

REPORT ON EXAMINATION
OF
WINDHAVEN INSURANCE COMPANY
MIAMI, FLORIDA
AS OF
DECEMBER 31, 2009

BY THE
OFFICE OF INSURANCE REGULATION

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TALLAHASSEE, FLORIDA

March 31, 2011

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, 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, 2009, of the financial condition and corporate affairs of:

**WINDHAVEN INSURANCE COMPANY
5835 BLUE LAGOON DRIVE, SUITE 400
MIAMI, FLORIDA 33126**

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, 2009. 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 on December 6, 2010, to December 9, 2010. The fieldwork commenced on December 13, 2010, and concluded as of March 31, 2011.

This financial examination was a statutory financial examination conducted in accordance with the 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 statutory 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 Exam Findings

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

General

The Company is a party to Consent Order No. 85477-06-CO, filed March 29, 2006, regarding the application for the issuance of a Certificate of Authority. (1) The Company did not make full disclosure of all companies owned directly, or indirectly, in the updates to the Holding Company Registration Statement; (2) did not have written and approved agreements in place for all affiliated transactions; and (3) did not have a formal, written security policy in place. Therefore the Company was not in compliance with Articles 17, 18, and 19 of this Consent Order.

Subsequent event: Effective January 1, 2010, the Company entered into a Rent Share Agreement with its affiliate, ASIM and its parent, Managers. Pursuant to the terms of the agreement, the Company is required to pay \$5,000 per month, approximately 30%, of the total rent expense.

Effective February 1, 2011, the Company's affiliates, Oakwood Software Insurance Solutions, LLC (OSIS) and ASIM, entered into a Software License Agreement. Under terms of the agreement, OSIS had developed a software package and granted a license to ASIM and agreed to provide a

comprehensive information system to process the insurance and claims for a monthly royalty fee of 1% of collected premium processed, with a minimum of \$3,000 per month.

The Company did not maintain a claims procedure manual that included detailed procedures for handling each type of claim which was in violation of Section 626.9541(1) (i) 3a, Florida Statutes.

Subsequent Event: On June 30, 2011, the Company provided the Office with the Claims Manual in compliance with Section 626.9541(1) (i) 3a, Florida Statutes.

Affiliated Companies

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The Latest holding company registration statement filed with the State of Florida on June 17, 2010 did not disclose Pillar Reinsurance as an affiliated company, as required by Section 628.801 Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

Schedule Y part one and two of the Company's 2009 and 2010 annual statement did not reflect all of its affiliates (Pillar Reinsurance) as required by the NAIC Annual Statement Instructions.

Custodial Agreement

The Company did not have a formal written agreement with its custodian, Bank of America for the period of January 1, 2009 through February 9, 2009. Subsequent event: the Company established a formal written custodial agreement with its new custodian, Morgan Stanley Trust, N.A., entered into on February 9, 2009. The Company was in compliance with Rule 69O-

143.042, Florida Administrative Code, which stipulates the requirements of a custodial agreement.

Management

The recorded minutes of the Investment Committee or Board did not adequately document the authorization or approval of Investments as required by Section 625.304, Florida Statutes

The Company was in violation of Section 625.304, Florida Statutes, in that there was no evidence that the investments were approved by the Board of Directors (Board) or the investment committee.

Prior Exam Findings

There were no material findings, exceptions or corrective actions to be taken by the Company for the examination as of December 31, 2008.

SUBSEQUENT EVENTS

Effective March 1, 2010, the Company entered into a Management Agreement with Risk Services, LLC, a Virginia Limited Liability Company under which Risk Services, LLC is to provide financial reporting and administrative services. In accordance with the terms of the agreement, the services provided include the establishment and maintenance of an accounting system appropriate to the Company's operations; cash management services for all non-claims operations activities; preparation of financial statements; and the preparation of premium tax returns. In return for providing these services, the Company pays \$80,000 per year with annual increases at the rate of 5% a year for the duration of the agreement. In the event that the Office removes the requirement for monthly filings, the annual fee will be reduced by \$5,000.

HISTORY

General

The Company was incorporated in Florida on December 23, 2005, and commenced business on February 1, 2006, as Windhaven Insurance Company.

The Company was party to Consent Order 85477-06-CO, with the Office, regarding the application for the issuance of a Certificate of Authority. The Company failed to comply with the following provisions of this consent order:

The Company did not make full disclosure of all companies owned directly or indirectly on their updates to its Holding Company Registration Statement, pursuant to Article 17.

The Company did not have a written and approved agreements in place for all affiliated transactions, pursuant to Article 18.

The Company and its affiliated Managing General Agent (MGA) did not have a formal written security policy in place to protect the data and environment of the work being done for the Company, pursuant to Article 19.

The Company was authorized to transact private passenger auto liability and private passenger auto physical damage coverage in Florida on December 31, 2009.

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 nor pay dividends to its stockholder during 2009.

Capital Stock and Capital Contributions

As of December 31, 2009, the Company's capitalization was as follows:

| | |
|--|-------------|
| Number of authorized common capital shares | 100,000 |
| Number of shares issued and outstanding | 62,000 |
| Total common capital stock | \$6,200,000 |
| Par value per share | \$100 |

Control of the Company was maintained by its parent, Windhaven Mangers, Inc., a Florida Corporation, which owned 100% of the common stock issued by the Company. Windhaven Mangers, Inc. was wholly owned by Windhaven Holdings Ltd, a Bermuda based holding company. Windhaven Holdings Ltd is wholly owned by Jimmy Eric Whited.

CORPORATE RECORDS

The recorded minutes of the shareholder, 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 accordance with Section 607.1601, Florida Statutes. The recorded minutes of the Investment Committee or Board did not adequately document the authorization of investments as required by Section 625.304, Florida Statutes. Investment transactions by the Company were not noted as approved by the Board on a timely basis in 2009.

Conflict of Interest

The Company adopted a policy statement requiring annual 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 shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2009, were:

Directors

| Name and Location | Principal Occupation |
|--|--|
| Jimmy Eric Whited Coral Gables, Florida | President, Chief Executive Officer and Treasurer, Windhaven Insurance Company |
| David Leathers Scruggs Plano, Texas | Business Development Oakwood Systems |
| Benjamin Joel Turner Austin, Texas | Vice President Actuarial Services Texas Mutual Insurance Company |
| Susan Beth Wollenberg Overland Park, Kansas | Controller Kansas City Southern |
| Manuel Mark Valdivieso Miami, Florida | Senior Claims Officer American Southwest Insurance Managers |

The Board in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

| Name | Title |
|------------------------|---|
| Jimmy Eric Whited | Chairman, President, Chief Executive Officer and Treasurer |
| David Leathers Scruggs | Secretary |

The Company's Board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and their members as of December 31, 2009:

| Investment Committee | Audit Committee | Compensation Committee |
|--------------------------------|------------------------------------|--------------------------------|
| Jimmy Eric Whited ¹ | Susan Beth Wollenberg ¹ | Jimmy Eric Whited ¹ |
| Susan Beth Wollenberg | Benjamin Turner | Susan Beth Wollenberg |
| Benjamin Turner | David Scruggs | Benjamin Turner |

¹ Chairman

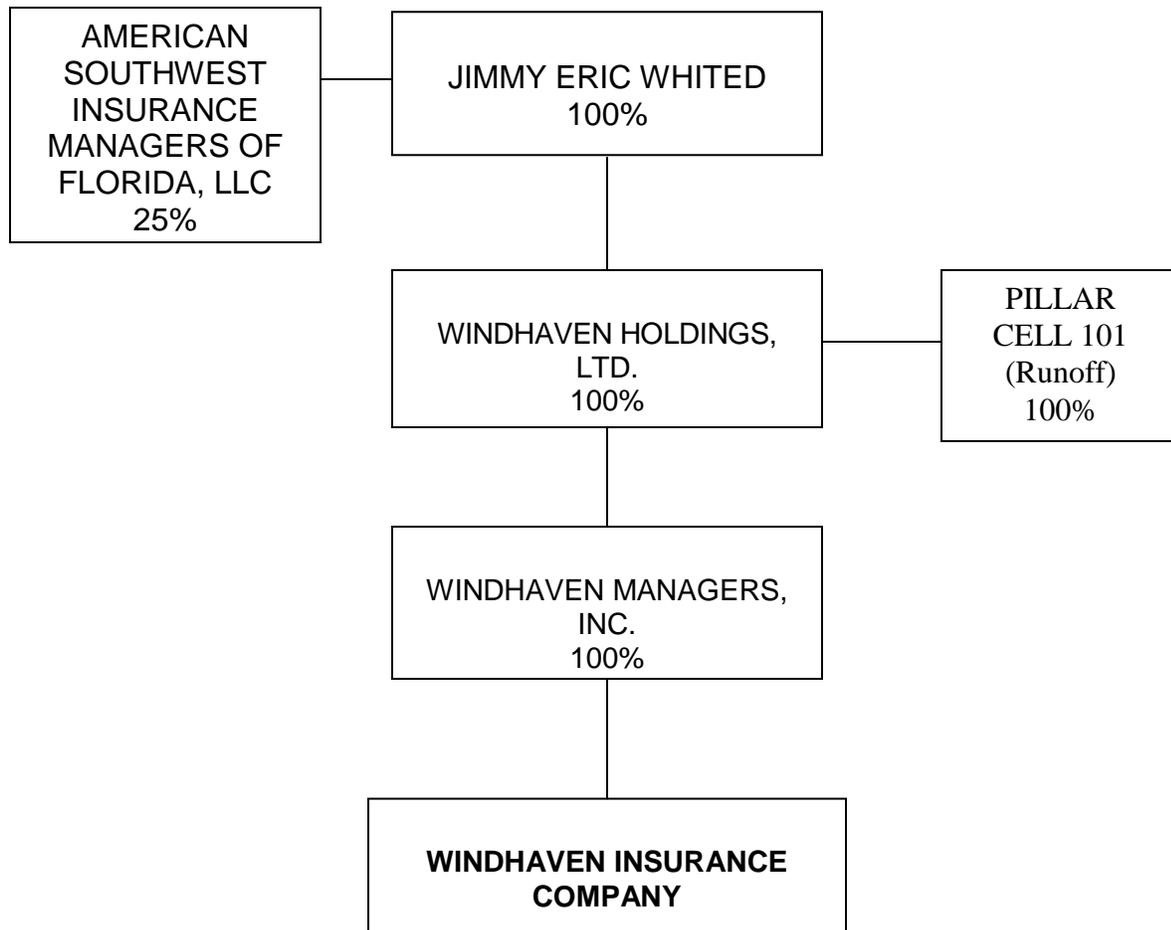
Affiliated Companies

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on June 17, 2010, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code. However, the Company was in violation of this Rule due to exclusion of Pillar Reinsurance, an affiliated company, in the filing.

An organizational chart as of December 31, 2009, reflecting the holding company system, is shown below. Schedule Y part one and two of the Company's 2009 and 2010 annual statements did not reflect all of its affiliates (Pillar Reinsurance) as required by the NAIC Annual Statement Instructions.

**WINDHAVEN INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2009



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

Executive Management and Claims Administration Agreement

The Company entered into a Management and Claims Administration Agreement with its parent, Windhaven Managers, Inc. (Managers) on February 1, 2006, being further amended on November 1, 2007. Under terms of the agreement, Managers performed all executive management services on behalf of the Company for the administrative and managerial oversight of the MGA Agreement with an affiliate; claims administration services; and certain claim services not covered by the MGA Agreement. The term of the agreement was stated at three years with successive three year renewal terms. The costs incurred in 2009 for claims adjustment and other services were \$946,818 and \$184,582. As stipulated in the amendment to the agreement, the Company may recover a portion of outside legal fees and mediation costs incurred in excess of 2% of collected premiums. As a result, the reduction to the fee paid to Managers was \$408,225 in 2009.

Managing General Agency Agreement

The Company entered into a Managing General Agency Agreement with an affiliate, American Southwest Insurance Managers of Florida, LLC (ASIM) on December 30, 2005, further amended on January 1, 2007; November 1, 2007; and again on August 1, 2009; reflecting adjustments to the commission fees charged. In accordance with the Third Amendment, the term of the agreement commenced on February 1, 2006 and continues until January 31, 2012, with the option of renewal for additional three year periods. As stipulated, ASIM is to act as the exclusive managing general agent and is to produce, administer and manage the policies and provide other services including marketing, general ledger accounting, information services, product and underwriting development and management and catastrophic risk management on behalf of the Company. In accordance with the Third amendment, ASIM was paid, as commission, 12.5% of the annual direct collected

premium, plus managing general agency per policy fees and charges. For 2009, the commissions incurred under the agreement were \$1,558,530 in addition to the per policy fees of \$578,200.

Office Building Lease Agreement

During 2009, the Company shared office space with two affiliated companies, ASIM and Managers, with ASIM named as the lessee. Although there was no rent sharing or cost allocation agreement in place during 2009, the Company paid \$60,000 in rent expense during 2009.

The Company was in violation of Consent Order 85477-06-CO during this examination. Various agreements between affiliated parties were not identified as such and/or were not in the form of a written agreement, submitted to the Office for approval. Subsequent event: Effective January 1, 2010, the Company entered into a Rent Share Agreement with its affiliate, ASIM and its parent, Managers. Pursuant to the terms of the agreement, the Company is required to pay \$5,000 per month, approximately 30%, of the total rent expense.

Effective February 1, 2011, the Company's affiliates, Oakwood Software Insurance Solutions, LLC (OSIS) and ASIM, entered into a Software License Agreement. Under terms of the agreement, OSIS had developed a software package and granted a license to ASIM and agreed to provide a comprehensive information system to process the insurance and claims for a monthly royalty fee of 1% of collected premium processed, with a minimum of \$3,000 per month.

FIDELITY BOND AND OTHER INSURANCE

The Company did not maintain fidelity bond coverage as recommended by the NAIC.

Subsequent event: The Company obtained fidelity bond coverage, for the period January 31, 2011 to January 31, 2012, in the amount of \$1,000,000 with a deductible of \$10,000, which adequately reached the suggested minimum as recommended by the NAIC.

The Company maintained Professional Liability and Workers' Compensation coverage as of December 31, 2009.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Effective August 2006, the Company established a qualified retirement plan in accordance with the requirements of Section 401(k) of the Internal Revenue Code under which they match a portion of eligible employees' plan contributions and under which they may make a discretionary profit sharing contribution. For the year 2009, the Company's contribution to the plan was approximately \$1,800.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida. During 2009, the Company wrote only non-standard private passenger automobile insurance, with the large majority of the business written in the greater Miami area.

Treatment of Policyholders

The Company established a written log for handling complaints which was in compliance with Section 626.9541(1)(j), Florida Statutes.

The Company did not maintain a claims procedure manual that included detailed procedures for handling each type of claim which was a violation of Section 626.9541(1)(i) 3.a., Florida Statutes.

Subsequent Event: On June 30, 2011, the Company provided the Office with the Claims Manual in compliance with Section 626.9541(1) (i) 3a, Florida Statutes.

Profitability of Company

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

| | 2009 | 2008 | 2007 |
|----------------------------------|-------------|-------------|-------------|
| Premiums Earned | 2,229,583 | 3,677,360 | 10,958,958 |
| Net Underwriting Gain/(Loss) | (429,487) | (471,301) | (155,576) |
| Net Income | (419,346) | (482,995) | 62,026 |
| Total Assets | 9,915,545 | 10,303,524 | 11,391,441 |
| Total Liabilities | 5,219,897 | 5,805,308 | 6,513,796 |
| Surplus As Regards Policyholders | 4,695,648 | 4,498,216 | 4,877,645 |

LOSS EXPERIENCE

The Company did not have significant changes in the loss experience as of December 31, 2009.

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.

Assumed

The Company did not assume any risks as of December 31, 2009.

Ceded

Effective April 1, 2006 through October 31, 2007, the Company ceded risk through an Automobile Aggregate Stop Loss Reinsurance Agreement, utilizing the services of an intermediary, Gallagher Re, Inc. Beginning on November 1, 2007, the Company ceded risk under a 75% Quota Share Reinsurance Agreement, utilizing the services of Guy Carpenter.

The agreements in place, for the period of operations covered by this examination, had effective dates from October 1, 2008, and renewed on October 1, 2009. Both agreements had quota share arrangements ceding 85% of written premium, again utilizing the services of Guy Carpenter.

In accordance with the terms of the agreement effective October 1, 2008 through September 30, 2009, each participating reinsurer was to pay their proportionate share of 25% of a provisional ceding commission and 9% of the ceded new written premium collected for the

provision for expenses incurred in the investigation, adjustment, appraisal or defense of all claims under policies reinsured.

In accordance with the terms of the agreement effective October 1, 2009, each participating reinsurer was required to pay their proportionate share of a provisional ceding commission of 25% of the ceded net written premium, based upon loss ratios, and 8% of the net earned premium for unallocated loss adjustment expenses, including the reinsurers quota share percentage of legal defense costs paid, subject to the limit of 3% of net earned premium.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion. Subsequent event: Article I, Business Reinsured under the Private Passenger Automobile Quota Share Reinsurance Agreement in place, effective October 1, 2008 and 2009, states that "Policies ceded hereunder shall not include business produced by any managing general agency." Per the Company's own admission, all business was produced by an affiliated MGA. On March 23, 2011, the Company provided fully executed copies of the amendment No. 2 to the contracts including all business written through ASIM.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Miami, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2007, 2008 and 2009 in accordance with Section 624.424(8), Florida Statutes. Supporting

work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were managed through the computerized software of Great Plains during the period under examination.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company did not have a formal written agreement with its custodian, Bank of America for the period of January 1, 2009 through February 9, 2009. Subsequent event: the Company established a formal written custodial agreement with its new custodian, Morgan Stanley Trust, N.A., entered into on February 9, 2009. The Company was in compliance with Rule 69O-143.042, Florida Administrative Code, which stipulates the requirements of a custodial agreement.

Independent Auditor Agreement

The Company contracted with an external independent CPA firm to perform the annual audit of its financial statements as required by Rule 69O-137.002 (7) (c), Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Jenny Jeffers, AES, CISA 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:

| STATE | Description | Par Value | Market Value |
|------------------------|------------------------|-------------------|-------------------|
| FL | Certificate of Deposit | <u>\$ 750,357</u> | <u>\$ 750,357</u> |
| TOTAL FLORIDA DEPOSITS | | \$ 750,357 | \$ 750,357 |
| TOTAL SPECIAL DEPOSITS | | <u>\$ 750,357</u> | <u>\$ 750,357</u> |

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, 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."

WINDHAVEN INSURANCE COMPANY
Assets

DECEMBER 31, 2009

| | Per Company | Examination Adjustments | Per Examination |
|---|--------------------|------------------------------------|------------------------|
| Bonds | \$3,984,117 | \$0 | \$3,984,117 |
| Stocks: | | | |
| Preferred | 211,967 | | 211,967 |
| Common | 400,984 | | 400,984 |
| Cash and Short-Term Investments | 803,879 | | 803,879 |
| Investment income due and accrued | 43,104 | | 43,104 |
| Agents' Balances: | | | |
| Uncollected premium | 0 | | 0 |
| Deferred premium | 3,222,237 | | 3,222,237 |
| Amounts recoverable from reinsurers | 892,118 | | 892,118 |
| Receivables from parent, subsidiaries and affiliates | 357,139 | | 357,139 |
| | <hr/> | | |
| Totals | <u>\$9,915,545</u> | | <u>\$9,915,545</u> |

WINDHAVEN INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2009

| | Per Company | Examination Adjustments | Per Examination |
|--|--------------------|------------------------------------|----------------------------|
| Losses | \$618,734 | | \$618,734 |
| Loss adjustment expenses | 458,138 | | 458,138 |
| Commissions payable | 37,956 | | 37,956 |
| Other expenses | 9,779 | | 9,779 |
| Taxes, licenses and fees | 94,259 | | 94,259 |
| Unearned premium | 564,543 | | 564,543 |
| Ceded reinsurance premiums payable | 3,222,862 | | 3,222,862 |
| Payable to parent, subsidiaries and affiliates | 123,048 | | 123,048 |
| Payable for securities | 90,578 | | 90,578 |
| | | | |
| Total Liabilities | \$5,219,897 | \$0 | \$5,219,897 |
| Common capital stock | \$6,200,000 | | \$6,200,000 |
| Unassigned funds (surplus) | (1,504,352) | | (1,504,352) |
| | | | |
| Surplus as regards policyholders | \$4,695,648 | | \$4,695,648 |
| | | | |
| Total liabilities, surplus and other funds | \$9,915,545 | | \$9,915,545 |
| | | | |

WINDHAVEN INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2009

Underwriting Income

| | | |
|---|--------------------|--------------------|
| Premiums earned | | \$2,229,583 |
| | Deductions: | |
| Losses incurred | | \$954,355 |
| Loss expenses incurred | | 1,004,336 |
| Other underwriting expenses incurred | | 700,379 |
| Aggregate write-ins for underwriting deductions | | 0 |
| Total underwriting deductions | | <u>\$2,659,070</u> |
| Net underwriting gain or (loss) | | (\$429,487) |

Investment Income

| | | |
|--|--|-----------------|
| Net investment income earned | | \$75,613 |
| Net realized capital gains or (losses) | | (65,472) |
| Net investment gain or (loss) | | <u>\$10,141</u> |

Other Income

| | | |
|---|--|------------|
| Net gain or (loss) from agents' or premium balances charged off | | \$0 |
| Finance and service charges not included in premiums | | 0 |
| Aggregate write-ins for miscellaneous income | | 0 |
| Total other income | | <u>\$0</u> |

| | | |
|---|--|---------------------------|
| Net income before dividends to policyholders and before federal & foreign income taxes | | (\$419,346) |
| Dividends to policyholders | | 0 |
| Net Income, after dividends to policyholders, but before federal & foreign income taxes | | (\$419,346) |
| Federal & foreign income taxes | | 0 |
| Net Income | | <u><u>(\$419,346)</u></u> |

Capital and Surplus Account

| | | |
|--|--|---------------------------|
| Surplus as regards policyholders, December 31 prior year | | \$4,498,216 |
| Net Income | | (\$419,346) |
| Change in net unrealized capital gains or (losses) | | 107,455 |
| Change in deferred income tax | | (24,046) |
| Change in nonadmitted assets | | 19,306 |
| Aggregate write-ins for gains and losses in surplus | | 514,063 |
| Examination Adjustment | | |
| Change in surplus as regards policyholders for the year | | <u>\$197,432</u> |
| Surplus as regards policyholders, December 31 current year | | <u><u>\$4,695,648</u></u> |

A comparative analysis of changes in surplus is shown below.

WINDHAVEN INSURANCE COMPANY
Comparative Analysis of Changes In Surplus

DECEMBER 31, 2009

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, 2009, per Annual Statement | \$4,695,648 |
|---|-------------|

| | <u>PER COMPANY</u> | <u>PER EXAM</u> | <u>INCREASE (DECREASE) IN SURPLUS</u> |
|--|------------------------|---------------------|---|
| ASSETS: | | | |
| No Adjustment | | | |
| LIABILITIES: | | | |
| No Adjustment | | | |
| Net Change in Surplus: | | | |
| Surplus as Regards Policyholders December 31, 2009, Per Examination | | | <u><u>\$4,695,648</u></u> |

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$ 1,076,872

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, 2009, 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 engaged an independent actuarial firm, Alliance Actuarial Services Inc., to review the Statutory Reserve carried in the Company's balance sheet as of December 31, 2009, They were in concurrence with this opinion.

Capital and Surplus

The amount of \$4,695,648 in surplus exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

General

We recommend that the Company comply with Article 17 of the Consent Order 85477-06-CO dated March 29, 2006; Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code, and make full disclosure of all companies owned directly or indirectly. The disclosures should be included in the annual Holding Company Registration Statement filed annually and Schedule Y, Part 1 and 2 of the Annual Statement.

We recommend that the Company comply with Article 18 of Consent Order 85477-06-CO and have written agreements submitted for approval for all affiliated transactions.

We recommend that the Company comply with Article 19 of the Consent Order No. 85477-06-CO to develop a formal security policy detailing all controls in place to protect the data and environment of the work being done for the Company.

Management

We recommend that the Company comply with Section 625.304, Florida Statutes by obtaining approval of the investment transactions by the Board.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Windhaven Insurance Company** as of December 31, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$4,695,648, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Roshanak Fekrat, CPA, CFE, CIA, Examiner-In-Charge, and Participating Examiners, Cynthia Sikorski, CFE, and Aram Morvari, of Global Insurance Enterprises, Inc. participated in this examination. We also recognize Richard Lo, FCAS MAAA, FCA, consulting actuary of Alliance Actuarial Services Inc. and Jenny Jeffers, AES, CISA consulting IT Specialist of Jennan Enterprises, Inc. participation in the examination.

Respectfully submitted,

Kethessa Carpenter, CPA
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation