



**EXAMINATION REPORT
OF
PRIVILEGE UNDERWRITERS
RECIPROCAL EXCHANGE**

NAIC Company Code: 12873

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

**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
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	3
GENERAL	3
DIVIDENDS	3
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS	3
ALLOCATION TO SUBSCRIBERS	4
SURPLUS NOTES	4
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	4
MANAGEMENT AND CONTROL	5
CORPORATE GOVERNANCE	5
HOLDING COMPANY SYSTEM	8
ATTORNEY-IN-FACT AGREEMENT	8
SUBSCRIBER'S AGREEMENT AND POWER OF ATTORNEY	8
BROKER AGENCY AGREEMENT	8
REINSURANCE POOLING AGREEMENT	9
INVESTMENTS	9
ACCOUNTS AND RECORDS	9
CUSTODIAL AGREEMENT	9
INDEPENDENT AUDITOR AGREEMENT	9
REINSURANCE INTERMEDIARY BROKER AGREEMENT	10
CORPORATE RECORDS REVIEW	10
SIMPLIFIED ORGANIZATIONAL CHART	11
TERRITORY AND PLAN OF OPERATIONS	12
REINSURANCE	13
REINSURANCE ASSUMED	13
REINSURANCE CEDED	13
FINANCIAL STATEMENTS	15
ASSETS	16
LIABILITIES, SURPLUS AND OTHER FUNDS	17
STATEMENT OF INCOME	18
RECONCILIATION OF CAPITAL AND SURPLUS	20
COMMENTS ON FINANCIAL STATEMENT ITEMS	21
LIABILITIES	21
CAPITAL AND SURPLUS	21
SUBSEQUENT EVENTS	22
SUMMARY OF RECOMMENDATIONS	24
CONCLUSION	25

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

Privilege Underwriters Reciprocal Exchange
800 Corporate Drive, Suite 420
Fort Lauderdale, Florida 33334

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

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2015January 1, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation ("the Office") on July 27, 2020July 27, 2020 to July 31, 2020July 31, 2020. The fieldwork concluded as of April 9, 2021April 9, 2021. The Reciprocal's last full scope examination by representatives of the Office covered the period of January 1, 2010January 1, 2010 through December 31, 2014December 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 Reciprocal, 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 Reciprocal 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 Reciprocal 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 Reciprocal.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

Investments

The Reciprocal and its affiliates made several investments that were not compliant with Section 625.332(1)(b), Florida Statutes. The non-compliance resulted from the Reciprocal and its affiliates combining their ownership interest a controlling interest without the statutorily required consent from Office. This is a repeat finding from the prior examination.

Subsequent Event: As a result of the subsequent affiliation of the Reciprocal with the Tokio Marine group, the Reciprocal and its subsequent affiliates no longer had a controlling interest in the investments and therefore, the investments no longer required consent from the Office. As such, the finding was considered subsequently resolved both as a prior and current exam finding.

Previous Examination Findings

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

Affiliated Agency Agreements

The Reciprocal did not formally file agency agreements which was not in compliance with Section 628.255, Florida Statutes, which states the following: "No director, officer, or other person having effective control of a domestic insurer shall receive, and no such insurer shall pay to such person, a commission or other compensation with respect to particular risks insured by the insurer, unless such commission or other compensation is paid pursuant to a contract filed with and approved by the office."

During the previous examination, the affiliated agency agreement with Insurance Intermediaries, Inc. was no longer in effect and therefore, no corrective action was

required to correct the agreement. As a result, this previous examination finding was resolved.

COMPANY HISTORY

General

The Reciprocal was organized in Florida on January 23, 2007 and commenced business on January 29, 2007. The Reciprocal was a non-assessable unincorporated aggregation of subscribers governed by a Subscribers' Advisory Committee ("SAC"), which is similar to a board of directors.

The Reciprocal was managed by its attorney-in-fact, Pure Risk Management, LLC ("PRM"). PRM managed all of the operations of the Reciprocal and was owned by Privilege Underwriters, Inc. ("PUI").

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 Reciprocal became a member of the Tokio Marine holding company group effective February 7, 2020.

Dividends

The Reciprocal did not have stockholders; therefore, no dividends were declared or paid during the period under examination.

Capital Stock and Capital Contributions

As the Reciprocal was a non-assessable reciprocal, it did not have capital stock.

Allocation to Subscribers

The Reciprocal was approved to make the following allocations to the Subscriber Savings Accounts: \$8,000,000 in 2015, \$4,000,000 in 2016, \$25,000,000 in 2017, \$15,000,000 in 2018, and \$21,500,000 in 2019.

Surplus Notes

The Reciprocal reported the following surplus notes issued and outstanding during the period under examination (please note the dollar amounts are reported in millions).

Note Holder	Issue Date	Maturity Date	Original Amount	December 31, 2019 Balance
Florida State Board of Administration	June 13, 2007	June 2022	\$17.0	\$3.3 ⁽¹⁾
Athene Annuity and Life Assurance	July 23, 2014	July 2021	\$13.6	\$13.6 ⁽²⁾
ASG Pure Holding, Inc.	July 23, 2014	July 2021	\$20.4	\$20.4 ⁽³⁾
XL Finance (Ireland), LTD.	December 22, 2015	December 2025	\$25.0	\$25.0 ⁽⁴⁾
XL Finance (Ireland), LTD.	November 7, 2016	November 2026	\$25.0	\$25.0 ⁽⁵⁾
XL Finance (Ireland), LTD.	January 18, 2018	January 2028	\$25.0	\$25.0 ⁽⁶⁾

Notes:

- (1) The interest rate is 10-year U.S. Treasury Bond rate plus 2.77%
- (2) The interest rate is LIBOR plus 7.50%
- (3) LIBOR plus 7.50%
- (4) 2.70%
- (5) 4.32%
- (6) 7.04%

Acquisitions, Mergers, Disposals, Dissolutions

The Reciprocal had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

In accordance with Section 629.201, Florida Statutes, the Reciprocal set forth rules for the SAC as provided by in the "Powers of the Subscribers' Advisory Committee." SAC members were elected annually in accordance with the Reciprocal's rules. SAC members serving as of December 31, 2019, are shown below:

Subscribers' Advisory Committee Members		
Name	City, State	Principal Occupation, Company Name
Douglas G. Fields	Weston, Florida	Senior Vice President, McGriff Insurance Services
James H. McLaughlin	Darien, Connecticut	Founder and Chief Executive Officer, J.H. McLaughlin & Co., LLC
William W. Wilson III	Key Largo, Florida	Executive Chairman, Queue Software Partner, Tri-Tech Luxury Home Builders
Ross J. Buchmueller	White Plains, New York	President and Chief Executive Officer, Pure Group Companies
Richard A. Jacobs	Delray Beach, Florida	Principal and Managing Director, CGA Capital, LLC
Josephine A. Cummings	New York, New York	Chief Executive Officer, and Chief Strategic and Creative Officer, The Joey Company
Jodi G. Lash ⁽¹⁾	Southlake, Texas	Chief Executive Officer, J. Lash & Company

(1) Chairperson

The SAC was the primary governing body of the Reciprocal as to exercising subscribers' rights and contractually appointing its attorney-in-fact. The Board of Directors of the Reciprocal's attorney-in-fact, PRM, appointed and governed the management of the Reciprocal. Directors of the attorney-in-fact serving as of December 31, 2019, are shown below:

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

(1) Chairperson

(a) Resigned on January 29, 2020, and was replaced by Susan Rivera as Director on February 7, 2020.

(b) Resigned on January 29, 2020, and was replaced by Kichiichiro Yamamoto as Director on February 7, 2020.

(c) Resigned on January 29, 2020, and was replaced by Hisanobu Koga as Director on February 7, 2020.

(d) Resigned on January 29, 2020, and was replaced by Michael J. Schell as Director on February 7, 2020.

(e) Resigned on January 29, 2020.

(f) Resigned on January 29, 2020, and was replaced by Chris Williams as Director/Chairperson on February 7, 2020.

In accordance with the Reciprocal's and attorney-in-fact's governance rules, the following Senior Officers were appointed:

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 Reciprocal appointed an internal audit committee through the SAC. The following individuals were members of the audit committee, as well as members of the SAC, as of December 31, 2019. The first person listed is the chairperson.

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

Audit Committee		
Name	City, State	Title, Company Name
Richard A. Jacobs	Delray Beach, Florida	SAC Member, Privilege Underwriters Reciprocal Exchange
James H. McLaughlin	Darien, Connecticut	SAC Member, Privilege Underwriters Reciprocal Exchange
Jodi G. Lash	Southlake, Texas	SAC Member, Privilege Underwriters Reciprocal Exchange
William W. Wilson III	Key Largo, Florida	SAC Member, Privilege Underwriters Reciprocal Exchange

Holding Company System

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

Attorney-in-Fact Agreement

The Reciprocal, being a non-assessable reciprocal insurer and as prescribed by Chapter 629, Florida Statutes, initially entered into an attorney-in-fact agreement with PRM, effective January 24, 2007, which was renewed effective May 24, 2018. The agreement continues in force for a term of five (5) years and shall automatically renew for additional one (1) year terms, unless otherwise terminated within the guidelines of the agreement. Per the agreement, PRM was appointed the attorney-in-fact for the Reciprocal. As the attorney-in-fact, PRM furnished all employees and resources necessary to provide the necessary and appropriate management services to the Reciprocal, which included, but not limited to, administration and management of the day-to-day insurance business, underwriting and policy services, reinsurance placement, claims administration/supervision, accounting services, etc. In exchange for services, PRM retained a service fee of seventeen percent (17%) of gross written premiums for underwriting and marketing services, and five percent (5%) of gross earned premiums for claims management services. Fees incurred under the agreement during 2019 amounted to \$194,693,004 for underwriting and marketing services, and \$52,557,785 for claims services.

Subscriber's Agreement and Power of Attorney

Each new subscriber/member signed a Subscriber's Agreement and Power of Attorney which appointed PRM as the attorney-in-fact and allowed for PRM to conduct the lawful business of the Reciprocal. Each member agreed to make surplus contributions for the first five (5) years of their membership. The surplus contribution was a percentage of the policy premium (ten percent (10%) for Homeowner and Watercraft policies and four percent (4%) for all other policies).

Broker Agency Agreement

The Reciprocal entered into a Broker Agency Agreement with PUI effective April 25, 2007. The agreement continues in force, unless terminated upon written notice. Per the agreement, members or their broker, PUI, may choose to have policies issued with or without commission. For policies issued with commission, the commission rate was ten percent (10%) for all lines of

business. For policies without commission, PUI entered into a separate and distinct professional services agreement with the member. The Reciprocal was not involved in the collection of fees between PUI and members. Commission fees incurred under the agreement in 2019 amounted to \$1,834,677.

Reinsurance Pooling Agreement

As discussed below in the *Reinsurance* section, the Reciprocal entered into an affiliated Reinsurance Pooling Agreement with Pure Insurance Company ("PIC") effective August 5, 2008.

Investments

The Reciprocal and its affiliates made combined investments that resulted in a controlling interest in the investment. This was not compliant with Section 625.332(1)(b), Florida Statutes. The instance of non-compliance and its resolution and are discussed in the Current Exam Finding Section above.

ACCOUNTS AND RECORDS

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

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

Custodial Agreement

The Reciprocal maintained a custodial agreement with U.S. Bank National Association executed on September 17, 2014September 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 Reciprocal's statutory basis financial statements annually for the all the years under examination.

Reinsurance Intermediary Broker Agreement

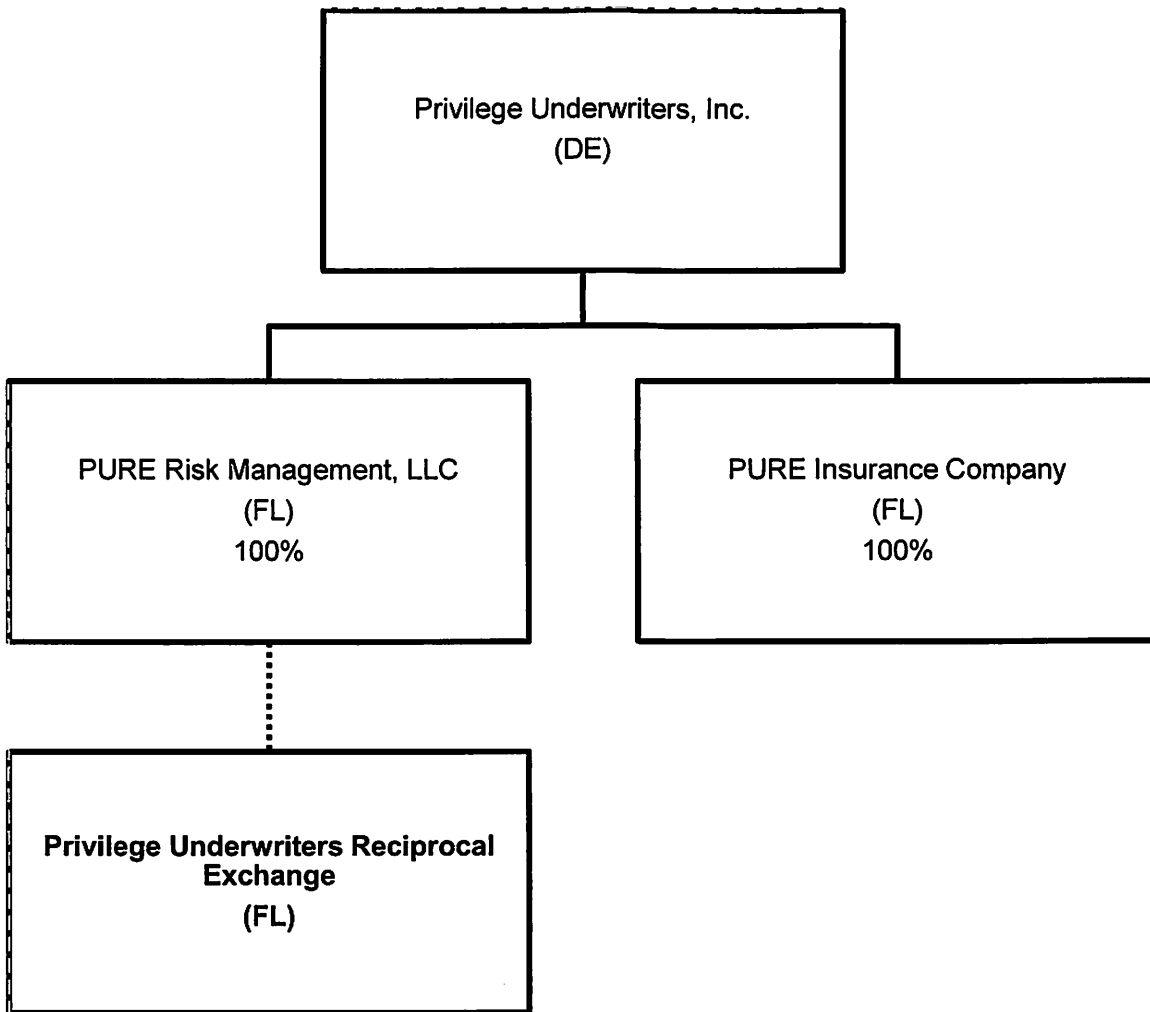
The Reciprocal maintained a reinsurance intermediary broker agreement with Guy Carpenter & Company, LLC ("Guy Carpenter") effective December 26, 2013. The agreement renews annually with the placement of the new treaty year.

Corporate Records Review

The recorded minutes of the SAC and the Audit Committee were reviewed for the period under examination. The recorded minutes of the SAC documented its meetings and approval of Reciprocal transactions and events.

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

Privilege Underwriters Reciprocal Exchange
Simplified Organizational Chart
December 31, 2019



TERRITORY AND PLAN OF OPERATIONS

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

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

The Reciprocal was authorized to transact insurance in Florida on January 23, 2007January 23, 2007, and was authorized for the following lines of business as of December 31, 2019:

Homeowners Multiple Peril	Private Passenger Auto Liability
Allied Lines	Private Passenger Auto Physical Damage
Workers' Compensation	Other Liability
Ocean Marine	Inland Marine

The Reciprocal primarily wrote Homeowners Multiple Peril policies in the states where it was licensed or eligible. The states with the highest volume of direct written premiums, which

accounted for approximately fifty four percent (54%) of the Reciprocal's total direct written premiums as of December 31, 2019, are shown below:

State	Direct Written Premium (In Millions)
Florida	\$186
New York	\$147
Texas	\$122
California	\$106
Massachusetts	\$59

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 Reciprocal did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Reciprocal ceded risk on a quota share and excess of loss basis to participating reinsurers using a reinsurance intermediary broker, Guy Carpenter. The Reciprocal ceded risk on a quota share basis covering each of the Reciprocal's lines of business. Various quota share percentages for each line of business were ceded under separate agreements. The Reciprocal ceded risk on a per risk excess of loss basis for homeowners property and collections coverages under separate per risk excess of loss agreements. Additionally, the Reciprocal ceded risk under various property catastrophe excess of loss agreements, which provided for multiple loss layers. The Reciprocal also maintained coverage through the Florida Hurricane Catastrophe Fund.

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

between the Reciprocal and its affiliate PIC will change. This is discussed in the "Subsequent Event" section of the report below.

FINANCIAL STATEMENTS

The following includes the Reciprocal'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 Reciprocal with the Florida Office of Insurance Regulation and present the financial condition of the Reciprocal 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.)

Privilege Underwriters Reciprocal Exchange
Assets
December 31, 2019

	Per Reciprocal
Bonds	\$330,797,591
Stocks	
Preferred	\$527,517
Common	\$21,478,990
Cash and short-term investments	\$44,175,764
Other investments	\$10,105,803
Receivables for securities	\$952
Subtotal cash and invested assets	\$407,086,616
Interest income due and accrued	\$1,677,690
Agents' balances	
Uncollected premium	\$19,734,312
Deferred premium	\$237,279,601
Amounts recoverable from reinsurer	\$136,526,206
Current federal and foreign income taxes recoverable	\$30,440,314
Aggregate write-in for other than invested assets	\$194,543
Totals	\$832,939,282

Privilege Underwriters Reciprocal Exchange
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Reciprocal
Losses	\$75,591,971
Loss adjustment expenses	\$7,987,737
Commissions payable, contingent commissions and other similar charges	\$55,724,911
Other expenses	\$3,379,827
Taxes, licenses and fees	\$5,347,215
Net deferred tax liability	\$4,126,709
Unearned premiums	\$74,799,057
Advance premiums	\$11,558,288
Ceded reinsurance premiums payable	\$134,748,972
Funds held under reinsurance treaties	\$130,594,741
Payable to parent, subsidiaries and affiliates	\$13,592,484
Payable for securities	\$500,000
Total liabilities	\$517,951,912
Surplus notes	\$112,296,512
Gross paid-in and contributed surplus	\$297,860,872
Unassigned funds (surplus)	(\$95,170,014)
Surplus as regards policyholders	\$314,987,370
Total liabilities, surplus and other funds	\$832,939,282

Privilege Underwriters Reciprocal Exchange
Statement of Income
December 31, 2019

	Per Reciprocal
Underwriting Income	
Premiums earned	\$205,634,517
Deductions	
Losses incurred	\$134,195,868
Loss adjustment expenses incurred	\$27,355,386
Other underwriting expenses incurred	\$99,877,809
Total underwriting deductions	\$261,429,063
Net underwriting gain (loss)	(\$55,794,546)
Investment Income	
Net investment income earned	\$2,852,436
Net realized capital gains (losses)	\$1,916,641
Net investment gain (loss)	\$4,769,077
Net income before dividends to policyholders and before federal & foreign income taxes	(\$51,025,469)
Net income, after dividends to policyholders, but before federal & foreign income taxes	(\$51,025,469)
Federal and foreign income taxes	(\$21,146,750)
Net income (loss)	(\$29,878,719)

	Per Reciprocal
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$288,959,601
Net income (loss)	(\$29,878,719)
Change in net unrealized capital gains or losses	\$1,328,803
Change in non-admitted assets	\$28,871
Change in net deferred income taxes	\$370,791
Change in surplus notes	(\$1,465,116)
Surplus adjustments: Paid in	\$55,643,139
Change in surplus as regards policyholders for the year	\$26,027,769
Surplus as regards policyholders, December 31, current year	\$314,987,370

**Privilege Underwriters Reciprocal Exchange
Reconciliation of Capital and Surplus
December 31, 2019**

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2014, per Examination			\$68,680,639
	Increase	Decrease	
Net income (loss)		(\$35,571,756)	(\$35,571,756)
Change in net unrealized capital gain (loss)	\$353,219		\$353,219
Change in net deferred income tax		(\$3,592,391)	(\$3,952,391)
Change in non-admitted assets		(\$390,533)	(\$390,533)
Change in surplus notes	\$67,674,420		\$67,674,420
Change in paid in surplus	\$218,193,774		\$218,193,774
Rounding		(\$2)	(\$2)
Net increase (or decrease)			\$246,306,731
Surplus at December 31, 2019, per Examination			\$314,987,370

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 SAC, 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 Reciprocal 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 Reciprocal and he was in concurrence with this opinion.

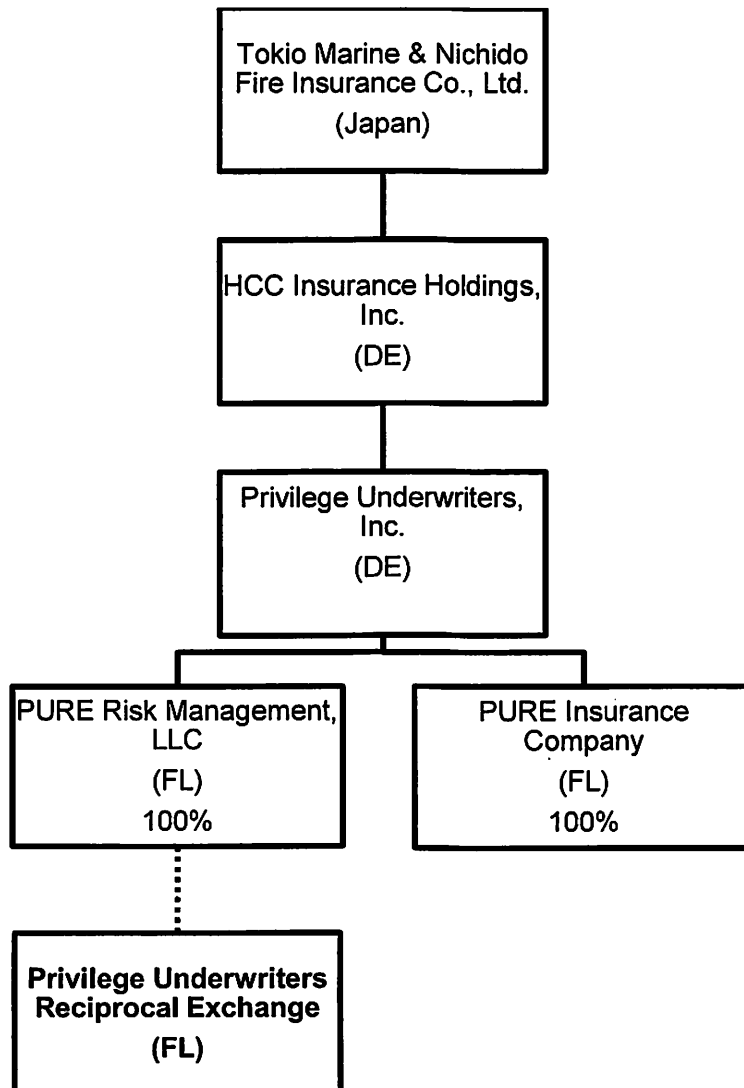
Capital and Surplus

The amount of capital and surplus reported by the Reciprocal of \$314,987,370 exceeded the minimum of \$30,053,179 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 Reciprocal 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.



As a result of the sale, the Reciprocal entered into a “keep-well” agreement with Tokio Marine. The agreement provides for the direct and explicit support of Tokio Marine should the Reciprocal’s risk-based capital (RBC) ratio fall below three hundred percent (300%). The Reciprocal also 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 Reciprocal’s association with and inclusion into the Tokio Marine group.

The Reciprocal intends to modify the participation percentages in its affiliated reinsurance pooling agreement with PIC from fifty percent (50%) to zero percent (0%). Therefore, the Reciprocal’s pooling percentage would be one hundred percent (100%) of the pool. In addition to the modification of participation percentages, PIC 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 PIC on January 6, 2021.

SUMMARY OF RECOMMENDATIONS

None.

CONCLUSION

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

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.

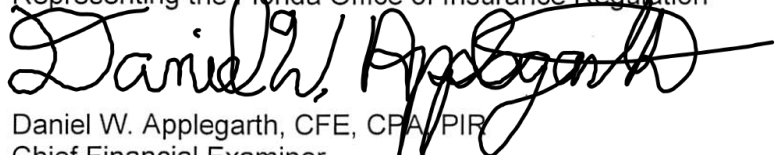
In addition to the undersigned, the following also participated in the examination:

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, CPA, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation