



**EXAMINATION REPORT
OF**

**Tower Hill Insurance Exchange
Gainesville, Florida**

NAIC Company Code: 17179

**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 ("NAIC"), we have conducted an examination as of December 31, 2022, of the financial condition and corporate affairs of

Tower Hill Insurance Exchange
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, 2022, 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. This examination constitutes the Company’s first full-scope examination.

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 limited-scope examination as of December 31, 2021.

COMPANY HISTORY

General

The Company was incorporated on December 12, 2021, and commenced writing business on January 10, 2022, as Tower Hill Insurance Exchange, domiciled in Florida. As a reciprocal insurer, the Company has appointed an Attorney-in-Fact (“AIF”), Tower Hill Risk Management, LLC (“THRM”). Additionally, a Subscribers’ Advisory Committee (“SAC”) was established to serve on behalf of the subscribers of the Company for the purpose of advising, on occasion, THRM pursuant to Section 629.201, Florida Statutes.

As a reciprocal, the Company is owned by its subscribers and controlled by THRM through the AIF relationship. THRM is jointly owned WJS Investco LLC (60% ownership), RenaissanceRe Ventures U.S. LLC (20% ownership), GPC Partners Investments (Coppola) II LP (19.081% ownership), and Vantage Risk Holdings Corporation (0.919% ownership). WJS Investco, LLC’s ultimate controlling person is William J. Shively, who is also the ultimate controlling person of the Company. The Company, together with the other three Tower Hill Insurance Companies subject to this examination, share common management.

Dividends

The Company has no stockholders and therefore does not issue dividends.

Capital Stock and Capital Contributions

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

Subscriber Contributions	\$51,706,092
Surplus Notes	\$205,000,000

Surplus Notes

The Company issued surplus notes to the entities indicated in the chart below in exchange for cash. The principal amount of the notes, and all accrued and unpaid interest, is due and payable on the due date. The notes bear an annual interest equal to the Treasury Constant Maturity Rate ("CMT") plus 9.75%.

Date Issued	Note Amount	Company	Date Due
December 24, 2021	\$152,500,000	GPC Partners Investments	December 31, 2028
December 24, 2021	\$7,500,000	Vantage Risk Holdings Corporation	December 31, 2028
December 24, 2021	\$3,750,000	Renaissance Re Ventures US LLC	December 31, 2028
December 24, 2021	\$1,250,000	WJS Investco, LLC	December 31, 2028
June 16, 2022	\$40,000,000	GPC Partners Investments	June 30, 2029

For all surplus notes, any principal or interest payments must be approved in advance by the Office. As of December 31, 2022, no repayment towards the principal or interest of any surplus notes had been made.

Acquisitions, Mergers, Disposals, Dissolutions

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

MANAGEMENT AND CONTROL

Corporate Governance

As a reciprocal, the Company does not have a Board of Directors but rather has a Subscribers' Advisory Committee. Membership is selected and vacancies of the Committee are filled in compliance with Section 629.201, Florida Statutes.

Members serving as of December 31, 2022, are shown below:

Subscribers' Advisory Committee		
Name	City, State	Principal Occupation, Company Name
Kirk Quoc La	Gainesville, Florida	Chief Executive Officer and President, THRM
Matthew Bernard Botein	Greenwich, Connecticut	Managing Partner, Gallatin Point Capital, LLC
Lee McConnell Phillips	Tallahassee, Florida	Director of Continuing Legal Education, FL Justice Association
Robert Frank Reyes	Tallahassee, Florida	Governmental Consultant, Capital Group Inc.
Catherine Elizabeth Schnars	Tallahassee, Florida	Legal Assistant/Paralegal, Meenan P.A.
Robert Bruce Crawford	Tallahassee, Florida	Retired

In accordance with the Company's Bylaws, the following Senior Officers were appointed as of December 31, 2022:

Senior Officers		
Name	City, State	Title
Kirk Quoc La	Gainesville, Florida	Chief Executive Officer
Scott Parker Rowe	Fort Worth, Texas	Chief Compliance Officer and Secretary

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

Audit Committee		
Matthew Bernard Botein	Robert Bruce Crawford	Robert Franks Reyes

Holding Company System

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

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

Attorney-in-Fact Agreement

The Company entered into an Attorney-in-Fact Agreement with THRM effective December 24, 2021. Under the agreement, THRM provides the Company with management services including administration and management of the day-to-day insurance business; solicitation, receipt, and acceptance or rejection of applications for insurance; exchange of contracts; underwriting, classification, rating and issuance of policies; establishment and maintenance of complete and accurate records; collection, receipt, processing, and accounting for all funds received; the establishment and maintenance of all financial and business records; placement of reinsurance; provision and maintenance of adequate claims supervision; retention of advisors; preparation of mailings, advertisements, newsletters, and other promotional and marketing materials; monitoring of legal affairs; the appointment, supervision, and termination of agents, brokers, and personnel; development and maintenance of all systems and procedures; commencement and defense of, at the expense of the Company, legal and administrative proceedings, and all other actions to discharge its responsibilities and duties under the Agreement.

Claims Services Agreement

The Company, through its Attorney-in-Fact Agreement, entered into a Claims Service Agreement with Tower Hill Claims Service, LLC ("THCS") and Bluegrass Insurance Management, LLC ("Bluegrass") on December 24, 2021. Services provided include investigation of claims,

furnishing claim forms and data, adjusting claims, and supervising litigation or other proceedings involving claims.

Managing General Agency Agreement

The Company, through its Attorney-in-Fact Agreement, entered into a Managing General Agency Agreement with Tower Hill Insurance Group, LLC (“THIG”) effective December 24, 2021. The terms of the agreement give THIG authority for underwriting, premium collection, claims adjustment, and claims payment 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 December 29, 2021.

Independent Auditor Agreement

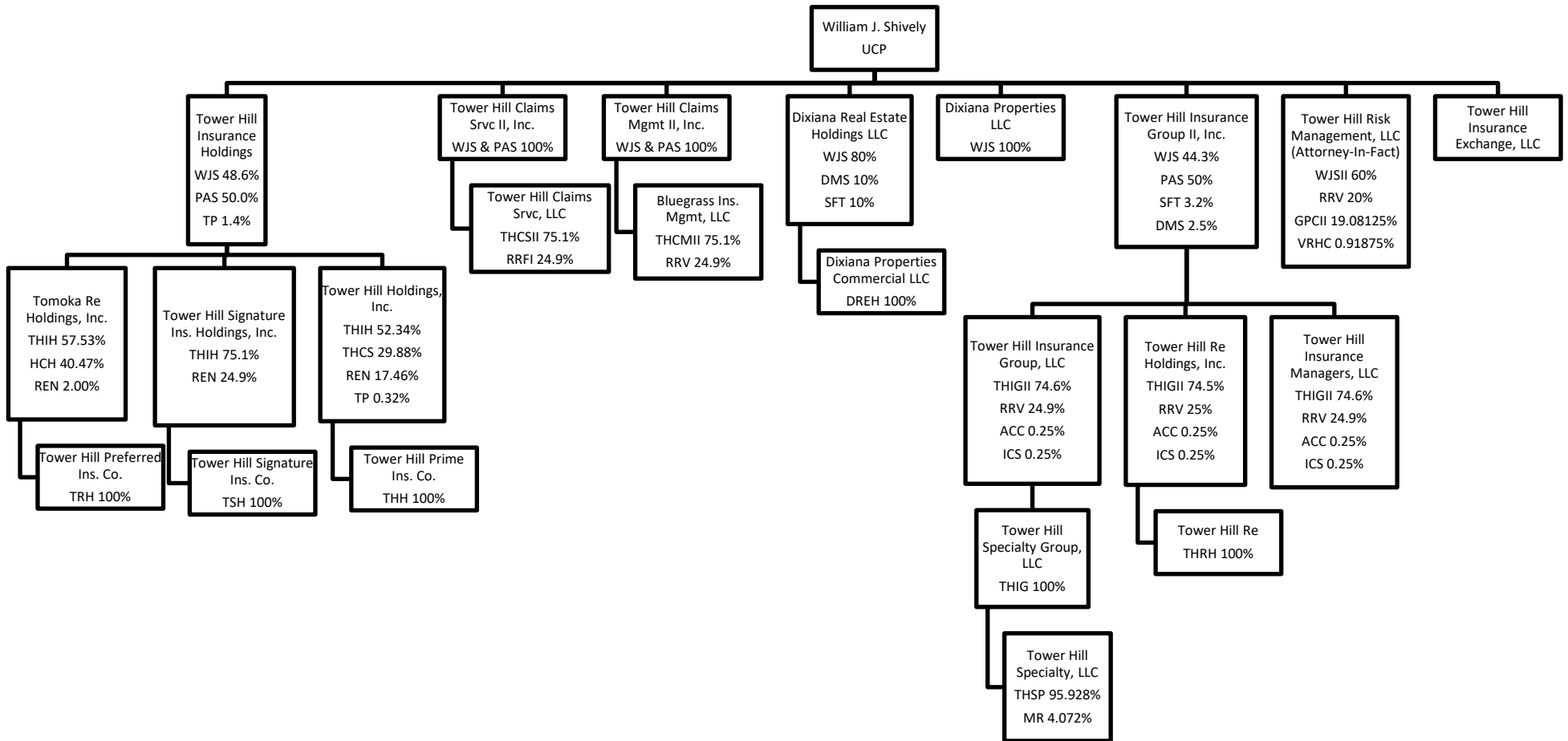
An independent CPA firm, PricewaterhouseCoopers LLP, audited the Company’s statutory basis financial statements annually for all years under examination. Supporting workpapers were prepared by the CPA and relied upon by the examination.

ACCOUNTS AND RECORDS

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

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 Insurance Exchange
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		

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 21, 2021, and is currently authorized for the following lines of business in Florida as of December 31, 2022:

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

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

Reinsurance Ceded

As of December 31, 2022, the Company ceded \$388.1 million of written premiums for Fire, Allied Lines, Private Flood, Homeowners Multi-Peril, Inland Marine, Other Liability, and Boiler and Machinery. With respect to the written premium, \$4.7 was ceded to affiliates while \$383.4 was ceded to non-affiliates. The company has reinsurance recoverables equal to \$380.2 million, with net reinsurance recoverables being \$255.2 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 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.

Tower Hill Insurance Exchange
Assets
December 31, 2022

	Assets	Unadmitted Assets	Net Admitted Assets
Bonds	\$156,953,702		\$156,953,702
Cash and Short-Term Investments	145,693,535		145,693,535
Receivable for securities	1,524		1,524
Subtotals, cash and invested assets	302,648,761		302,648,761
Investment income due and accrued	1,122,054		1,122,054
Uncollected premium and agents' balances	118,872,120		118,872,120
Reinsurance			
Amounts recoverable from reinsurers	12,238,168		12,238,168
Federal income tax recoverable	2,538,000		2,538,000
Net deferred tax asset	6,594,322	6,594,322	
Aggregate write-in for other than invested assets	188,074	188,074	
Total assets excluding Separate Accounts, segregated Accounts and Protected Cell Accounts	444,201,499	6,782,396	437,419,103
Totals	<u>\$444,201,499</u>	<u>\$6,782,396</u>	<u>\$437,419,103</u>

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

	Per Company
Losses	\$15,626,605
Loss adjustment expenses	2,382,730
Commissions payable	5,411,667
Other expenses	192,109
Taxes, licenses and fees	9,673,206
Unearned premium	29,879,642
Ceded reinsurance premiums payable	124,966,668
Amounts withheld	211,030
Payable to parent, subsidiaries and affiliates	23,810,929
Total Liabilities excluding protected cell liabilities	212,154,586
Total Liabilities	\$212,154,586
Aggregate write-ins for other than special surplus funds	51,706,092
Surplus notes	205,000,000
Unassigned funds (surplus)	(31,441,575)
Surplus as regards policyholders	225,264,517
Total liabilities surplus and other funds	<u>\$437,419,103</u>

**Tower Hill Insurance Exchange
Statement of Income
December 31, 2022**

	Per Company
Underwriting Income	
Premiums earned	\$83,742,682
Deductions	
Losses incurred	\$37,275,770
Loss expenses incurred	5,792,807
Other underwriting expenses incurred	50,272,080
Total underwriting deductions	\$93,340,657
Net underwriting gain or (loss)	(\$9,597,975)
Investment Income	
Net investment income earned	(\$16,421,697)
Net realized capital gains or (losses)	(35,581)
Net investment gain or (loss)	(\$16,457,278)
Other Income	
Net income before dividends to policyholders and before federal & foreign income taxes	(\$26,055,253)
Net income, after dividends to policyholders, but before federal & foreign income taxes	(\$26,055,253)
Net income	(\$26,055,253)
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$159,857,605
Net income	(26,055,253)
Net unrealized capital gains or losses	(44,124)
Change in net deferred income tax	6,582,593
Change in non-admitted assets	(6,782,396)
Change surplus notes	40,000,000
Aggregate write-ins for gains and losses in surplus	51,706,092
Change in surplus as regards policyholders for the year	65,406,912
Surplus as regards policyholders, December 31 current year	<u>\$225,264,517</u>

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

Capital/Surplus Change during Examination Period			
	Increase	Decrease	
Surplus at December 31, 2021, per Company			\$159,857,605
Net income		26,055,253	
Net unrealized capital gains and losses		44,124	
Change in net deferred income tax	6,582,593		
Change in non-admitted assets		6,782,396	
Change in surplus notes	40,000,000		
Subscriber surplus contributions	51,706,092		
Net increase or (decrease)			\$65,406,912
Surplus at December 31, 2022, per Company			<u>\$225,264,517</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$225,264,517, exceeded the minimum required surplus of \$15,000,000.

SUBSEQUENT EVENTS

Subsequent to the examination period, the Company's affiliate, Tower Hill Signature Insurance Company, merged with Tower Hill Prime Insurance Company effective June 30, 2023, leaving Tower Hill Prime Insurance Company 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 Insurance Exchange 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	Examination 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