



**EXAMINATION REPORT
OF**

**Southern Oak Insurance Company
Ponte Vedra Beach, Florida**

NAIC Company Code: 12247

**as of
December 31, 2022**

**By
The Florida Office of Insurance Regulation**

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March 22, 2024

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, 2022, of the financial condition and corporate affairs of

Southern Oak Insurance Company
816 A1A North, Suite 302
Ponte Vedra Beach, Florida 32082

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, 2018 through December 31, 2022, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on May 11, 2023. The fieldwork concluded as of March 22, 2024. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2013 through December 31, 2017.

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. 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

There were no significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

Southern Oak Insurance Company ("Southern Oak" or "Company") is a domestic stock insurer, that is licensed exclusively in Florida. The Company was incorporated in Florida on November 30, 2004 and commenced business on December 1, 2004. The Company is authorized to write in the Fire, Allied Lines, Homeowners' Multi-Peril, and Mobile Home Multi-Peril lines of business. Coverage forms written include HO-3, HO-4, HO-6, Mobile Home, Dwelling Fire, and Wind-Only.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2022, the Company's capitalization was as follows:

Number of authorized common capital shares	65,001
Number of shares issued and outstanding	65,001
Total common capital stock	\$6,500,100
Par value per share	\$100.00

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, 2022, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Stephen John Pajcic, III (1)	Jacksonville, Florida	Attorney Pajcic & Pajcic
Tony Alexander Loughman	Ponte Vedra Beach, Florida	President and CEO Southern Oak Insurance Company
Michael Sather Pajcic	Jacksonville, Florida	Attorney Pajcic & Pajcic
Helen Pajcic Nicholson	Neptune Beach, Florida	Homemaker
Julie Wetmore Wild	Ponte Vedra Beach, Florida	Chief Compliance Officer Southern Oak Insurance Company

(1) Chairman

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

Senior Officers		
Name	City, State	Title
Tony Alexander Loughman	Ponte Vedra Beach, Florida	President
Michael Sather Pajcic	Jacksonville, Florida	Secretary
Stephen John Pajcic, III	Jacksonville, Florida	Treasurer
Daniel Michael Kutzer (1)	Jacksonville, Florida	Chief Financial Officer
Julie Wetmore Wild	Ponte Vedra Beach, Florida	Chief Compliance Officer
Kimberly Ann Chaney	Fleming Island, Florida	Vice- President

- Steve Bitar was hired as the Chief Operating Officer on January 23, 2023.
- (1) Heather McCoy replaced Daniel Kutzer as the Chief Financial Officer on March 2, 2023. Daniel is partially retired but remains with Southern Oak as the Vice President of Finance.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2022. The first person listed for each committee is the chairman.

Executive Committee	
Stephen John Pajcic, III	Tony Alexander Loughman

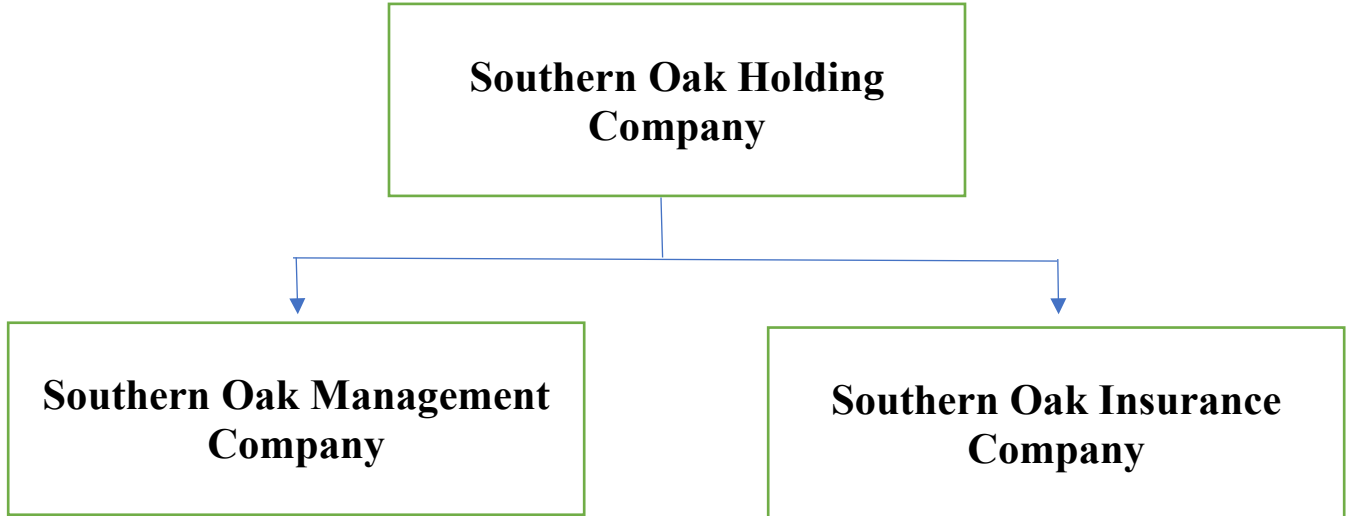
The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Audit Committee		
Stephen John Pajcic, III	Michael Sather Pajcic	Helen Pajcic Nicholson

Holding Company System

The Company is a member of a holding company system. An organizational chart as of December 31, 2022, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2022 annual statement provided a list of all related companies of the holding company group.

**Southern Oak Insurance Company
Organizational Chart
December 31, 2022**



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

Managing General Agency and Claims Administration Agreement

The Company entered into a Managing General Agency (“MGA”) and Claims Administration Agreement with Southern Oak Management, LLC (“SOM”) on December 1, 2004. SOM is authorized to produce, administer, and manage policies, and to adjust claims, providing other services in connection with policies, including but not limited to marketing, claims analysis, general ledger accounting, information services, product and underwriting development and management, and catastrophe risk management. The agreement continues to be in force unless otherwise terminated within the guidelines of the agreement. The Company incurred expenses under the terms of this agreement amounted to \$42,499,824 during 2022.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Ponte Vedra Beach, Florida. The Company and non-affiliates had the following material agreement:

Custodial Agreement

The Company maintained a custodial agreement with Merrill Lynch that was executed on June 25, 2008.

Independent Auditor Agreement

An independent CPA, Johnson Lambert, LLP audited the Company's statutory basis financial statements annually for the years 2018, 2019, 2020, 2021 and 2022.

TERRITORY AND PLAN OF OPERATIONS

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

The Company was authorized to transact insurance in Florida on December 1, 2004 and is currently authorized for the following lines of business as of December 31, 2022:

- Fire
- Homeowners Multiple Peril
- Allied Lines
- Mobile Home Multiple Peril

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

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

Reinsurance Ceded

Since 2018, the structure of the reinsurance program has been consistent, with Guy Carpenter & Company, as the reinsurance broker. The Company purchased catastrophe reinsurance from private reinsurers and the Florida Hurricane Catastrophe Fund (FHCF). The Company has fully placed its reinsurance layers and has provided all reinsurance summary statements. No affiliated reinsurers are being utilized.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; Statement of Income and the statutory Analysis of Changes in Surplus for the year ended December 31, 2022. 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, 2022. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Southern Oak Insurance Company
Assets
December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$115,864,666		\$115,864,666
Common stocks	19,644,654		19,644,654
Cash and short-term investments	(2,917,270)		(2,917,270)
Subtotals, cash and invested assets	\$132,592,050		\$132,592,050
Investment income due and accrued	1,123,368		1,123,368
Uncollected premiums and agents' balances	6,765,629	\$101,527	6,664,102
Reinsurance			
Amounts recoverable from reinsurers	9,631,223		9,631,223
Other amounts receivable under reinsurance contracts	2,216,665		2,216,665
Current federal and foreign income taxes recoverable and interest thereon	4,653,177		4,653,177
Net deferred tax asset	2,657,743		2,657,743
Aggregate write-in for other than invested assets	2,948,640	2,947,975	665
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	162,588,495	3,049,502	159,538,993
Total	<u>\$162,588,495</u>	<u>\$3,049,502</u>	<u>\$159,538,993</u>

Southern Oak Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2022

	Per Company
Losses	\$26,720,317
Loss adjustment expenses	2,297,592
Other expenses	275,368
Taxes, licenses and fees	1,407,324
Unearned premiums	79,946,727
Advance premiums	3,899,864
Ceded reinsurance premiums payable	(1,031,729)
Funds held by company under reinsurance treaties	18,726
Amounts withheld or retained by company for account of others	1,117,216
Payable to parent, subsidiaries and affiliates	42,722
Total liabilities excluding protected cell liabilities	\$114,694,127
Common capital stock	6,500,100
Gross paid-in and contributed surplus	23,749,000
Unassigned funds (surplus)	14,595,766
Surplus as regards policyholders	44,844,866
Totals	<u>\$159,538,993</u>

Southern Oak Insurance Company
Statement of Income
December 31, 2022

	Per Company
Underwriting Income	
Premiums earned	\$105,755,968
Deductions	
Losses Incurred	\$51,771,257
Loss adjustment expenses incurred	19,312,160
Other underwriting expenses incurred	34,671,198
Total Underwriting deductions	\$105,754,615
Net underwriting gain (loss)	\$1,353
Investment Income	
Net investment income earned	\$884,525
Net realized capital gains or (losses)	(474,779)
Net investment gain or (loss)	\$409,746
Other Income	
Net gain or (loss) from agents' or premium balances charged off	\$(1,288)
Finance and service charges not included in premiums	203,197
Total other income	\$201,909
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$613,009
Federal & foreign income taxes incurred	126,208
Net Income	\$486,801
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$40,107,003
Net Income	486,801
Change in net unrealized capital gains or losses less capital gains tax	(2,228,650)
Change in net deferred income taxes	175,025
Change in non-admitted assets	(3,017,477)
Paid in Surplus	7,000,000
Aggregate write-ins for gains and losses in surplus	2,322,164
Change in surplus as regards policyholders for the year	4,737,863
Surplus as regards policyholders, December 31, current year	<u>\$44,844,866</u>

**Southern Oak Insurance Company
Reconciliation of Capital and Surplus
December 31, 2022**

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2017, per Company			\$56,203,997
	Increase	Decrease	
Gain in surplus		27,589,625	
Change in net unrealized capital gain (loss)	2,354,012		
Change in net deferred income tax	2,528,171		
Change in non-admitted assets		2,973,853	
Change in paid in capital	12,000,000		
Aggregate write-ins for gains and losses in surplus	2,322,164		
Net increase (or decrease)			\$(11,359,131)
Surplus at December 31, 2022 per Company			<u>\$44,844,866</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$44,844,866, exceeded the minimum of \$15,000,000 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 Southern Oak Insurance Company as of December 31, 2022, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following individuals from the Florida Office of Insurance Regulation, The NOVO Consulting Group, LLC, and Taylor-Walker Consulting, LLC also participated in this examination:

Bobby Jackson, CPA, APIR	Manager	The Office
Casey Hengstebeck, APIR	Participating Examiner	The Office
Jeff Good, CFE, CIE, MCM	Supervisor	The NOVO Consulting Group, LLC
Ray Conover, MCM, AIE, Are, FLMI	Participating Examiner	The NOVO Consulting Group, LLC
Clifton Day, MPA, MCM, CPM, CSM	Participating Examiner	The NOVO Consulting Group, LLC
Robert Ficken, CPA, CISA, CFE, AES, CRISC, CISSP	IT Specialist	The NOVO Consulting Group, LLC
Sol Frazier, FSA, FCAS, MAAA	Consulting Actuary	Taylor-Walker Consulting, LLC

Respectfully submitted,



Lori Ruggiero, CFE, CIE, MCM
Examiner –in-Charge
The NOVO Consulting Group, LLC
Representing the Florida Office of Insurance Regulation



Chad Mason, PIR
Chief Financial Examiner
Property & Casualty/Life & Health Financial Oversight
Florida Office of Insurance Regulation