



**EXAMINATION REPORT  
OF**

**Tower Hill Preferred Insurance Company  
Gainesville, Florida**

**NAIC Company Code: 29050**

**as of  
December 31, 2022**

**By  
The Florida Office of Insurance Regulation**

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July 8, 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 690-138.005, 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

**Tower Hill Preferred Insurance Company**

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 from January 1, 2019, through December 31, 2022. Fieldwork, which included planning meetings held at the Florida Office of Insurance Regulation (the "Office" or "FLOIR") commenced on November 6, 2023, and concluded as of July 8, 2024. The Company's last full scope examination by the representatives of the Office covered the period of January 1, 2014 through December 31, 2018.

The examination was 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.

The examination involved Florida domestics only therefore, no other states participated. The Company writes business only in the state of Florida.

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 ("SSAPs").

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 material findings or exceptions noted during the examination as of December 31, 2022.

### **Previous Examination Findings**

There were no material findings or exceptions noted during the examination as of December 31, 2018.

## **COMPANY HISTORY**

### **General**

The Company was incorporated on November 26, 1986, and commenced writing business on January 1, 1987, as Regency Insurance Company, domiciled in North Carolina. The Company was then owned by Regency Financial Corporation, a subsidiary of Frontier Insurance Group Inc. Regency Insurance Company was purchased by Tower Hill Insurance Company on May 12, 2000. A Certificate of Domestication and Articles of Incorporation were approved effective January 13, 2004, upon transfer of domicile from North Carolina to the State of Florida. The Office approved the name change to Tower Hill Preferred Insurance Company which was filed on March 19, 2004. The Company completed an approved statutory merger with Hillcrest Insurance Company ("Hillcrest"), effective June 1, 2010.

The Company is wholly owned by Tomoka Re Holdings Inc. ("Tomoka Re"), a Florida based holding company. Tomoka Re is jointly owned by Tower Hill Insurance Holdings (57.53% ownership), Hillcrest Holdings (40.47% ownership) and RenaissanceRe Ventures, Ltd. (2% ownership). Tower Hill Insurance Holdings is majority owned by William J. Shively (48.6% ownership) and Patricia A. Shively (50% ownership). William J. Shively and Patricia A. Shively are the ultimate controlling persons of the Company. The Company, together with the other three Tower Hill Insurance Companies subject to this examination, share common management.

Starting February 15, 2022, the Company ceased writing new Florida personal lines business, with all renewals being transferred into Tower Hill Insurance Exchange. Subsequent to the examination, the Company has been in a planned wind down of operations.

## **Dividends**

The Company declared and paid dividends to its stockholder(s) in 2019 in the amount of \$1,400,000.

## **Capital Stock and Capital Contributions**

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

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	100,000
Total common capital stock	\$100,000
Par value per share	\$1.00

During the examination period, the Company received a capital contribution from Tomoka Re in the amount of \$2,250,000, effective December 31, 2020.

## **Acquisitions, Mergers, Disposals, Dissolutions**

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this 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:

<b>Directors</b>		
<b>Name</b>	<b>City, State</b>	<b>Principal Occupation, Company Name</b>
Kirk Quoc La	Gainesville, Florida	Chief Executive Officer and President, Tower Hill Insurance Group
Timothy Jon Meenan	Tallahassee, Florida	Managing Shareholder, Meenan Regulatory and Legislative Attorneys
Ernest Anthony Petrone	Tampa, Florida	Owner, Tower Hill Preferred Insurance Company
Kathy Smith Petrone	Tampa, Florida	Owner, Tower Hill Preferred Insurance Company
Scott Kevin Billings	Fort Worth, Texas	Managing Member, Blackeyed Distilling Company

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

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Kirk Quoc La	Gainesville, Florida	Chief Executive Officer
Scott Parker Rowe	Newberry, Florida	Chief Compliance Officer
Benjamin Lane Bussey III	Jacksonville, Florida	Chief Financial Officer
Daniela Michele Wheeler	Gainesville, Florida	Chief Underwriting Officer

The Company's Board appointed an audit committee. The following members were appointed as of December 31, 2022:

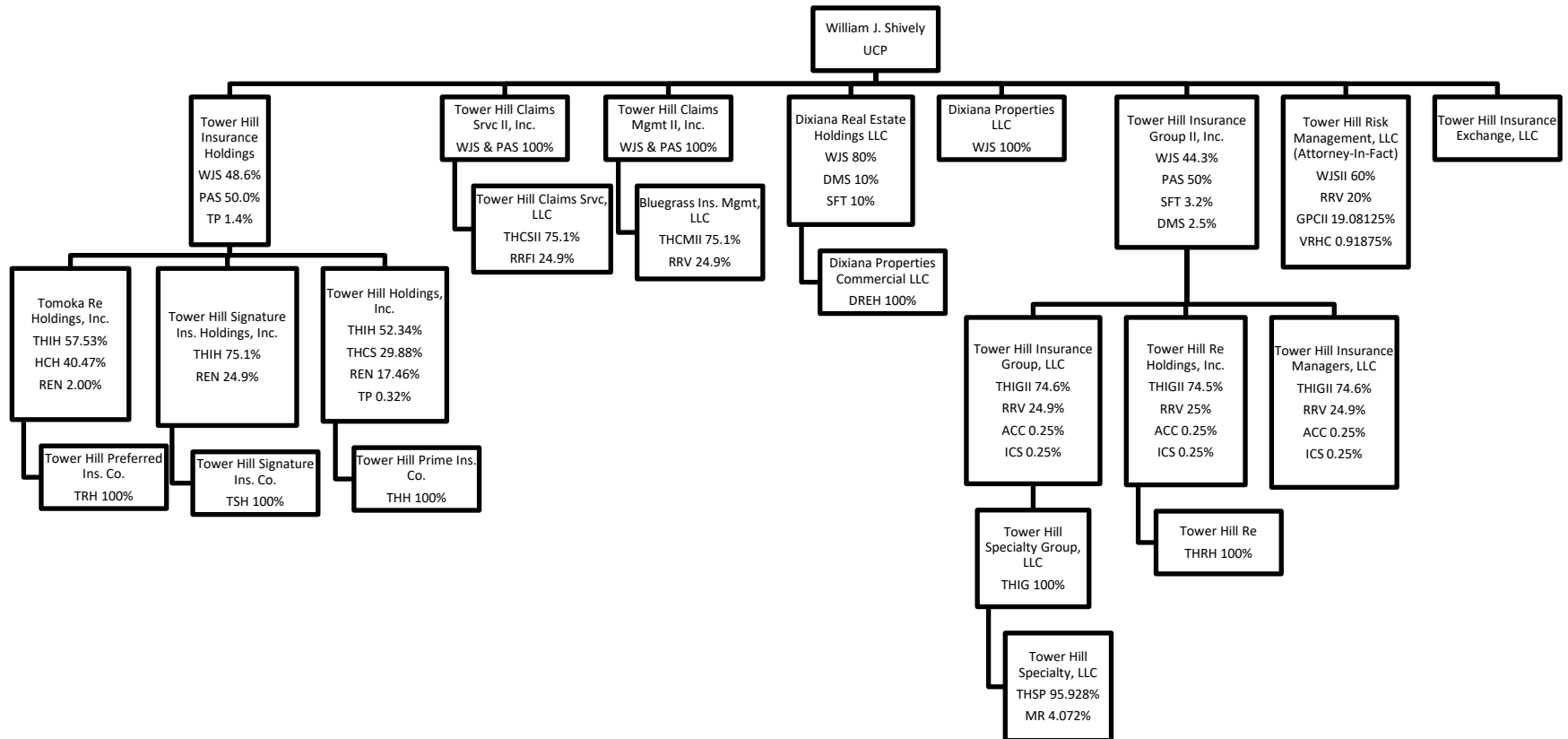
<b>Audit Committee</b>	
Scott Kevin Billings	Tim Meenan
Kathy Petrone	Earnie Petrone

## **Holding Company System**

The company filed its holding company registration statement as of December 31, 2022, with the Office on March 31, 2023.

A simplified 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.

**Tower Hill Preferred Insurance Company  
Simplified Organizational Chart  
December 31, 2022**



Ownership represented in % of voting share

Tower Hill Signature Insurance Company	THSIG	Tower Hill Ins. Group, LLC	THIG
RenaissanceRe Ventures, Ltd.	REN	Tower Hill Claims Mgmt II, Inc.	THCMII
RenaissanceRe Ventures US LLC	RRV	Tower Hill Specialty Group, LLC	THSP
William J. Shively	WJS	Tower Hill Holdings	THH
Donald C. Matz, Jr.	DCM	Tower Hill Insurance Managers, LLC	THIM
Hillcrest Holdings	HCH	Tower Hill Re Holdings, Inc.	THRH
Patricia A. Shively	PAS	RenaissanceRe Finance, Inc	RRFI
Three Puddles, LLC	TP	Dixiana Real Estate Holdings, LLC	DREH
Tower Hill Insurance Holdings, LLC	THIH	William J. & Donna M. Shively 2012 Family Trust	SFT
Tower Hill Claims Service	THCS	Donna M. Shively	DMS
Tower Hill Ins. Group II	THIGII	Manuel Rios	MR
ICS Software Acquisition, Inc.	TRH	GPC Partners Investments (Coppola) II LP	GPCII
Achua Capital Corp	ACC	Vantage Risk Holdings Corporation	VRHC
Tower Hill Claims Service II	THCSII	Tower Hill Risk Management	THRM
Tomoka Re Holdings, Inc.	TRH	WJS Investco, LLC	WJSII
Tower Hill Signature Ins. Holdings	TSH		

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

### **Tax Allocation Agreement**

The Company, along with Tomoka Re, filed a consolidated federal income tax return as of December 31, 2022. The consolidated return was prepared as if each individual corporation filed a separate return based on the income, losses, deductions, and credits of such individual corporation. Tax payments by the Company were made to Tomoka Re.

### **Management Agreement**

The Company entered into a Management Agreement with Tomoka Re on January 13, 2004, to provide certain management services including, legal counsel, accounting, investments and financial management, reinsurance assistance, risk management, human resources, administrative services, communication and information technology services, marketing services, consulting, and other such services as may be necessary.

### **Managing General Agent Agreement**

The Company entered into a Managing General Agency Agreement with its affiliate, Tower Hill Insurance Group, LLC (“THIG”) on January 1, 2008. The terms of the agreement give THIG authority for underwriting, premium collection, claims adjustment, and claims payment. Under the terms of this agreement, THIG is acting in the capacity of a Managing General Agent (“MGA”) on behalf of the Company. All premium collection is facilitated through THIG. The underwriting authority of THIG to issue policies under this agreement is continuous until terminated.

### **Claims Services Agreement**

The Company has entered into an agreement with affiliates Tower Hill Claims Service, LLC and Bluegrass Insurance Management, LLC to provide claims processing services effective January 1, 2008. Services provided include investigation of claims, furnishing claim forms and data, adjusting claims, and supervising litigation or other proceedings involving claims.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with Regions Bank executed on April 20, 2016.

## **Independent Auditor Agreement**

An independent CPA firm, Pricewaterhouse Coopers LLP, audited the Company's statutory basis financial statements annually for all years under examination. Supporting workpapers were prepared by the CPA firm and relied upon by the examination.

## **Corporate Records Review**

The recorded minutes of the Shareholder(s), Board of Directors ("Board"), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approvals of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

## **ACCOUNTS AND RECORDS**

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

## **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 January 1, 1987, and is currently authorized for the following lines of business in Florida as of December 31, 2022:

- Fire
- Homeowners Multiple Peril
- Boiler and Machinery
- Allied Lines
- Inland Marine
- Mobile Home Multiple Peril

Subsequent to the examination period, the Company withdrew from the Homeowners Multiple Peril and Mobile Home Multiple Peril lines of business.

## **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**

As of December 31, 2022, the Company ceded \$57.9 million of written premiums for the Fire, Allied Lines, Private Flood, Homeowners Multiple Peril, and Inland Marine lines of business. The company has a total reinsurance recoverable equal to \$108.3 million, with net reinsurance recoverables being \$109.1 million. The Company observed the reinsurance structure at the group level and is split into Florida Personal Lines, Prime Commercial Lines & Specialty, and Per Risk XOL Reinsurance Coverage.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; the statutory Statement of Operations; the statutory Statement of Cash Flows; 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.)

**Tower Hill Preferred Insurance Company**  
**Assets**  
**December 31, 2022**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$26,714,371		\$26,714,371
Stocks			
Common stocks	64,000		64,000
Mortgage loans on real estate			
First liens	720,095		720,095
Cash and short-term investments	(324,451)		(324,451)
Receivables for securities	3,398		3,398
Subtotals, cash and invested assets	\$27,177,414		\$27,177,414
Investment income due and accrued	210,075		210,075
Premiums and considerations			
Uncollected premiums and agents' balances	(1,342,824)		(1,342,824)
Reinsurance			
Amounts recoverable from reinsurers	8,392,759		8,392,759
Current federal and foreign income taxes recoverable and interest thereon	753,330		753,330
Net deferred tax asset	4,563,125	4,563,125	
Receivable from parent, subsidiaries and affiliates	6,863,179		6,863,179
Aggregate write-in for other than invested assets	3,413,202	2,578,302	834,900
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	50,030,260	7,141,427	42,888,833
<b>Total</b>	<b><u>\$50,030,260</u></b>	<b><u>\$7,141,427</u></b>	<b><u>\$42,888,833</u></b>

**Tower Hill Preferred Insurance Company  
Liabilities, Surplus, and Other Funds  
December 31, 2022**

	Per Company
Losses	\$21,001,279
Loss adjustment expenses	2,991,981
Commissions payable, contingent commissions and other similar charges	380,253
Other expenses	165,533
Unearned premiums	2,969,628
Ceded reinsurance premiums payable	(874,163)
Amounts withheld or retained by company for account of others	636,048
Provision for reinsurance	3,999
Total liabilities excluding protected cell liabilities	27,274,558
Total liabilities	\$27,274,558
Common capital stock	100,000
Gross paid-in and contributed surplus	41,718,328
Unassigned funds (surplus)	(26,204,053)
Surplus as regards policyholders	15,614,275
Totals	<u>\$42,888,833</u>

**Tower Hill Preferred Insurance Company**  
**Statement of Income**  
**December 31, 2022**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$37,419,957
<b>Deductions</b>	
Losses Incurred	\$31,811,650
Loss adjustment expenses incurred	5,732,121
Other underwriting expenses incurred	7,404,332
Total Underwriting deductions	\$44,948,103
Net underwriting gain (loss)	(\$7,528,146)
<b>Investment Income</b>	
Net investment income earned	\$1,123,265
Net realized capital gains or (losses)	(6,142,589)
Net investment gain or (loss)	(\$5,019,324)
<b>Other Income</b>	
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(\$12,547,470)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(12,547,470)
Federal & foreign income taxes incurred	(663,547)
Net Income	(\$11,883,923)
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	\$26,519,360
Net Income	(11,883,923)
Change in net deferred income taxes	1,848,576
Change in non-admitted assets	(868,739)
Change in provision for reinsurance	(999)
Change in surplus as regards policyholders for the year	(10,905,086)
Surplus as regards policyholders, December 31, current year	<u>\$15,614,275</u>

**Tower Hill Preferred Insurance Company**  
**Reconciliation of Capital and Surplus**  
**December 31, 2022**

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2018, per Company			\$42,078,898
	Increase	Decrease	
Net Income (Loss)		\$23,666,765	
Change in net unrealized capital gain (loss)		\$98,577	
Change in net deferred income tax	\$3,473,004		
Change in non-admitted assets		\$7,018,286	
Change in provision for reinsurance		\$3,999	
Change in paid in surplus	\$2,250,000		
Dividends to Stockholders		\$1,400,000	
Net increase (or decrease)			(\$26,464,623)
Surplus at December 31, 2022 per Company			<u>\$15,614,275</u>

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$15,614,275, exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

### **SUBSEQUENT EVENTS**

Subsequent to the examination period, the Company's affiliate, Tower Hill Signature Insurance Company, merged with and into Tower Hill Prime Insurance Company (Prime) effective June 30, 2023, leaving Prime as the surviving entity.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Tower Hill Preferred 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 Baker Tilly, US, LLP and the Florida Office of Insurance Regulation also participated in the examination:

Jake Powell	Participating Examiner	Baker Tilly, US, LLP
Dennis Schaeffer, CISSP, CISA	Participating Examiner	Baker Tilly, US, LLP
Joe Amalfitano	Participating Examiner	Baker Tilly, US, LLP
Juliana De Leon	Participating Examiner	Baker Tilly, US, LLP
Dave Wolfe, ACAS, MAAA	Participating Examiner	Baker Tilly, US, LLP
Bobby Jackson, CPA, APIR	Exam Manager	The Office
Trevor Eaton	Participating Examiner	The Office

Respectfully submitted,



Kelsey Barlow, CFE, PIR  
Examiner-in-Charge  
Baker Tilly, US, LLP  
Representing the Florida Office of Insurance Regulation



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