



**EXAMINATION REPORT
OF**

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

NAIC Company Code: 11027

**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 Prime Insurance Company

7201 N.W. 11th 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 in multiple states.

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 February 18, 2000, and commenced writing business on the same date as Desoto Prime Insurance Company (“Desoto”). On March 7, 2003, the Office approved the acquisition of all outstanding stock of Desoto by Tower Hill Capital Holdings, LLC (“THCH”) pursuant to a stock purchasing agreement with the insurer’s previous owner Renaissance US Holding Inc. Through a reorganization on December 22, 2004, all outstanding shares of the Company were acquired by Tower Hill Holdings Inc. (“Hill Holdings”), an insurance holding company domiciled in the state of Florida, incorporated on December 6, 2004. The purpose of the acquisition was to change the status of the parent holding company from a limited liability company, formerly THCH, to a corporation under Florida law.

After Hill Holdings acquired Desoto in 2004, a name change from Desoto to Tower Hill Prime Insurance Company was filed and approved by the Office on March 19, 2005.

The Company’s immediate parent is Hill Holdings. Hill Holdings is majority owned by Tower Hill Insurance Holdings (52.34% ownership), Tower Hill Claims Services (29.88% ownership), and RenaissanceRe Ventures, Ltd. (17.46% ownership). Both Tower Hill Insurance Holdings and Tower Hill Claims Services are majority owned by William J. Shively and Patricia A. Shively. 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.

Dividends

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

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	30,000
Number of shares issued and outstanding	30,000
Total common capital stock	\$3,000,000
Par value per share	\$100.00

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:

Directors		
Name	City, State	Principal Occupation, Company Name
Kirk Quoc La	Gainesville, Florida	Chief Executive Officer, President, Tower Hill Insurance Group
James Nicholas Smith	St. Petersburg, Florida	Retired
George Gregory King	Blowing Rock, North Carolina	Retired
Scott Kevin Billings	Fort Worth, Texas	Managing Member, Blackeyed Distilling Company
Stephen Dee Dawahare	Lexington, Kentucky	President & CEO, iVisionary Ventures, LLC

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

Senior Officers		
Name	City, State	Title
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 maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

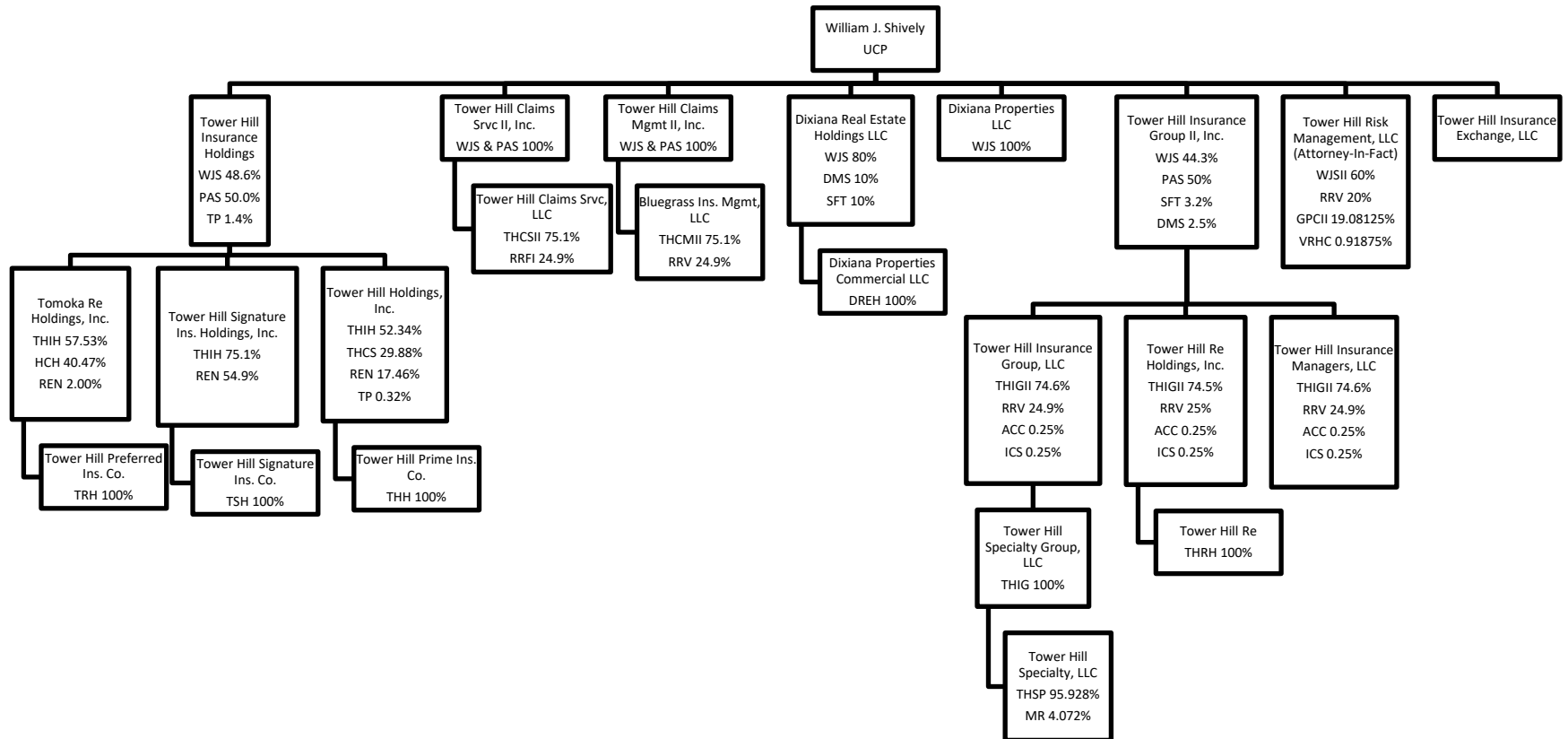
Audit Committee		
Scott Kevin Billings	James Nicholas Smith	George Gregory King

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 Prime Insurance Company
Simplified Organizational Chart
December 31, 2022**



Ownership represented in % of voting shares:

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
Alachua 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 Hill Holdings, filed a consolidated federal income tax return as of December 31, 2022. The consolidated return was prepared as if each 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 Hill Holdings.

Management Agreement

The Company and Hill Holdings entered into a Management Agreement on April 6, 2005, 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.

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, PricewaterhouseCoopers 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 in Florida and the following states:

Alabama	Arizona	Arkansas
Georgia	Illinois	Indiana
Kentucky	Louisiana	Michigan
Mississippi	Missouri	Nevada
New Mexico	North Carolina	Ohio
Pennsylvania	South Carolina	Tennessee
Texas	Utah	Wisconsin

The Company was authorized to transact insurance in Florida on February 18, 2000, and is currently authorized for the following lines of business in Florida as of December 31, 2022:

- Fire
- Farm owners Multiple Peril
- Commercial Multiple Peril
- Earthquake
- Fidelity
- Boiler and Machinery
- Mobile Home Multiple Peril
- Multiple Peril Crop
- Allied Lines
- Homeowners Multiple Peril
- Inland Marine
- Other Liability
- Burglary and Theft
- Industrial Extended Coverage
- Mobile Home Physical Damage

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

As of December 31, 2022, the Company assumed Commercial Multiple Peril from non-affiliates Indian Harbor Insurance Company, Sagamore Insurance Company, and Vantage Risk Specialty Insurance Company. Amounts for the assumed reinsurance equal \$5.1 million of written premium, as well as \$13.4 million of paid losses and loss adjustment expenses.

Reinsurance Ceded

As of December 31, 2022, the Company ceded \$179.5 million of written premiums for Fire, Allied Lines, Homeowners Multiple Peril, Commercial Multiple Peril, Inland Marine, and Other Liability. With respect to the written premium, \$69.1 million was ceded to affiliates while \$110.4 million was ceded to non-affiliates. The company has a total reinsurance recoverable equal to \$265.3 million, with net reinsurance recoverables being \$224.2 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 4 years 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 Prime Insurance Company
Assets
December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$102,135,256		\$102,135,256
Stocks			
Common stocks	115,700		115,700
Mortgage loans on real estate			
First liens	9,190,470		9,190,470
Cash and short-term investments	(11,617,648)		(11,617,648)
Receivables for securities	443,722		443,722
Subtotals, cash and invested assets	\$100,267,500		\$100,267,500
Investment income due and accrued	645,705		645,705
Premiums and considerations			
Uncollected premiums and agents' balances	20,570,446		20,570,446
Reinsurance			
Amounts recoverable from reinsurers	51,134,965		51,134,965
Funds held by or deposited with reinsured companies	22,820,692		22,820,692
Current federal and foreign income taxes recoverable and interest thereon	1,255,236		1,255,236
Net deferred tax asset	16,572,156	16,572,156	
Receivable from parent, subsidiaries and affiliates	2,481,313		2,481,313
Aggregate write-in for other than invested assets	7,593,991	126,199	7,467,792
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	223,342,004	16,698,355	206,643,649
Total	\$223,342,004	\$16,698,355	\$206,643,649

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

	Per Company
Losses	\$54,449,207
Reinsurance payable on paid losses and loss adjustment expenses	7,568,596
Loss adjustment expenses	11,911,714
Other expenses	214,797
Taxes, licenses and fees	2,182,725
Unearned premiums	17,462,097
Ceded reinsurance premiums payable	41,617,446
Amounts withheld or retained by company for account of others	1,917,427
Provision for reinsurance	51,000
Aggregate write-in for liabilities	1,005,106
Total liabilities excluding protected cell liabilities	138,380,115
Total liabilities	\$138,380,115
Aggregate write-ins for special surplus funds	5,937,500
Common capital stock	3,000,000
Surplus notes	30,000,000
Gross paid-in and contributed surplus	112,900,159
Unassigned funds (surplus)	(83,574,125)
Surplus as regards policyholders	68,263,534
Totals	<u>\$206,643,649</u>

Tower Hill Prime Insurance Company
Statement of Income
December 31, 2022

	Per Company
Underwriting Income	
Premiums earned	\$49,115,715
Deductions	
Losses Incurred	\$54,990,226
Loss adjustment expenses incurred	13,036,625
Other underwriting expenses incurred	10,629,914
Total Underwriting deductions	\$78,656,765
Net underwriting gain (loss)	(\$29,541,050)
Investment Income	
Net investment income earned	\$1,768,163
Net realized capital gains or (losses)	460,971
Net investment gain or (loss)	\$2,229,134
Other Income	
Aggregate write-ins for miscellaneous income	\$4,069,933
Total other income	4,069,933
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(\$23,241,983)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(\$23,241,983)
Federal & foreign income taxes incurred	(89,416)
Net Income	(\$23,152,567)
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$81,087,631
Net Income	(23,152,567)
Change in net unrealized capital gains or losses less capital gains tax	(298,579)
Change in net deferred income taxes	4,865,846
Change in non-admitted assets	(4,990,798)
Change in provision for reinsurance	252,001
Change in surplus notes	5,000,000
Surplus Adjustments	
Paid in	5,500,000
Change in surplus as regards policyholders for the year	(12,824,097)
Surplus as regards policyholders, December 31, current year	<u>\$68,263,534</u>

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2018, per Company			\$118,799,013
	Increase	Decrease	
Net Income		\$63,061,705	
Change in net unrealized capital gain (loss)		451,512	
Change in net deferred income tax	12,911,188		
Change in non-admitted assets		16,391,450	
Change in Reinsurance provision		42,000	
Change in paid in surplus	16,500,000		
Net increase (or decrease)			(\$50,535,479)
Surplus at December 31, 2022 per Company			<u>\$68,263,534</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$68,263,534 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 Prime 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 and 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	Examination Manager	The Office
Trevor Eaton	Participating Examiner	The Office

Respectfully submitted,



Kelsey Barlow, CFE, PIR
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Representing the Florida Office of Insurance Regulation



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