states, "any such agreement shall be in writing and shall be authorized by a resolution of the Board of Directors of the insurance company or of an authorized committee thereof." A Board resolution was provided authorizing the custodian but not the custodial agreement.
- b) Paragraph 12 of the custodial agreement states "the custodian will furnish to the Depositor a statement, at least quarterly, which will specify the funds and securities in the custody of the Custodian at the end of such period...". However, Rule 69O-143.042(2)(e), Florida Administrative Code states, "the custodian shall be required to furnish no less than monthly the insurance company with reports of holdings of custodied securities at such time and containing such information as may be reasonably requested by the insurance company."
- c) The custodial agreement does not include the required provision in Rule 69O-143.042(e), Florida Administrative Code, which states "the custodian's trust committee's annual report of its review of the insurer's trust accounts shall also be provided to the insurance company."

The Company was not in compliance with Rule 69O-137.001, Florida Administrative Code with regards to correctly reporting the named custodian as Comerica Wealth Management Department in General Interrogatory #28.01 in the 2017 annual statement. The correct name of the custodian was Comerica Bank & Trust, National Association.

### **Independent Auditor Agreement**

An independent CPA, Gregory, Sharer & Stuart, P.A., audited the Company's statutory basis financial statements annually for the year 2017, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

### **Investment Accounting Agreement**

The Company maintained an investment accounting agreement with Clearwater Analytics, LLC effective August 20, 2015. Pursuant to the terms of the agreement, Clearwater Analytics, LLC is to provide investment accounting and annual statement preparation services to the Company.

### **Investment Management Agreement**

The Company entered into an investment management agreement February 9, 2011, with Sage Advisory Services, Ltd. ("SAGE"), a non-affiliated investment manager, to manage investments. SAGE had discretionary authority over investments within the guidelines of the Investment Policy. Fees paid under this agreement during 2017 amounted to \$61,289.

### **Trust Agreement**

The Company maintained a reinsurance trust agreement with Indigo Assurance, LLC ("Indigo"), on behalf of Indigo Re, and Branch Banking and Trust Company ("BB&T") effective July 1, 2017. Indigo established a trust for the sole benefit of the Company to account for reinsurance receivables as an asset on its financial statements pursuant to Section 624.610, Florida Statutes.

### **Corporate Records Review**

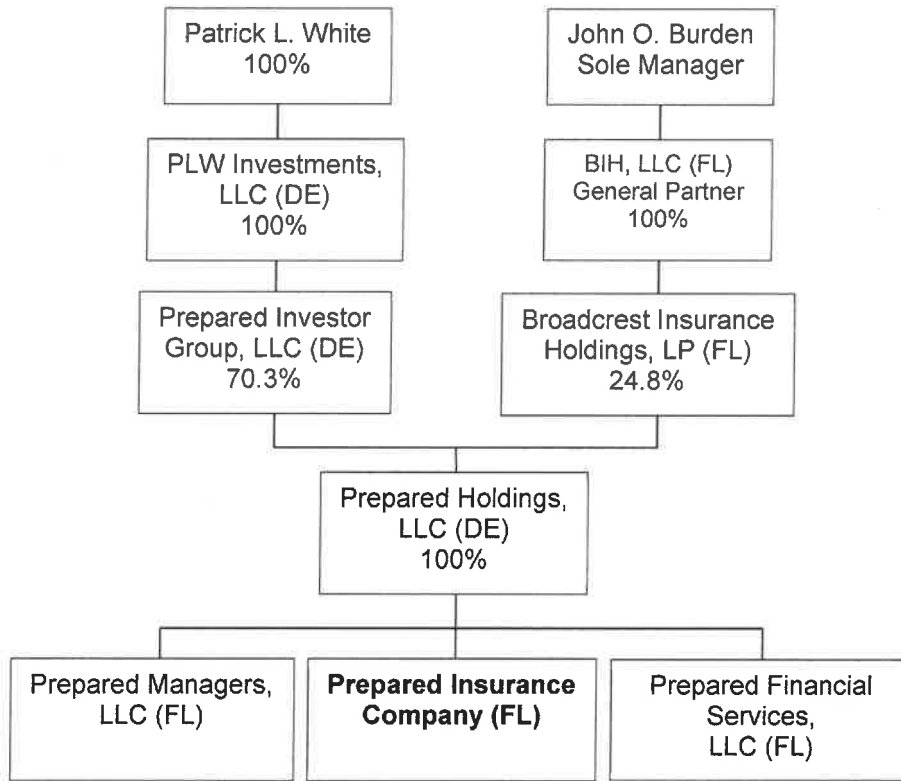
The recorded minutes of the Shareholder(s), Board and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

### **Conflict of Interest**

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

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

**Prepared Insurance Company  
Organizational Chart  
December 31, 2017**





## TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the states of Florida and Louisiana.

The Company was authorized to transact insurance in Florida on September 18, 2009, and is currently authorized for the following coverages as of December 31, 2017:

Fire  
Allied Lines

Homeowners Multi-Peril

### **Treatment of Policyholders**

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)(3)(a), Florida Statutes. The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(j), Florida Statutes.

## REINSURANCE

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

### **Reinsurance Assumed**

The Company assumed an immaterial amount of risk from non-affiliated insurers during the period of this examination.

### **Reinsurance Ceded**

The Company's ceded reinsurance program consisted of numerous quota share and catastrophe excess of loss reinsurance agreements with various professional reinsurers. The catastrophe excess of loss coverage was provided by agreements with commercial reinsurers and by the Florida Hurricane Catastrophe Fund. Most treaties were placed through reinsurance intermediary TigerRisk. The Company also utilized several unauthorized reinsurers during the period of this

examination. There were trust agreements and letters of credit established for these unauthorized reinsurers.

The Company was not in compliance with the Rule 69O-137.001, Florida Administrative Code, with regards to reinsurers reported on Schedule F of the 2017 Annual Financial Statement. Hannover Ruck SE was reported as an Authorized Reinsurer when the reinsurer should have been reported as a Certified Reinsurer. The Company incorrectly reported the domiciliary jurisdiction of MS Amlin AG as a Bermuda reinsurer when the domiciliary jurisdiction is Switzerland. **Subsequent Event:** On September 11, 2018, the Company amended Schedule F of the 2017 Annual Financial Statement, to report Hannover Ruck SE as a Certified Reinsurer.

The Company did not report an offset item used to provide collateral to receive full credit with the unauthorized insurer, Indigo Re in accordance with Section 624.610, Florida Statutes. For Indigo Re, the Company reported an amount of \$2,824,000 in column 12 of Schedule F, Part 5, of the 2017 Annual Financial Statement which consisted of a verifiable trust fund amount of \$1,751,510 and ceded commission equity in unearned premium of \$1,072,490 as an “other allowed offset item”. An adjustment was posted to the examination financial statements to correct this error. – **Subsequent Event:** On October 24, 2018, Indigo Re posted additional collateral in the amount of \$1,072,490 to fund its share of amounts of outstanding loss and loss adjustment expense reserves.

## INFORMATION TECHNOLOGY REPORT

Phillip McMurray, CISSP, CISA, AES, IT Specialist, and Kristina Gaddis, CFE, CISA, AES, IT Specialist, of Risk and Regulatory Consulting, 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	CD	0.90% \$ 300,000	\$ 300,000
TOTAL FLORIDA DEPOSITS		<u>\$ 300,000</u>	<u>\$ 300,000</u>
LA		\$ 60,000	\$ 54,605
TOTAL OTHER DEPOSITS		<u>\$ 60,000</u>	<u>\$ 54,605</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 360,000</u>	<u>\$ 354,605</u>

The Company did not complete Schedule E – Part 3 – Special Deposits, as required by Rule 69O-138.001, Florida Administrative Code. **Subsequent Event:** On June 29, 2018, the Company amended Schedule E – Part 3 – Special Deposits of the 2017 Annual Financial Statement, to meet the requirement of Rule 69O-138.001, Florida Administrative Code.

## **FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Office, are reflected on the following pages.

## Prepared Insurance Company

### Assets

December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Bonds	\$22,597,166		\$22,597,166
Real Estate:			
Properties occupied by Company	107,770		107,770
Cash, cash equivalents and short-term investments	36,408,273		36,408,273
Investment income due and accrued	126,140		126,140
Agents' Balances:			
Uncollected premium	386,218	1,337,668	1,723,886
Deferred premium	1,723,886	(1,337,668)	386,218
Reinsurance:			
Other amounts receivable	444,298		444,298
Current federal income tax recoverable	210,006		210,006
Net deferred tax asset	315,000		315,000
Receivable from parents, subsidiaries and affiliates	6,804,939		6,804,939
Totals	<u>\$69,123,696</u>	<u>\$0</u>	<u>\$69,123,696</u>

**Prepared Insurance Company  
Liabilities, Surplus and Other Funds  
December 31, 2017**

	Per Company	Examination Adjustments	Per Examination
Losses	\$14,950,194		\$14,950,194
Loss adjustment expenses	3,331,049		3,331,049
Other expenses	91,844		91,844
Taxes, licenses and fees	170,321		170,321
Unearned premium	12,575,841		12,575,841
Advance premium	1,671,359		1,671,359
Ceded reinsurance premiums payable	9,120,614		9,120,614
Funds held under reinsurance treaties	7,123,408		7,123,408
Amounts withheld	72,771		72,771
Provision for reinsurance	0	1,072,490	1,072,490
<b>Total Liabilities</b>	<b>\$49,107,401</b>	<b>\$1,072,490</b>	<b>\$50,179,891</b>
Common capital stock	\$5,000,000		\$5,000,000
Surplus notes	\$3,900,000		\$3,900,000
Gross paid in and contributed surplus	37,202,507		37,202,507
Unassigned funds (surplus)	(26,086,210)	(1,072,490)	(27,158,700)
<b>Surplus as regards policyholders</b>	<b>\$20,016,297</b>	<b>(\$1,072,490)</b>	<b>\$18,943,807</b>

**Prepared Insurance Company**

**Statement of Income**

**December 31, 2017**

**Underwriting Income**

Premiums earned		\$18,578,599
	<b>Deductions:</b>	
Losses incurred		\$20,023,502
Loss expenses incurred		6,174,901
Other underwriting expenses incurred		9,441,311
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$35,639,714</u>
Net underwriting (loss)		(\$17,061,115)

**Investment Income**

Net investment income earned	\$835,053
Net realized capital gains	219,403
Net investment gain	<u>\$1,054,456</u>

**Other Income**

Net (loss) from agents' or premium balances charged off	(\$4,745)
Finance and service charges not included in premiums	119,750
Aggregate write-ins for miscellaneous income	(226)
Total other income	<u>\$114,779</u>

Net income before dividends to policyholders and before federal & foreign income taxes	(\$15,891,880)
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	(\$15,891,880)
Federal & foreign income taxes	40,803
Net Loss	<u>(\$15,932,683)</u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year	\$20,105,228
Net Loss	(\$15,932,683)
Change in net unrealized capital gains or losses	(73)
Change in net deferred income tax	1,580,761
Change in non-admitted assets	(2,675,443)
Change in surplus notes	(1,400,000)
Surplus adjustments: Paid in	18,338,507
Examination Adjustment	(1,072,490)
Change in surplus as regards policyholders for the year	<u>(\$1,161,421)</u>
Surplus as regards policyholders, December 31 current year	<u>\$18,943,807</u>

**Prepared Insurance Company**  
**Reconciliation of Capital and Surplus**  
**December 31, 2017**

Capital/Surplus Change during Examination Period		
Surplus as regards policyholders		
December 31, 2012 per Examination		\$12,204,193
	<u>Gain in Surplus</u>	<u>Loss in Surplus</u>
Net Income (loss)		\$23,984,837
Change in net unrealized capital gain (loss)		\$64,699
Change in net deferred income tax	\$4,297,433	
Change in non-admitted assets		\$4,424,302
Change in surplus notes	\$300,000	
Change in paid in capital	\$4,990,000	
Change in paid in surplus	\$26,698,507	
Rounding	\$2	
Examination adjustment		\$1,072,490
Total Gains and Losses	<u>\$36,285,942</u>	<u>\$29,546,328</u>
Net Increase/(Decrease) in surplus as regards policyholders		<u>\$6,739,614</u>
Surplus as regards policyholders		
December 31, 2017 per Examination		<u><u>\$18,943,807</u></u>



**Prepared Insurance Company**  
**Analysis of Changes in Financial Statement Resulting from the Examination**  
**December 31, 2017**

Analysis of Changes in Surplus  
 Surplus at December 31,  
 2017, per Annual Financial  
 Statement

	<u>Increase</u>	<u>Decrease</u>	
			\$20,016,297
Liabilities Line 13 - Funds held under reinsurance treaties	\$1,072,490		
Net increase (or decrease)			<u>(\$1,072,490)</u>
Surplus at December 31, 2017, after adjustment			<u>\$18,943,807</u>

Summary of Reclassifications

Annual Statement Line Item	Balance per Annual Statement	Increase	Decrease	Adjusted Balance
Assets Line 15.1 - Uncollected Premium	\$ 386,218	\$ 1,337,668	\$ -	\$ 1,723,886
Assets Line 15.2 - Deferred Premium	\$ 1,723,886	\$ -	\$ 1,337,668	\$ 386,218

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### Assets

#### Uncollected Premiums and Agents' Balances

The amounts reported on Assets, Page 2, Line 15.1 (Uncollected premiums and agents' balances in the course of collection) and Line 15.2 (Deferred premiums, agents' balances and installments booked but deferred and not yet due) of the 2017 Annual Financial Statement were inversely reported. This reclassification of assets had no impact on surplus.

#### Receivable from Parent, Subsidiary and Affiliates

Assets, Page 2, Line 23 of \$6,804,939 consisted of the following balances:

- \$1,546,432 as an amount receivable from PML and
- \$5,258,507 as an amount receivable from the Parent.

Amounts due from the Parent were related to a surplus contribution recorded in 2017, but funded in 2018 in accordance with SSAP #72.

### Liabilities

#### Losses and Loss Adjustment Expenses

Klayton Southwood, Willis Towers Watson, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2017, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Lisa Chanzit, Supervising Actuary of Risk and Regulatory Consulting, LLC, reviewed the loss and loss adjustment expense work papers provided by the Company and was in concurrence with this opinion.

#### Capital and Surplus

The amount of capital and surplus, as adjusted by this examination, of \$18,943,807 exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

## SUBSEQUENT EVENTS

Effective January 1, 2018, the Company, PML, and Pharos Claims Service (“Pharos”), a claims third-party administrator, entered into a Claims Adjusting Services Agreement. The agreement provided for Pharos to provide claims adjusting services in accordance with the Company’s claims policies and procedures manual. The agreement also provided for a set fee schedule based upon claims reported.

In April 2018, Lighthouse Property Insurance Corporation (“Lighthouse”), a Louisiana domiciled property and casualty insurer, filed a Form A change of control with the Louisiana Insurance Department whereby one of the Company’s ultimate controlling parties, Patrick White, would become the ultimate controlling party of Lighthouse. In a letter dated July 6, 2018, the Louisiana Insurance Department approved the exemption request. Subsequent to this transaction, the Company and Lighthouse became part of the same holding company system.

In July 2018, the Company purchased real estate in Tampa, Florida for \$3,500,000 to be developed as the Company’s home office. There was no borrowed money associated with the real estate purchase and the real estate was not encumbered. The Company’s plan was to build-out the property and begin gradually moving employees to the new home office.

## **SUMMARY OF RECOMMENDATIONS**

### **Custodial Agreement**

We recommend the Company provide a board resolution authorizing the custodial agreement and amend the custodial agreement to meet the requirements of Rule 69O-143.042(2)(e), Florida Administrative Code. We further recommend the Company accurately report the name of the custodian per Rule 690-137.001, Florida Administrative Code, in future filings.

## CONCLUSION

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

Per examination annual financial statements, the Company's surplus as regards to policyholders was \$18,943,807, which exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

The following participated in the examination:

Eric Free, CFE, ALMI	Examiner-in-Charge	Risk and Regulatory Consulting, LLC
John Humphries, ASA, MAAA, CFE, CISA, AES, MCM, MBA, MAS	Reviewing Examiner	Risk and Regulatory Consulting, LLC
Joshua Johnson, CFE	Participating Examiner	Risk and Regulatory Consulting, LLC
Lisa Chanzit, FCAS, MAAA	Actuarial Specialist	Risk and Regulatory Consulting, LLC
Andrew Chandler, ACAS, MAAA	Actuarial Specialist	Risk and Regulatory Consulting, LLC
Phillip McMurray, CISSP, CISA, AES	IT Specialist	Risk and Regulatory Consulting, LLC
Kristina Gaddis, CFE, CISA, AES	IT Specialist	Risk and Regulatory Consulting, LLC
Kyra Brown, APIR, MBA	Examination Manager	Office
Mary James, CFE	Participating Examiner	Office

Respectfully submitted,



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