

REPORT ON EXAMINATION
OF
SECURITY FIRST INSURANCE
COMPANY

ORMOND BEACH, FLORIDA

AS OF
DECEMBER 31, 2013

BY THE
FLORIDA OFFICE OF INSURANCE REGULATION

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March 6, 2015

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 690-138.005, 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, 2013, of the financial condition and corporate affairs of:

**SECURITY FIRST INSURANCE COMPANY
140 SOUTH ATLANTIC AVENUE SUITE 200
ORMOND BEACH, FLORIDA 32176**

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, 2009 through December 31, 2013. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2008. This examination commenced with planning at the Office from September 22, 2014 to September 26, 2014. The fieldwork commenced on September 28, 2014 and concluded as of March 6, 2015.

This financial examination was a statutory financial examination conducted in accordance with the NAIC Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and Annual Statement Instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The findings noted during this examination period have been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

Prior Examination Findings

The following is the significant adverse finding contained in the Office's prior examination report as of December 31, 2008, along with resulting action taken by the Company in connection therewith.

Company Stock

The stock of the Company has been pledged as collateral in connection with two loans entered into by Security First Insurance Holdings, LLC and Security First Managers, LLC.

The Company was not in compliance with Rule 69O-143.046(2)(d), Florida Administrative Code, which requires disclosure in the Holding Company Registration Statement of any pledge of the insurer's stock, including stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance holding company system.

The Company was not in compliance with the Annual Statement Instructions which require disclosure of transactions involving guarantees or undertakings for the benefit of an affiliate or related party in Note 10 of the annual statement. **Resolution:** The Company subsequently complied with Section 624.424(1)(a), Florida Statutes and Rule 69O-137.001(4)(a)(1), Florida Administrative Code by disclosing the aforementioned affiliated loans and pledging of the Company's stock as collateral, which is required by Note 10 of the Annual Statement.

Pledged Assets

Documents pertaining to the loans entered into by Security First Insurance Holdings and Security First Managers contain collateral statements which pledge revenues payable to the Company as collateral for those loans.

- The Company was not in compliance with the provisions of Section 625.012 (16), Florida Statutes, which describes admitted assets as those "...deemed by the office to be available for the payment of losses and claims." As pledged assets, those assets were not available for the payment of losses and claims.
- The Company was not in compliance with Statement of Statutory Accounting Principles 4, Paragraph 2. As pledged assets, the Company is not able to control others' access to those assets.

These reported receivables do not meet the requirements for admitted assets. **Resolution:** The loan agreement was amended to specifically exclude all assets of the Company in compliance with Section 625.012(16), Florida Statutes and SSAP 4, Paragraph 2, on June 15, 2010, and was approved by the Office on August 22, 2010. Paragraph 4(c) of Consent Order 112901-10-CO, stated that the Company, subsequent to the examination date, amended its agreement and the Office approved the agreement. Effectively, the assets were freed from encumbrance;

however, a UCC filing remained to be revised and filed, as subsequently required by the Office.

Resolution: The Company subsequently complied and the UCC filing has been revised and filed.

Audited Financial Statements of Parent Company

Pursuant to provisions of Section 624.316, Florida Statutes, allowing for the examination of the affairs, transactions, accounts, and records of the controlling entity, the 2008 audited financial statements of the Company's parent, Security First Insurance Holdings, LLC were requested. Despite repeated subsequent requests and a temporary suspension of the examination to provide additional time to produce the documents, the financial statements were not provided.

The Company was in violation of Section 624.318 (2), Florida Statutes, which requires that all accounts, records, documents, files, information, assets and matters in their possession or control be made freely available to the Office or its examiners. **Resolution:** The Company subsequently provided the documentation requested by the 2008 financial examination and did not obstruct access to records requested during the 2013 financial examination, in accordance with Section 624.318, Florida Statutes.

SUBSEQUENT EVENTS

Charles Edward Lally, chairman of the audit committee and two other committees, resigned as of December 31, 2014, and was replaced by Craig Howie, appointed by the Board of Directors on November 25, 2014.

HISTORY

General

Security First Insurance Company, a domestic stock company was licensed only in Florida. The Company was incorporated under Florida law on April 8, 2005, and commenced business on May 25, 2005.

The Company was originally authorized to remove up to 16,000 policies from Citizens Property Insurance Company, pursuant to a depopulation plan approved by the Office on April 22, 2005. The Company ultimately took out 12,211 policies in 2005 and 2,683 in 2006. Assumption of policies from other carriers that have elected to reduce their exposure in Florida, such as Vanguard and Nationwide, as well as new business from the voluntary market, has helped support policy levels.

The Company was party to Consent Order 81029-05-CO filed April 8, 2005, regarding the application for the issuance of a Certificate of Authority.

The Company was party to Consent Order 112901-10-CO, filed June 29, 2011, regarding the findings of the 2008 financial examination.

The Company was authorized to transact the following insurance coverage in Florida on August 8, 2005 and continued to be authorized as of December 31, 2013:

Homeowners Multi Peril
Fire

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

Dividends to Stockholders

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

Capital Stock and Capital Contributions

As of December 31, 2013, the Company's capitalization was as follows:

Number of authorized common capital shares	6,300
Number of shares issued and outstanding	6,300
Total common capital stock	\$6,300
Par value per share	\$1.00

Control of the Company was maintained by its owner, Security First Insurance Holdings, LLC (Holdings), who owned 100% of the stock issued by the Company. Holdings also owned the Company's affiliated managing general agent, Security First Managers, LLC (MGA). The owners of the parent company were Wallace Lockwood Burt (45.005%), Harry R. Bleiwise (45.005%), and Mount Whitney Securities (9.99%).

The Company's parent company, Holdings, made capital contributions in the amounts of \$2,500,000 on June 22, 2010, \$625,000 on July 27, 2010, \$11,000,000 on June 6, 2011, and \$5,000,000 on June 15, 2012.

Surplus Notes

The Company did not have any surplus notes during the period of this 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 Shareholders, Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, in compliance with the NAIC Financial Condition Examiners 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 NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual shareholders meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2013, were:

Directors

Name and Location	Principal Occupation
Wallace Lockwood Burt Ormond Beach, Florida	President Security First Insurance Company
Melissa Burt DeVriese Ormond Beach, Florida	General Counsel, Secretary Security First Insurance Company
Jerrold Paul Goldberg Roseland, New Jersey	Self-Employed Consultant
Harry Robert Bleiwise Springfield, New Jersey	Chairman Rider Insurance Company
Susan Debra Bleiwise-Greenfield Boca Raton, Florida	Treasurer Rider Insurance Company
Clive Becker-Jones Daytona Beach Shores, Florida	Chief Financial Officer Security First Insurance Company
Charles Edward Lally (a) Boonton, New Jersey	President Rider Insurance Company
Werner Erich Kruck Ormond Beach, Florida	Senior Vice President Security First Insurance Company
Charles David Bleiwise Boca Raton, Florida	Vice President Rider Insurance Company

(a) Resigned on December 31, 2014, after Craig William Howie was appointed as President on November 25, 2014.

In accordance with the Company's bylaws, the Board appointed the following senior officers:

Senior Officers

Name	Title
Wallace Lockwood Burt	President
Werner Erich Kruck	Senior Vice President
Walter Theodore Zehnder	Vice President
Melissa Burt DeVriese	Secretary
Clive Becker-Jones	Chief Financial Officer

The Company's Board appointed several internal committees. Following were the principal internal Board committees and its members as of December 31, 2013:

Audit Committee

Charles David Bleiwise
Jerrold Paul Goldberg
Charles Edward Lally¹ (a)

Investment Committee

Charles Edward Lally (a)
Harry Robert Bleiwise
Jerrold Paul Goldberg

Reinsurance Committee

Charles Edward Lally (a)
Werner Erich Kruck
Wallace Lockwood Burt

Executive Committee

Wallace Lockwood Burt
Harry Robert Bleiwise

Compensation Committee

Wallace Lockwood Burt
Harry Robert Bleiwise

¹ Chairman

(a) Resigned on December 31, 2014 after Craig William Howie was appointed to the Audit Committee on November 25, 2014.

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

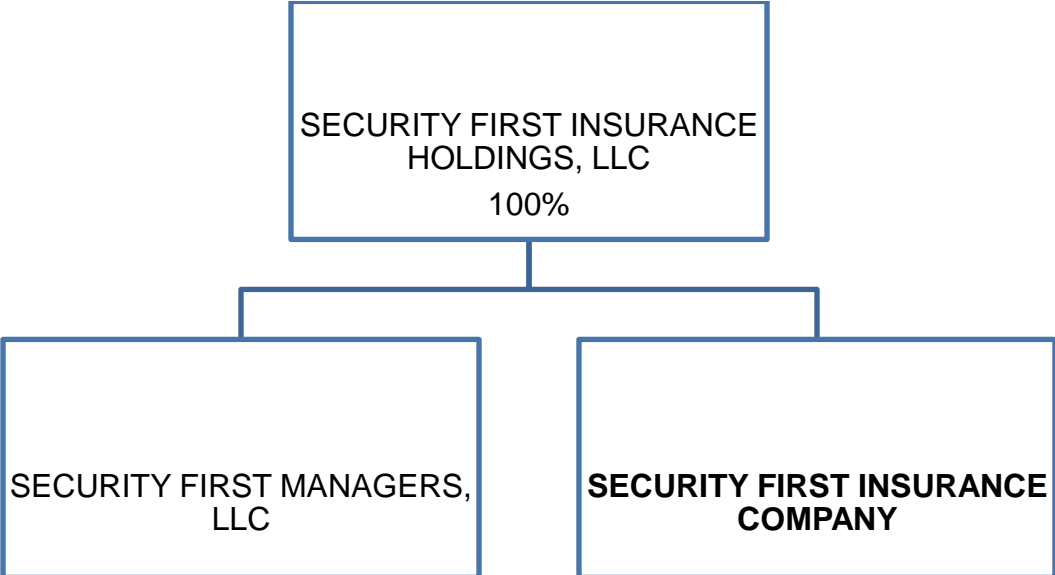
Affiliated Companies

The most recent holding company registration statement (HCRS) was filed with the State of Florida on February 28, 2014, as required by Section 628.801, Florida Statutes.

A simplified organizational chart as of December 31, 2013, reflecting the holding company system, is shown below. Schedule Y of the Company's 2013 annual statement provided a list of all related companies of the holding company group.

**SECURITY FIRST INSURANCE COMPANY
SIMPLIFIED ORGANIZATIONAL CHART**

DECEMBER 31, 2013



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

Managing General Agent Agreement

The Company entered into a managing general agency agreement with its affiliate MGA dated January 1, 2005. The agreement stated that MGA shall act as the managing general agent for the insurance policies issued in the State of Florida and that MGA had the authority to produce, administer and manage the policies and to adjust claims and provide other services in connection with such policies, including, but not limited to, marketing, claims analysis, general ledger accounting, information services, product and underwriting development and management, and catastrophe risk management on behalf of the Company. Under this agreement, the Company paid the MGA 26.25 % of gross annual premiums written for MGA services, 4.75% of earned annual premium for claims services, and \$25 per policy fee. In 2013, MGA fees, claims services fees, and policy fees amounted to \$58,816,072, \$10,618,154, and \$4,644,800, respectively.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$2,000,000 with a deductible of \$25,000, which reached the suggested minimum as recommended by the NAIC.

The Company also maintained management liability insurance and professional liability insurance with coverage with limits of \$2,000,000 as well as commercial auto, Directors & Officers, contents flood, cyber liability, workers' compensation and commercial umbrella liability coverages.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees; therefore, it did not provide Retirement Plans, Deferred Compensation, Post-Employment Benefits and Compensated Absences, or other Post Retirement Benefit Plans.

TERRITORY AND PLAN OF OPERATIONS

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

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541 (1) (j), 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) (i) 3a, Florida Statutes.

COMPANY GROWTH

During the examination period, the Company's gross premiums grew from \$106.8 million to \$228.7 million, an increase of 214%. Net premiums grew from \$27.5 million to \$88.4 million during the same period, which was an increase of 321%. The Company experienced fluctuations in net underwriting gains and net income, with improved results in the last two years. Surplus grew approximately \$26.8 million over the examination period, primarily due to additional paid-in capital contributions during the examination period in the amount of \$19.1 million.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination, as reported in the filed annual statements.

	2013	2012	2011	2010	2009
Premiums Earned	77,081,692	59,618,592	35,177,896	21,436,338	19,467,357
Net Underwriting Gain/(Loss)	7,350,197	1,704,015	(10,092,295)	440,532	(4,518,788)
Net Income	5,378,387	4,857,761	(8,526,170)	1,955,537	(3,559,246)
Total Assets	122,253,945	111,298,435	83,047,520	56,458,339	53,892,283
Total Liabilities	77,476,588	72,472,657	54,866,789	33,265,243	35,888,898
Surplus As Regards Policyholders	44,777,357	38,825,778	28,180,731	23,193,096	18,003,385

LOSS EXPERIENCE

During the examination period, the Company maintained its writings consistently within the traditional homeowners' lines, and experienced a period of significant growth from 2009 through 2012. The Company's Loss and Loss Adjustment Expense ratio fluctuated considerably during the examination period, ranging from a low of 50.3% in 2009 to a high of 58.7% in 2012, settling at 54.4% in 2013. There was a gradual reduction in the Loss Ratio from 44.9% in 2010 to 33.4% in 2013 due to certain loss containment, such as agency cancellations, territorial underwriting and eliminating exposure from sinkholes. The one and two-year net loss developments at the end of the current examination period were both unfavorable at \$4.5 million and \$1.5 million, respectively. The 2013 Loss Ratio contained a significant strengthening of the Company's IBNR.

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.

Assumed

The Company did not assume any premiums during 2013.

Ceded

As of December 31, 2013, the Company's ceded reinsurance program consisted of quota share and catastrophe reinsurance provided by agreements with various commercial reinsurers through reinsurance intermediary, Guy Carpenter. The Company also participated in the Florida Hurricane Catastrophe Fund (FHCF).

The Company's quota share agreement provides 45% coverage on all liability risks, down from 85% in 2010, each and every policy, subject to \$96,500,000 as respects any one property loss occurrence, not to exceed \$193,000,000 as respects all catastrophic occurrences attributable to any one contract year.

The Company had the following catastrophe excess of loss coverage through commercial reinsurers and the FHCF as of December 31, 2013, resulting in coverage of ultimate net losses of approximately \$608,600,000 for the first event:

- First Catastrophe Excess of Loss Reinsurance - \$60,000,000 in private reinsurance coverage with a retention limit of \$5,000,000

- Second Catastrophe Excess of Loss Reinsurance - \$31,500,000 in private reinsurance coverage with a retention limit \$65,000,000
- Third Catastrophe Excess of Loss Reinsurance - \$130,000,000 in private reinsurance coverage with a retention limit of \$96,500,000
- Florida Catastrophe Hurricane Fund (FCHF) - \$220,540,944 payout limit with an attachment point of \$89,501,069
- Temporary increase in coverage – \$91,600,000 in private reinsurance coverage with an attachment point of the FCHF exhaust
- Top and drop Catastrophic coverage - \$75,000,000 in private reinsurance coverage

The Company executed reinsurance premiums protection agreements to reinsure the reinstated premium payment obligations which accrued to the Company under the commercial catastrophe excess of loss agreements. The coverage was limited to 100% of the original contracted reinsurance placement.

The Company reinsured third and fourth events with retention of \$2,000,000, up to \$140,000,000 in coverage.

The Company ceded \$140,301,344 in premiums during the year ended December 31, 2013.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Ormond Beach, Florida. The Company's accounting records were maintained on a computerized system.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with Comerica Bank & Trust, National Association. The 2013 examination determined that the custody agreement was in compliance with Rule 69O-143.042, Florida Administrative Code. The Custodial Agreement was signed on June 10, 2013 and was approved on June 18, 2013.

Reinsurance Broker Agreement

The Company contracted with Guy Carpenter in 2005 in a reinsurance broker capacity. The 2013 examination determined that the reinsurance broker agreement was in compliance with Section 626.7492(4), Florida Statutes. The Company has a majority of its reinsurance with Everest Re, which is the parent of Mt. Whitney who is also a 9.99% shareholder of the Company. This was approved by the Office as of September 21, 2011.

Profit Point Software Agreement

On February 27, 2014, the Company entered into a software agreement for a product of Guy Carpenter. The Company uses this software product to enhance the underwriting process and profitability of individual risks or the effects of a rate change within the Company.

I-aXs Services Agreement

On April 2, 2007, the Company entered into an i-aXs services agreement for a product of Guy Carpenter. The Company uses this software to evaluate the risk potential and need for reinsurance coverage for the underwriting of policies.

Pointsource Web & Mobile Production Support Agreement

The Company entered into a product support agreement on January 29, 2014 with Pointsource for web & mobile support agreement. The Company has begun the production of a mobile application and support agreement to enable its policyholder's ease of access to the Company.

INFORMATION TECHNOLOGY REPORT

Lindsey Pittman, IT Specialist, of Lewis & Ellis, Inc. 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	Short –Term Investments	<u>\$ 300,000</u>	<u>\$ 300,000</u>
TOTAL STATUTORY DEPOSITS		<u>\$ 300,000</u>	<u>\$ 300,000</u>

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2013, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

SECURITY FIRST INSURANCE COMPANY
Assets
DECEMBER 31, 2013

	Per Company	Examination Adjustments	Per Examination
Bonds	\$81,207,240		\$81,207,240
Common stocks	\$9,291,420		\$9,291,420
Cash and short-term investments	\$8,603,704		\$8,603,704
Investment Income	\$844,710		\$844,710
Agents' balances:			
Uncollected premium	\$2,068,488		\$2,068,488
Deferred premium	\$10,886,806		\$10,886,806
Amounts recoverable from reinsurers	\$5,665,882		\$5,665,882
Net deferred tax asset	\$3,160,803		\$3,160,803
Guaranty funds receivable or on deposit	\$524,892		\$524,892
	<hr/>		
Totals	<u>\$122,253,945</u>	<u>\$0</u>	<u>\$122,253,945</u>

SECURITY FIRST INSURANCE COMPANY
Liabilities, Surplus and Other Funds
DECEMBER 31, 2013

	Per Company	Examination Adjustments	Per Examination
Losses	\$12,232,070		\$12,232,070
Loss adjustment expenses	4,531,201		4,531,201
Commissions payable	346,332		346,332
Other expenses	1,162,449		1,162,449
Taxes, licenses and fees	834,662		834,662
Current federal/foreign income taxes	2,034,000		2,034,000
Unearned premium	40,374,396		40,374,396
Advance premium	5,096,995		5,096,995
Ceded reinsurance premiums payable	8,204,107		8,204,107
Funds held by company under reinsurance treaty	29,009		29,009
Payable to parent, subsidiaries, and affiliates	34,121		34,121
Provision for reinsurance	207,293		207,293
Aggregate write-ins for liabilities	2,389,953		2,389,953
Total Liabilities	\$77,476,588	\$0	\$77,476,588
Aggregate Write-ins for special surplus funds	0		0
Common capital stock	\$6,300		\$6,300
Surplus notes	0		0
Gross paid in and contributed surplus	41,418,700		41,418,700
Unassigned funds (surplus)	3,352,357		3,352,357
Surplus as regards policyholders	\$44,777,357	\$0	\$44,777,357
Total liabilities, surplus and other funds	\$122,253,945	\$0	\$122,253,945

SECURITY FIRST INSURANCE COMPANY
Statement of Income
DECEMBER 31, 2013

Underwriting Income

Premiums earned		\$77,081,692
	Deductions:	
Losses incurred		\$25,723,446
Loss expenses incurred		16,205,741
Other underwriting expenses incurred		27,802,308
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$69,731,495
Net underwriting gain		\$7,350,197

Investment Income

Net investment income earned		\$1,251,416
Net realized capital gains or (losses)		411,685
Net investment gain		\$1,663,101

Other Income

Net gain from agents' or premium balances charged off		(\$242,832)
Finance and service charges not included in premiums		693,407
Aggregate write-ins for miscellaneous income		0
Total other income		\$450,575
Net income before dividends to policyholders and before federal & foreign income taxes		\$9,463,873
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$9,463,873
Federal & foreign income taxes		4,085,486
Net Income		\$5,378,387

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$38,825,772
Net Income		\$5,378,387
Change in net deferred income tax		666,303
Change in non-admitted assets		(699)
Change in provision for reinsurance		(207,293)
Change in net unrealized capital gains		114,887
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		\$5,951,585
Surplus as regards policyholders, December 31 current year		\$44,777,357

SECURITY FIRST INSURANCE COMPANY
Comparative Analysis of Changes in Surplus
DECEMBER 31, 2013

The following is a reconciliation of surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as regards policyholders
 December 31, 2013, per Annual Statement \$44,777,357

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustment			
LIABILITIES:			
No adjustment			
Net change in surplus:			0
Surplus as regards policyholders December 31, 2013, per examination			\$44,777,357

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$16,763,271

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2013, 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 actuaries, Greg Wilson, FCAS, MAAA, and Patrick Glenn, ACAS, ASA, MAAA, of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense workpapers provided by the Company and they were in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$44,777,357 exceeded the minimum of \$7,306,502 required by Section 624.408, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Security First Insurance Company** as of December 31, 2013, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$44,777,357 which exceeded the minimum of \$7,306,502 required by Section 624.408, Florida Statutes.

In addition to the undersigned, David Palmer, CFE, Examiner-In-Charge, Kate Bolbas, CFE, Participating Examiner, and Lindsey Pittman, CPA, CFE, Participating Examiner and IT Specialist, all with Lewis and Ellis, Inc. participated in the examination. Greg Wilson, FCAS, MAAA, and Patrick Glenn, ACAS, ASA, MAAA, consulting actuaries of Lewis & Ellis, Inc., also participated in the examination. Additionally, Jonathan Frisard, Examination Manager, and Connie Hare and Kyra Brown, Participating Examiners with the Florida Office of Insurance Regulation participated in the examination.

Respectfully submitted,

Robin Brown, CFE
Chief Examiner
Florida Office of Insurance Regulation