



**EXAMINATION REPORT
OF**

**SafePoint Insurance Company
Temple Terrace, Florida**

NAIC Company Code: 15341

**as of
December 31, 2021**

**By
The Florida Office of Insurance Regulation**

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May 11, 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

SafePoint Insurance Company
12640 Telecom Drive
Temple Terrace, Florida 33637

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, 2017, through December 31, 2021, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on June 14, 2022. The fieldwork concluded as of May 11, 2023. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2016, through December 31, 2016.

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”).

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 (“FS”). There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The following is a summary of significant findings of fact including material adverse findings, significant non-compliance findings, such as non-compliance with state law(s), SSAPs, annual financial statement instructions, etc. or material changes in the financial statements.

1. Lack of Independent Audit Committee Member

The Company's CEO served on the Company's audit committee. This is not in accordance with Section 624.424(8)(c), FS. **(MANAGEMENT AND CONTROL)**

Subsequently the Company's CEO resigned from the audit committee. **(SUBSEQUENT EVENTS)**

2. Credit for Reinsurance

The Company miscalculated its reinsurance credit in the 2021 Annual Statement. This caused a material understatement of the Loss and LAE reserves that resulted in an overstatement of Capital and Surplus. **(COMMENTS ON FINANCIAL STATEMENT ITEMS).**

The error was corrected in the 2022 Annual Statement. **(SUBSEQUENT EVENTS)**

Previous Examination Findings

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

1. Net Written and Earned Premium

The Company's calculation of Net Written Premium and Net Unearned Premium did not match with the timing and terms of their Quota Share agreement. As a result, the Company's Ceded Premium, Ceded Commissions, and Ceded Unearned Premium for 2016 were overstated, consequently causing the 2016 Surplus as Regards Policyholders to also be overstated.

In order to remediate the finding, the Company put in place new controls to ensure that the accounting for reinsurance follows the timing and terms of their quota share agreements.

COMPANY HISTORY

General

The Company is a domestic stock company that is currently licensed in the states of Alabama, Florida, Louisiana, Mississippi, Texas, and New Jersey. The Company received a Florida COA on November 22, 2013.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2021, the Company's capitalization was as follows:

Number of authorized common capital shares	500,000
Number of shares issued and outstanding	330,000
Total common capital stock	\$3,300,000
Par value per share	\$10

During the period covered by the examination, the Company received \$14,500,000 in capital contributions from SafePoint Holdings, Inc. as follows:

December 31, 2017	\$4,500,000
June 30, 2018	2,500,000
September 30, 2018	3,000,000
December 31, 2018	1,500,000
March 31, 2018	3,000,000

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

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

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2021 are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Amarjit Singh Dhaliwal ⁽¹⁾	Tampa, Florida	Chairman, SafePoint Insurance Company
David Michael Flitman	Tampa, Florida	Chief Executive Officer, SafePoint Insurance Company
John William Burns	Bradenton, Florida	Self-Employed, Prior Chief Financial Officer, SafePoint Insurance Company
Wayne Spencer Matthews	Tallahassee, Florida	Chief Financial Officer, Florida Sheriffs' Risk Management Fund
Parminder Dhaliwal	Tampa, Florida	Vice Chairman, SafePoint Insurance Company
Donald Michael Rhomberg	Tampa, Florida	Insurance Agent/ Broker, Jaffe Tilchin Wealth Management
Benjamin Rosenblum	New York, New York	Chief Actuary, Assured Guaranty

⁽¹⁾ Chairman

In accordance with the Company’s Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
David Michael Flitman	Tampa, Florida	Chief Executive Officer
Steven Michael Hoffman	Wesley Chapel, Florida	Chief Financial Officer
Gustavo Fernandez	Miami, Florida	Chief Underwriting Officer
Nancy Lee Baily ^(a)	Tampa, Florida	Chief Operating Officer
Jennifer Diane Cotugno	Fort Lauderdale, Florida	Chief Claims Officer

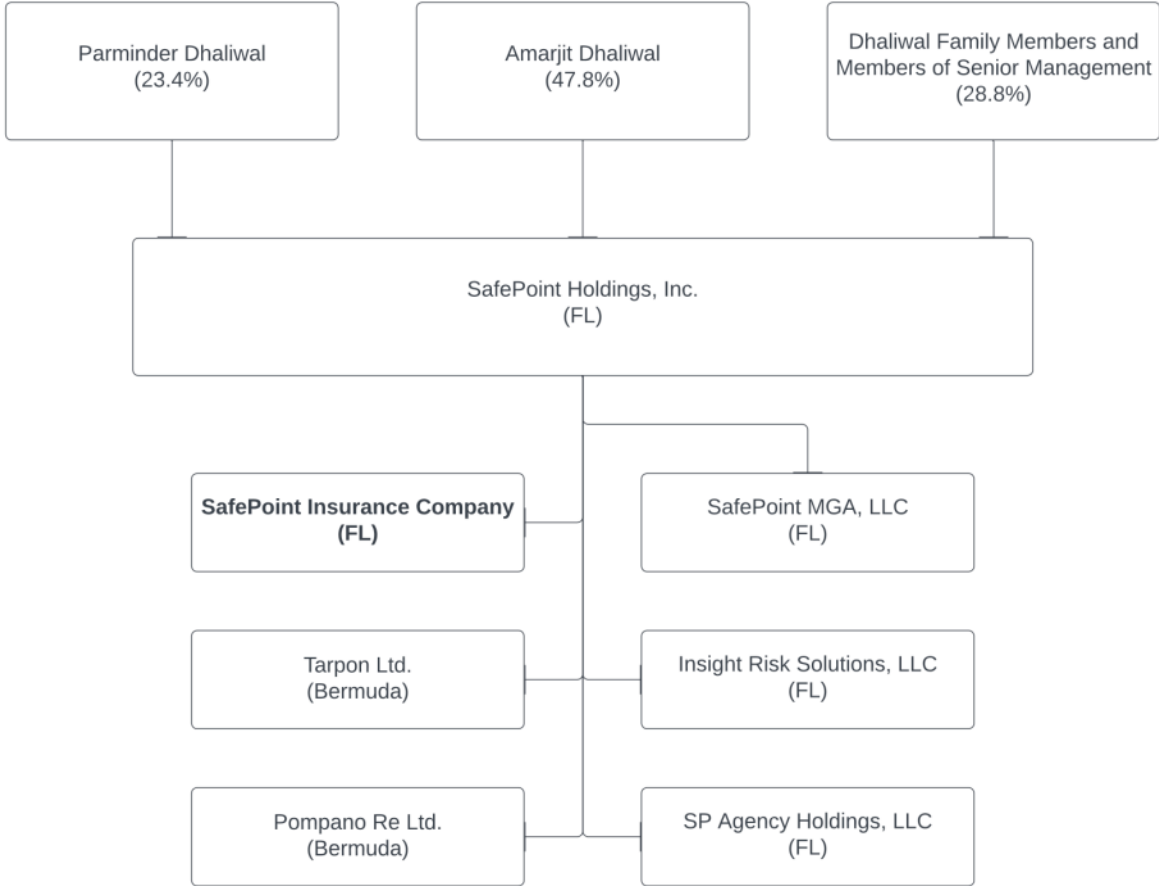
^(a) Nancy Lee Baily resigned from her position as Chief Operating Officer on January 31, 2022.

The Company established an audit committee as required by Section 624.424(8)(c), FS and had the entire Board of Directors serve on this committee as permitted by Rule 69O-137.002(3)(c), FAC. However, this included Mr. David Michael Flitman, who as CEO of the Company does not meet the independence requirements of Section 624.424(8)(c), FS. Accordingly, Mr. Flitman resigned from the audit committee in 2023.

Holding Company System

An 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.

**SafePoint Insurance Company
Organizational Chart
December 31, 2021**



Affiliate Agreements

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

MGA Agreement

SafePoint MGA, LLC, an affiliate of the Company, is the exclusive Managing General Agent (“MGA”) of the Company. Its duties include litigation support, claims handling, issuing policies, and providing other administrative support such as marketing, claims analysis, accounting services, information systems support, product and underwriting development, catastrophe risk management, and other managerial services.

The MGA receives different levels of compensation depending on the service it provides. These range from a percentage of direct, assumed, or gross premium written to assessed fees.

During the period covered by the exam, the Company received approval from the Office, and SafePoint MGA, LLC waived fees for the following amounts:

2018	\$4,185,658
2019	\$11,750,000
2020	\$18,000,000
2021	\$940,256

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Temple Terrace, Florida.

TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Florida	Louisiana
Mississippi	New Jersey	Texas

The Company was authorized to transact insurance in Florida on November 22, 2013, and is currently authorized for the following lines of business as of December 31, 2021:

Homeowners	Fire
Allied Lines	Inland Marine
Other Liability	Commercial
Glass	Burglary and Theft
Private Passenger Auto Liability	Private Passenger Auto Physical Damage
Boiler and Machinery	

The Company specializes in writing Residential Property in the states where it is licensed or eligible.

The states with the highest premium volumes were Florida with 133,037,795; Louisiana with 13,010,610; and Texas with 8,285,479.

REINSURANCE

Reinsurance Assumed

As of December 31, 2021, the Company’s assumed reinsurance program consisted of business assumed from various commercial insurers and Citizens Property Insurance Corporation of Florida.

Reinsurance Ceded

As of December 31, 2021, the Company’s ceded reinsurance program was covered by Quota Share, Excess-of-Loss, and Catastrophe agreements with affiliate and non-affiliate commercial reinsurers and the Florida Hurricane Catastrophe Fund.

Advance reinsurance premiums paid by the Company to affiliated captive reinsurer Pompano, were misclassified as “Cash equivalents” in the 2021 Annual Statement. The appropriate treatment under SSAP 62R Paragraph 50 would have the payments carried as a contra liability to the liability account “Ceded reinsurance premiums payable.”

The misclassification caused the Company to understate the amount of collateral needed by Pompano in its reinsurance trust and resulted in Pompano’s reinsurance trust not being

sufficient to collateralize the Company's reinsurance recoverables. The net effect was the December 31, 2021 Loss and LAE reserves were understated and surplus was overstated and an accounting error, as defined by SSAP No. 3 Paragraph 9.

Subsequent Event: Once informed of the error, in November 2022, the Company took a number of corrective actions that resulted in the proper amount of collateral being held by Pompano, and both the Loss and LAE reserves and Surplus being reported correctly in the 2022 Annual Statement. The actions included the Company commuting one of its reinsurance treaties with Pompano to reduce collateral requirements and purchasing preferred shares of Pompano Re (i.e., effectively infusing capital into the affiliated captive reinsurer) as allowed under Section 625.325 FS.

SSAP No. 3 Paragraph 10 provides authoritative guidance on how to deal with accounting errors and provides the state of domicile the option of requiring a restatement of past financials or booking the resulted adjustment in the period the error is detected. Since the error was detected in 2022, and the net effect on the 2022 financial statements was zero, the Office decided not to require the Company to re-file their 2021 statutory statements or make an examination adjustment.

Part of correcting an accounting error requires making any necessary adjustments in the current year's supplemental schedules (e.g., Schedule P) and in the notes to the financial statements according to SSAP No. 3 Paragraph 11. This has not occurred as of the end of examination fieldwork.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income or Summary 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 Office 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.)

SafePoint Insurance Company
Assets
December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$32,156,469		\$32,156,469
Common stocks	59,900		59,900
Properties occupied by the company	1,326,461		1,326,461
Cash and short-term investments	50,516,318		50,516,318
Receivables for securities	2,485		2,485
Aggregate write-in for invested assets	743,335		743,335
Subtotals, cash, and invested assets	\$84,804,968		\$84,804,968
Investment income due and accrued	140,586		140,586
Uncollected premiums and agents' balances	13,250,819		13,250,819
Amounts recoverable from reinsurer	35,791,708		35,791,708
Current federal and foreign income taxes recoverable and interest thereon	5,393,217		5,393,217
Net deferred tax asset	296,489		296,489
Electronic data processing equipment and software	94,259	\$94,259	-
Aggregate write-in for other than invested assets	3,120,495		3,120,495
Totals	\$142,892,541	\$94,259	\$142,798,282

**SafePoint Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2021**

	Per Company
Losses	\$30,330,069
Loss adjustment expenses	7,298,488
Commissions payable, contingent commissions and other similar charges	3,298,948
Other expenses	505,438
Taxes, licenses and fees	1,052,738
Unearned premiums	(3,719,266)
Advance premiums	3,750,481
Ceded reinsurance premiums payable	45,644,907
Funds held by company under reinsurance treaties	8,101,778
Payable to parent, subsidiaries and affiliates	5,367,596
Aggregate write-in for liabilities	367,478
Total liabilities	\$101,998,655
Common capital stock	3,300,000
Gross paid-in and contributed surplus	54,700,000
Unassigned funds (surplus)	(17,200,373)
Surplus as regards policyholders	\$40,799,627
Totals	\$142,798,282

SafePoint Insurance Company
Statement of Income
December 31, 2021

	Per Company
Underwriting Income	
Premiums earned	(\$1,179,631)
Deductions	
Losses Incurred	\$16,277,109
Loss adjustment expenses incurred	4,770,072
Other underwriting expenses incurred	(21,815,410)
Total Underwriting deductions	(768,229)
Net underwriting gain (loss)	(411,402)
Investment Income	
Net investment income earned	\$1,245,502
Net realized capital gains or (losses)	(198,830)
Net investment gain or (loss)	1,046,672
Other Income	
Finance and service charges not included in premiums	\$274,395
Total other income	274,395
Federal & foreign income taxes incurred	(86,884)
Net Income	996,549
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$40,362,022
Net Income	996,549
Change in net unrealized capital gains or losses less capital gains tax	(23,096)
Change in net deferred income taxes	(613,968)
Change in non-admitted assets	78,120
Change in surplus as regards policyholders for the year	437,605
Surplus as regards policyholders, December 31, current year	\$40,799,627

**SafePoint Insurance Company
Reconciliation of Capital and Surplus
December 31, 2021**

As discussed in the Reinsurance Ceded Section above, while a financial accounting error did occur as of December 31, 2021, the examination did not make any adjustments to surplus as regards policyholders.

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2016, per Company			\$49,673,579
	Increase	Decrease	
Net Income (loss)		\$21,007,200	
Change in net unrealized capital gain (loss)		101,759	
Change in net deferred income tax		2,225,901	
Change in non-admitted assets		39,093	
Change in paid in surplus	\$14,500,000		
Net increase (or decrease)			(8,873,952)
Surplus at December 31, 2021, per Company			\$40,799,627

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The Company materially overstated its capital and surplus in its 2021 Annual Statement as discussed in the “Reinsurance Ceded” section above. The error was subsequently corrected in the 2022 Annual Statement.

SUBSEQUENT EVENTS

Audit Committee

During 2023 the Company's CEO resigned from the Company's audit committee. This resolved the independence issue raised in the "Current Examination Findings" and "**CORPORATE GOVERNANCE**" sections of this report.

Hurricane Ian

On September 28, 2022, Hurricane Ian made landfall near Cayo Costa in southwestern Florida as a high-end Category 4 storm. As of December 31, 2022, the Company projected an expected ultimate loss of \$90 million from the storm with Loss Adjustment Expenses reflecting approximately 9% of that amount.

SUMMARY OF RECOMMENDATIONS

Required Disclosures Concerning the Correction of an Error

In accordance with SSAP No. 3, Paragraph 11, the examination recommends that the Company amend the Notes to Financials section, and any other supplemental schedules affected by the accounting error described in the Reinsurance Ceded portion of this report as it pertains to any statutory financials filed with the Office after this report is published. At a minimum, this will include the 2nd and 3rd quarterly statements for 2023 and the 2023 Annual Statement.

CONCLUSION

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

In addition to the undersigned, the following individuals from Noble Consulting Services, Inc. ("Noble"), Highland Clark, LLC ("Highland Clark), and The Actuarial Advantage, Inc. ("Actuarial Advantage") also participated in the examination:

Bobby Jackson	Exam Manager	Office
Lori Lewter, CISA	Examiner, IT Specialist	Highland Clark
Aleksandreja Kulits	Examiner	Highland Clark
Alan Kaliski, FCAS, MAAA	Exam Actuary	Noble
Laura Martin, FCAS, MAAA	Exam Actuary	Actuarial Advantage

Respectfully submitted,



Tracy Gates, CISA, CFE
Examiner in Charge, IT Specialist
Highland Clark, 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