



**EXAMINATION REPORT  
OF**

**Tower Hill Insurance Exchange  
Gainesville, Florida**

**NAIC Company Code: 17179**

**as of  
December 31, 2021**

**By  
The Florida Office of Insurance Regulation**

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May 30, 2023

Michael Yaworsky  
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, 2021, of the financial condition and corporate affairs of

**Tower Hill Insurance Exchange**  
7201 N.W. 11<sup>th</sup> Place  
Gainesville, Florida 32605

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

## SCOPE OF EXAMINATION

This examination covered the period of December 21, 2021 through December 31, 2021, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on April 1, 2023. The fieldwork concluded as of May 30, 2023. This was the first financial condition examination of the Company by the Office.

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

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles (“SSAP”). The examination does not attest to the fair presentation of the financial statements included. If, during the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes information obtained from the examination of the records, accounts, files, and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Examination Findings**

The following is a summary of the significant findings of fact during this examination.

#### **Custodial Agreement**

The Company's Custodial Agreement did not comply with Rule 690-143.042, Florida Administrative Code or the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

### **Previous Examination Findings**

There were no prior findings as this was the first financial condition examination of the Company by the Office.

## **COMPANY HISTORY**

### **General**

The Company was organized in Florida on December 21, 2021, and issued a Certificate of Authority by the Office, permitting the Company to operate as a reciprocal property and casualty insurer in the state of Florida. The Company commenced business on January 10, 2022.

The Company was organized as an unincorporated association of individuals, hereafter referred to as subscribers, who formed a reciprocal insurance exchange pursuant to Section 629.081, Florida Statutes. The subscribers participate in an interexchange of reciprocal agreements of indemnity, effectuated through the Company's Attorney-in-Fact. Each subscriber is both an insurer and an insured and has entered into a subscriber agreement with power of attorney. The Company is governed by a Subscribers' Advisory Committee ("SAC") and managed by Tower Hill Risk Management, LLC ("THRM") Board of Managers as the Attorney-in-Fact ("AIF"). The powers of the SAC and the AIF are derived from subscribers and are to be exercised for the benefit of subscribers.

## Dividends

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

## Capital Stock and Capital Contributions

The Company is organized as a reciprocal insurer; therefore, it has no authorized capital stock to issue. No capital contributions were received during the period under examination.

## Surplus Notes

The Company's initial capitalization was obtained through the issuance of four surplus notes on December 24, 2021. The following surplus notes were outstanding as of December 31, 2021:

Type	Date Issued	Face Value	Interest Rate	Scheduled Maturity	Note Holder
Floating Rate Senior	12/24/2021	\$152,500,000	CMT +9.75%	12/31/2028	GPC Partners Investment (Coppola) LP*
Floating Rate Senior	12/24/2021	\$7,500,000	CMT +9.75%	12/31/2028	Vantage Risk Holdings Corporation
Floating Rate Subordinated	12/24/2021	\$1,250,000	CMT +9.75%	12/31/2028	Renaissance Ventures U.S. LLC
Floating Rate Subordinated	12/24/2021	\$3,750,000	CMT +9.75%	12/31/2028	WJS Investco LLC

The first two were senior surplus notes issued to GPC Partners Investment (Coppola) LP and Vantage Risk Holdings Corporation in the amounts of \$152,500,000 and \$7,500,000, respectively. The remaining two were subordinated surplus notes issued to Renaissance Ventures U.S. LLC and WJS Investco LLC in the amounts of \$1,250,000 and \$3,750,000, respectively. The interest rates for the four surplus notes are a per annum rate equal to the three-month Treasury Constant Maturity Rate ("CMT"), as determined by the Company for the accrual period, plus 9.75%. The four surplus notes are scheduled to mature on December 31, 2028.

**Subsequent Event:** The Company issued a \$40,000,000 senior surplus note on June 16, 2022, to GPC Partners Investment (Coppola) LP. The interest rate terms are the same as the prior notes (CMT + 9.75%). The surplus note will mature on June 16, 2029.

### Acquisitions, Mergers, Disposals, Dissolutions

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

## MANAGEMENT AND CONTROL

### Corporate Governance

The Company's day-to-day affairs are managed by THRM, as the Company's AIF. THRM is managed by a Board of Managers ("the Board"). According to THRM's Operating Agreement executed on December 24, 2021, the initial members of the Board were as follows:

THRM Board of Managers		
Name	City, State	Principal Occupation, Company Name
Jonathan James Anderson	New York, New York	SVP, Strategic Investments, RenaissanceRe
Matthew Bernard Botein	Brookline, Massachusetts	Co-founder & Managing Partner, Gallatin Point Capital
Donald Carl Matz Jr. <sup>(a)</sup>	Gainesville, Florida	President, Tower Hill Insurance Group, LLC
Scott Parker Rowe	Newberry, Florida	Attorney, Tower Hill Insurance Group, LLC
William John Shively <sup>(1)</sup>	Gainesville, Florida	CEO Tower Hill Insurance Group, LLC

(1) Chairman

(a) Resigned on September 7, 2022 and was replaced by Kirk Quoc La on the Board on September 8, 2022.

According to the Company, the initial Officers appointed by the Board and serving as of December 31, 2021, were:

<b>THRM Senior Officers</b>	
Donald Carl Matz Jr. <sup>(a)</sup>	Scott Parker Rowe

(a) Resigned on September 7, 2022 and was replaced by Kirk Quoc La as President on September 8, 2022.

The following were the members of the SAC as of December 31, 2021:

<b>Subscribers' Advisory Committee</b>		
Name	City, State	Title
Matthew Bernard Botein	Brookline, Massachusetts	Co-founder & Managing Partner, Gallatin Point Capital
Robert Bruce Crawford III	Tallahassee, Florida	Retired
Donald Carl Matz Jr. <sup>(1)(a)</sup>	Gainesville, Florida	President, Tower Hill Insurance Group, LLC
Lee McConnell Phillips	Tallahassee, Florida	Director of Continuing Legal Education, The Florida Justice Association
Robert Frank Reyes	Tallahassee, Florida	Owner, Capital Group, Inc.
Catherine Elizabeth Schnars	Tallahassee, Florida	Paralegal Meenan, P.A.

(1) Chairman

(a) Resigned on September 7, 2022 and was replaced by Kirk Quoc La on the SAC on September 8, 2022.

As of December 31, 2021, the Company had not established an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

**Subsequent Event:** According to the July 21, 2022, meeting minutes of the SAC, an audit committee was established. The following were appointed to the audit committee:

<b>Audit Committee</b>		
Matthew Bernard Botein <sup>(1)</sup>	Robert Frank Reyes	Robert Bruce Crawford III

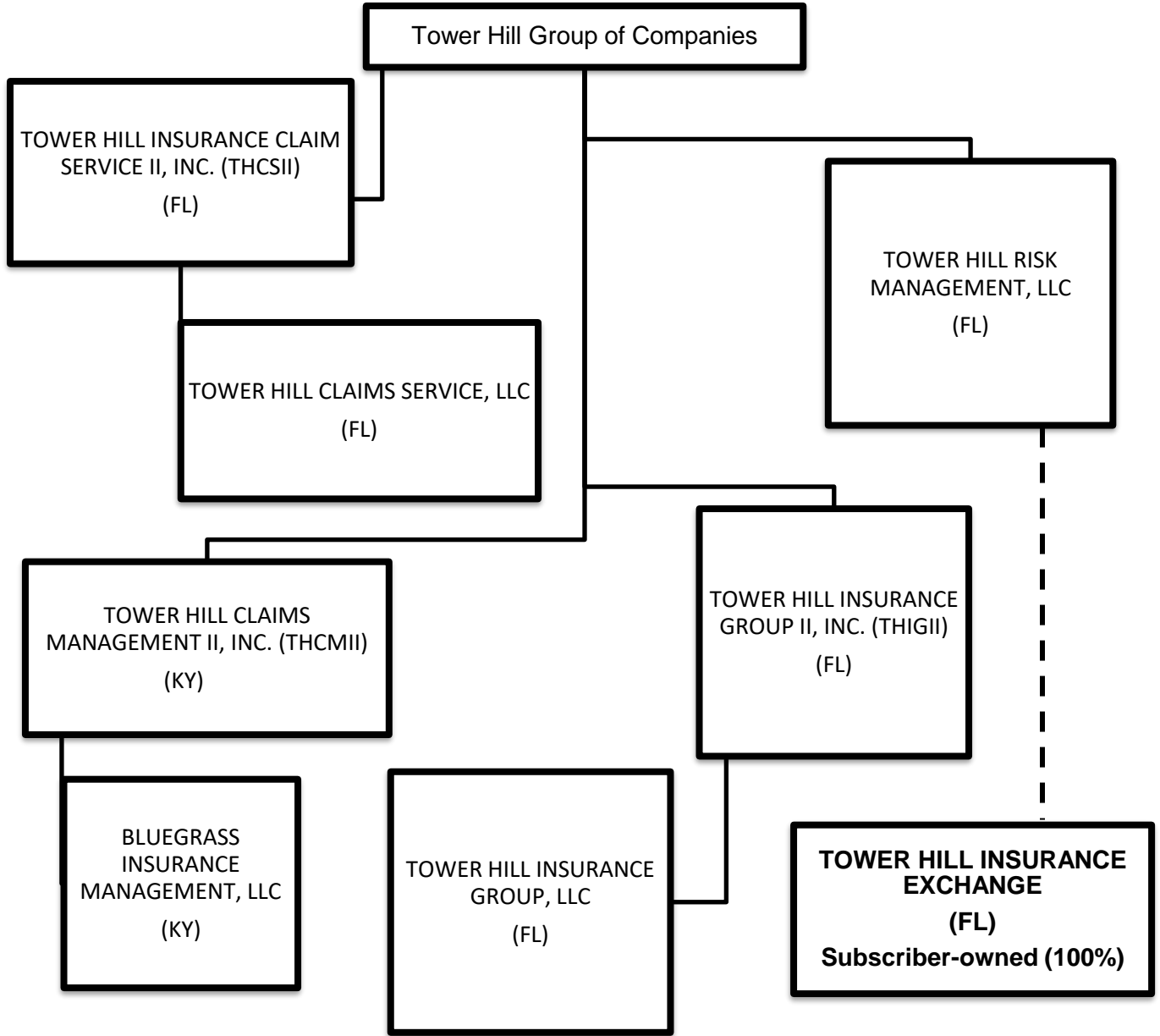
(1) Chairman

## **Holding Company System**

Control of the Company is maintained by THRM, a limited liability company organized under the laws of Florida. THRM is owned 60% by William J. Shively, 20% by RenaissanceRe Ventures, Ltd., and 20% by GPC Partners Investments (Coppola) II LP and Vantage Risk Holdings Corporation. William J. Shively holds a controlling interest in THRM, the AIF, making the Company part of the Tower Hill Insurance Group.

A simplified organizational chart as of December 31, 2021, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2021 annual statement provided a list of all related companies of the holding company group.

**Tower Hill Insurance Exchange  
Organizational Chart  
December 31, 2021**



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

### **Attorney-in-Fact Agreement**

The Company entered into an AIF agreement with THRM on December 24, 2021, to provide certain management services. The AIF agreement continues in force for an initial term of ten (10) years and will automatically renew for successive five (5) year periods, unless otherwise terminated within the guidelines of the agreement. The AIF fees are based on seventeen percent (17%) of annual gross premium written.

### **Claims Service Agreement**

The Company entered into a Claims Service Agreement with THRM, Tower Hill Claims Service, LLC, and Bluegrass Insurance Management, LLC on December 24, 2021. The agreement allocated cost based upon the scope of work and responsibilities performed for the benefit of the affiliated company.

### **Managing General Agency Agreement**

The Company entered into a Managing General Agency (“MGA”) Agreement with its affiliate, Tower Hill Insurance Group, LLC and THRM on December 24, 2021. The agreement continues in force for a term of ten (10) years and will automatically renew for successive five (5) year periods, unless otherwise terminated within the guidelines of the agreement. The MGA fees are based on eleven and a half percent (11.5%) of net written premium and include a \$25 policy service fee.

No fees related to the contracts with affiliates were paid or accrued during the examination period as the Company had not commenced insurance operations.

## **ACCOUNTS AND RECORDS**

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

## **Custodial Agreement**

The Company executed a custodial agreement with Regions Bank on December 29, 2021. The agreement did not comply with Rule 690-143.042, Florida Administrative Code or the Handbook adopted by Rule 690-138.001, Florida Administrative Code.

## **TERRITORY AND PLAN OF OPERATIONS**

On December 21, 2021, the Company was authorized to transact insurance in the state of Florida only and is currently authorized for the following lines of business in Florida as of December 31, 2021:

- Allied Lines
- Boiler and Machinery
- Fire
- Inland Marine
- Homeowners Multi-Peril
- Mobile Home Multi-Peril
- Mobile Home Physical Damage
- Other Liability

The Company had not commenced insurance operations as of December 31, 2021; therefore, it had no written premiums.

## **REINSURANCE**

As of December 31, 2021, the Company had not commenced operations nor executed a reinsurance agreement. Therefore, there were no reinsurance contracts subject to this examination.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus, and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2021. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2021. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**Tower Hill Insurance Exchange  
Assets  
December 31, 2021**

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash and short-term investments	\$159,857,611		\$159,857,611
Subtotals, cash and invested assets	\$159,857,611		\$159,857,611
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	\$159,857,611		\$159,857,611
<b>Total</b>	<b>\$159,857,611</b>		<b>\$159,857,611</b>

**Tower Hill Insurance Exchange  
Liabilities, Surplus, and Other Funds  
December 31, 2021**

	Per Company
Other expenses	\$6
Total liabilities excluding protected cell liabilities	\$6
Total liabilities	\$6
Surplus notes	\$165,000,000
Gross paid-in and contributed surplus	\$0
Unassigned funds (surplus)	\$(5,142,395)
Surplus as regards policyholders	\$159,857,605
<b>Totals</b>	<b>\$159,857,611</b>

**Tower Hill Insurance Exchange  
Statement of Income  
December 31, 2021**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$0
<b>Deductions</b>	
Losses Incurred	\$0
Loss adjustment expenses incurred	\$0
Other underwriting expenses incurred	\$145,006
Total Underwriting deductions	\$145,006
Net underwriting gain (loss)	\$(145,006)
<b>Investment Income</b>	
Net investment income earned	\$(4,997,389)
Net realized capital gains or (losses)	\$0
Net investment gain or (loss)	\$(4,997,389)
<b>Other Income</b>	
Net gain or (loss) from agents' or premium balances charged off	\$0
Finance and service charges not included in premiums	\$0
Total other income	\$0
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(5,142,395)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(5,142,395)
<b>Net Income</b>	<b>\$(5,142,395)</b>

	Per Company
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	\$0
Net Income	\$(5,142,395)
Change in surplus notes	\$165,000,000
Change in surplus as regards policyholders for the year	\$159,857,605
<b>Surplus as regards policyholders, December 31, current year</b>	<b>\$159,857,605</b>

**Tower Hill Insurance Exchange  
Reconciliation of Capital and Surplus  
December 31, 2021**

<b>Capital/Surplus Change during Examination Period</b>			
Surplus as of December 21, 2021, per Company			<b>\$0</b>
	Increase	Decrease	
Loss in surplus		\$(5,142,395)	
Change in net unrealized capital gain (loss)			
Change in net deferred income tax			
Change in non-admitted assets			
Change in surplus notes	\$165,000,000		
Change in paid in surplus			
Transferred to surplus			
Net increase (or decrease)			\$159,857,605
Surplus as of December 31, 2021, per Company			<b>\$159,857,605</b>

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

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### Capital and Surplus

The amount of capital and surplus reported by the Company of \$159,857,605, exceeded the minimum of \$1,000,000 required by Section 629.071, Florida Statutes & \$15,000,000 required by Section 624.408, Florida Statutes.

## **SUMMARY OF RECOMMENDATIONS**

### **Custodial Agreement**

The Company's custodial agreement was not compliant.

We recommend that the Company file, for review and approval, a Custodial Agreement which complies with the requirements of Rule 690-143.042, Florida Administrative Code and the Handbook adopted by Rule 690-138.001, Florida Administrative Code.

## CONCLUSION

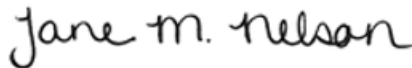
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Tower Hill Insurance Exchange as of December 31, 2021, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Natalie Howe, CFE, CFE (Fraud), Supervising Examiner, from Examination Resources, LLC also participated in the examination in addition to Dan Applegarth, CFE, CPA, PIR, Chief Financial Examiner from the Florida Office of Insurance Regulation.

Respectfully submitted,



Jennifer A. Haskell, CFE  
Examiner-in-Charge  
Examination Resources, LLC  
Representing the Florida Office of Insurance Regulation



Jane Nelson, PIR  
Director  
Property & Casualty Financial Oversight  
Florida Office of Insurance Regulation