



**EXAMINATION REPORT  
OF**

**Monarch National Insurance Company  
Tallahassee, Florida**

**NAIC Company Code: 15715**

**as of  
December 31, 2023**

**By  
The Florida Office of Insurance Regulation**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL .....</b>	<b>-</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>1</b>
<b>SUMMARY OF SIGNIFICANT FINDINGS .....</b>	<b>2</b>
CURRENT EXAMINATION FINDINGS .....	2
PREVIOUS EXAMINATION FINDINGS .....	2
<b>COMPANY HISTORY .....</b>	<b>2</b>
GENERAL .....	2
DIVIDENDS .....	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	2
SURPLUS NOTES .....	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS .....	3
<b>MANAGEMENT AND CONTROL.....</b>	<b>3</b>
CORPORATE GOVERNANCE .....	3
FIDELITY BOND COVERAGE .....	5
CONFLICT OF INTEREST.....	5
HOLDING COMPANY SYSTEM .....	5
ORGANIZATIONAL CHART .....	6
MANAGEMENT AGREEMENT .....	7
MANAGING GENERAL AGENT AND CLAIMS ADMINISTRATION AGREEMENT.....	7
<b>ACCOUNTS AND RECORDS .....</b>	<b>7</b>
<b>TERRITORY AND PLAN OF OPERATIONS.....</b>	<b>7</b>
<b>REINSURANCE.....</b>	<b>8</b>
REINSURANCE ASSUMED.....	8
REINSURANCE CEDED.....	8
<b>FINANCIAL STATEMENTS.....</b>	<b>9</b>
ASSETS.....	10
LIABILITIES, SURPLUS AND OTHER FUNDS .....	11
STATEMENT OF INCOME .....	12
RECONCILIATION OF CAPITAL AND SURPLUS.....	13
<b>COMMENTS ON FINANCIAL STATEMENT ITEMS .....</b>	<b>13</b>
CAPITAL AND SURPLUS .....	13
<b>SUBSEQUENT EVENTS.....</b>	<b>13</b>
<b>CONCLUSION.....</b>	<b>14</b>

June 6, 2025

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, 2023, of the financial condition and corporate affairs of

**Monarch National Insurance Company**

3490 Martin Hurst Road, Suite 200  
Tallahassee, Florida 32312

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, 2020, through December 31, 2023, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on June 1, 2024. The fieldwork concluded as of June 6, 2025. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2017 through December 31, 2019.

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.

The examination was on Florida domestics only and did not involve participation from other states. The Company solely writes 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 (“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 in the current examination report. The findings noted during this examination period have been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

### Previous Examination Findings

There were no significant findings in the previous examination.

## COMPANY HISTORY

### General

The Company was incorporated on February 6, 2015, and obtained its Certificate of Authority from the Office on March 19, 2015, to write homeowners' insurance in the state of Florida. The Company was wholly owned by FedNat Insurance Company ("FNIC"), a Florida domiciled insurer, which in turn, was wholly owned by FedNat Holding Company ("FNHC"), a Florida domiciled corporation which was publicly traded on the NASDAQ under the symbol "FNHC". As of December 31, 2023, the Company is ninety-nine (99%) percent owned by funds managed by or affiliated entities of Hale Partnership Capital Management, LLC ("Hale Investors") which is further described in the Acquisitions, Mergers, Disposal, Dissolutions section of this report.

### Dividends

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

### Capital Stock and Capital Contributions

As of December 31, 2023, the Company's capitalization was as follows:

Number of authorized common capital shares	300,000
Number of shares issued and outstanding	300,000
Total common capital stock	\$3,000,000
Par value per share	\$10.00

During the year ending December 31, 2022, as part of the acquisition from FNHC, the Company received \$22 million in capital infusions.

### **Surplus Notes**

On June 30, 2022, the Company issued a surplus note to FNIC in the amount of \$2,560,166. The note bears interest at the rate of one half of a percent ( $\frac{1}{2}$  or .5%). The principal, or any part thereof, and accrued and unpaid interest is payable within 60 days of demand, subject to and upon approval by the Office.

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

The Company became a wholly owned subsidiary of Hale Investors through the series of transactions described below:

On June 30, 2022, Hale Investors and NCTIC invested cumulatively \$15 million in the company in exchange for sixty (60%) percent of the Company's common stock.

In September 2022, FNHC sold shares to Hale Investors and NCTIC for \$2.5 million, which represented ten (10%) percent of the outstanding shares of the Company.

Effective August 2023, Hale Investors acquired the remaining thirty (30%) percent ownership of the Company through a stock purchase agreement.

With the completion of these transactions, Hale Investors owns ninety-nine (99%) percent of the Company's issued and outstanding stock. The remaining one (1%) percent is owned by its affiliate, NCTIC.

## **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, 2023, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Bradley Griffin Garner <sup>(a)</sup>	Greenville, North Carolina	Chief Financial Officer Monarch National Insurance Company
Peter Mark Sherman	Charlotte, North Carolina	Investment Professional and Advisor Monarch National Insurance Company
Anthony Sciacca <sup>(b)</sup>	Charlotte, North Carolina	Retired
Steven Alford Hale II <sup>(1)</sup>	Charlotte, North Carolina	Investment Manager Monarch National Insurance Company
Justin Hayles Edenfield <sup>(c)</sup>	Tallahassee, Florida	Chief Financial Officer and Treasurer Monarch National Insurance Company

(1) Chairman

(a) Removed on July 8, 2024, and replaced by William Bennett Carter, Jr.

(b) Resigned on July 18, 2024, and replaced by Jacqlyn Diana Piscetelli.

(c) Resigned on May 19, 2024, and replaced by Jeffrey Scott Stewart.

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

Senior Officers		
Name	City, State	Title
John David Lockhart	Ormond Beach, Florida	President and Chief Financial Officer
William Bennett Carter, Jr.	Tallahassee, Florida	Corporate Secretary
Justin Hayles Edenfield <sup>(a)</sup>	Tallahassee, Florida	Chief Executive Officer

(a) Resigned on May 19, 2024.

The Company's Board established both the Audit Committee and the Investment Committee. The first person listed for each committee is the chairman. The Board members serve on both these committees as presented below. While the Board established an Audit Committee, the Company did not maintain one as required by Section 624.424(8)(c), Florida Statutes, due to the absence of a formal charter and a lack of committee independence.

**Subsequent Event:** In a board meeting held on May 13, 2025, the Board approved an Audit Committee charter and appointed Peter Sherman, an independent board member, as Chairman.

<b>Audit Committee</b>		
Steven A. Hale, II	Bradley G. Garner	Anthony Sciacca
Peter M. Sherman	Justin H. Edenfield	

<b>Investment Committee</b>		
Steven A. Hale, II	Bradley G. Garner	Anthony Sciacca
Peter M. Sherman	Justin H. Edenfield	

**Fidelity Bond Coverage**

The Company was not in compliance with Rule 69O-142.011(11)(b)16 of the Florida Administrative Code, as it failed to maintain the suggested amount of fidelity bond coverage during the examination period.

**Subsequent Event:** After being notified of the exception, the Company purchased the required coverage effective May 1, 2025, and provided evidence to the examination team.

**Conflict of Interest**

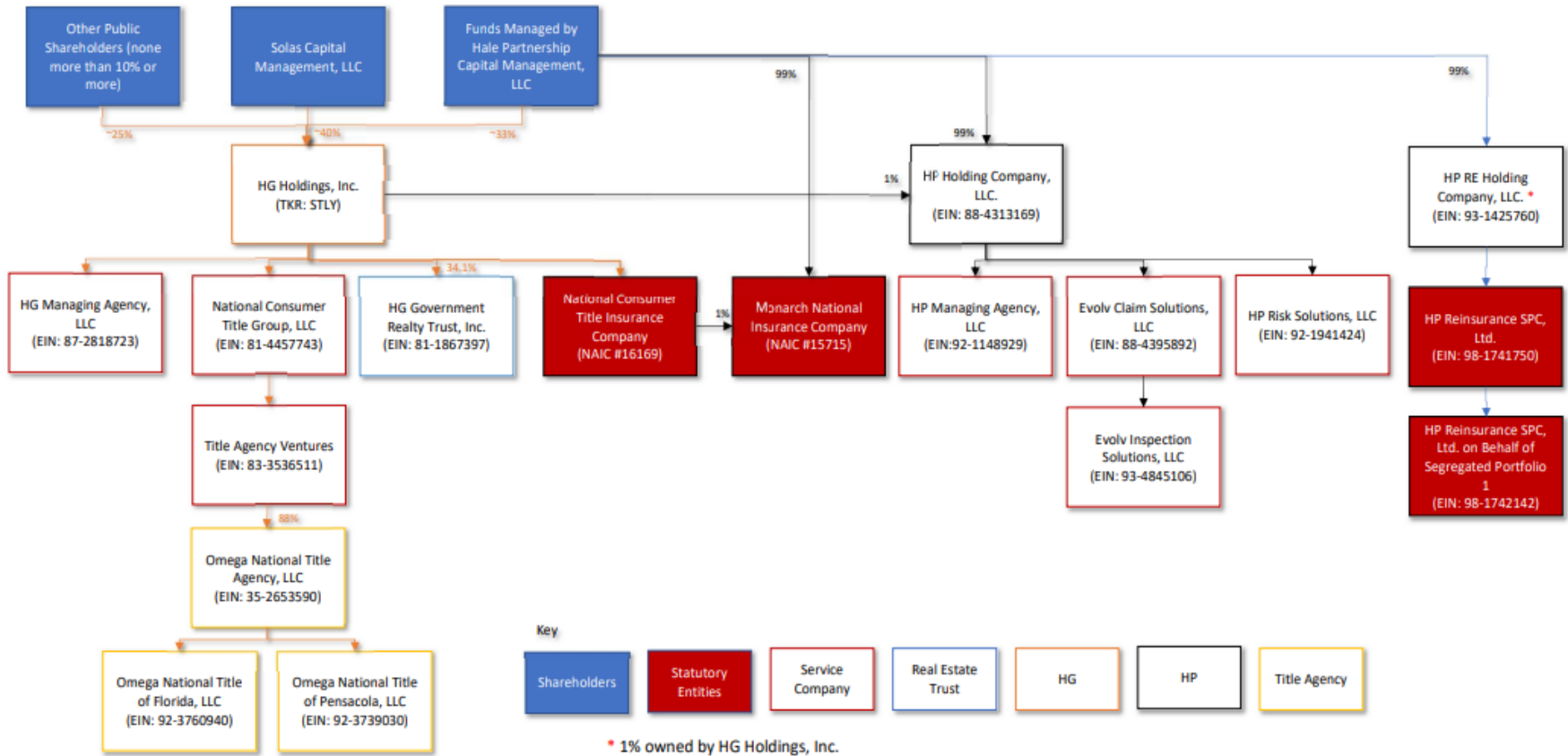
The Company did not have procedures in place for conflict-of-interest disclosure or a written code of ethics policy and could not provide conflict of interest acknowledgments for the period under examination.

**Subsequent Event:** The policies were adopted by the Board on November 12, 2024. The policies were circulated to board members and officers for completion and execution of the conflict-of-interest statements, copies of which were provided to the examiners. The Company has also established a control to ensure these are completed on an annual basis.

**Holding Company System**

An organizational chart as of December 31, 2023, reflecting the holding company system, is shown below. Schedule Y of the Company’s 2023 annual statement provided a list of all related companies of the holding company group.

## Monarch National Insurance Company Organizational Chart December 31, 2023



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

### **Management Agreement**

The Company entered into a Management Agreement with Hale Investors on June 1, 2022, to provide assistance in the management of the Company, including, but not limited to, legal and regulatory compliance, investment and asset management, and strategic capital modeling. For its services, Hale Investors receives a percentage of the Company's assets per annum, paid in monthly installments. The agreement continues in force unless otherwise terminated within the guidelines of the agreement.

### **Managing General Agent and Claims Administration Agreement**

The Company entered into a Managing General Agency Agreement with its affiliate, HP Managing Agency, LLC ("HPMA") on January 1, 2023. HPMA will provide underwriting, accounting, reinsurance placement, and claims administration services to the Company. As compensation for its services, HPMA receives a percentage of the total earned annual premium and a per policy administrative fee for each policy underwritten for the Company. The agreement continues in force unless otherwise terminated within the guidelines of the agreement.

## **ACCOUNTS AND RECORDS**

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

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to write in the Homeowners' Multi-Peril line of business on March 19, 2015, and began writing during the second quarter of 2015. The Company was licensed to write the Fire and Allie lines of business on May 23, 2022. The Company is currently only licensed in the state of Florida. All the Company's business is produced by its affiliated Management General Agent, HPMA.

## 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 elected to participate in a “take-out program” through which they assume insurance policies held by Citizens Property Insurance Corporation (“Citizens”), a Florida state-supported insurer. The take-out program is a legislatively mandated program designed to reduce the state’s risk exposure by encouraging private companies to assume policies from Citizens. As of December 31, 2023, the Company assumed a total of \$62,057,000 in assumed premiums from Citizens.

### **Reinsurance Ceded**

The Company cedes a portion of its homeowners’ insurance exposure to other entities under catastrophe excess of loss reinsurance treaties.

HP Reinsurance SPC, Ltd., an affiliate of the Company, is a participant in the Company’s reinsurance treaties. The reinsurance program for 2023/24 included treaties for Property Catastrophe Excess of Loss. These agreements were submitted and approved by the Office.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income, and Reconciliation of Capital and Surplus for the year ending December 31, 2023. 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, 2023. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**Monarch National Insurance Company**  
**Assets**  
**December 31, 2023**

	Per Company		
	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 57,591,914	-	\$ 57,591,914
Stocks			
Preferred stocks	1,197,915	-	1,197,915
Cash and short-term investments	208,391,348	-	208,391,348
Subtotals, cash and invested assets	\$267,181,177	-	\$267,181,177
Investment income due and accrued	788,917		788,917
Premiums and considerations			
Uncollected premiums and agents' balances	14,060,985	\$ 179,427	13,881,558
Deferred premiums, agents' balances and installments	4,441,729	-	4,441,729
Reinsurance			
Amounts recoverable from reinsurers	9,812,561	-	9,812,561
Net deferred tax asset	5,944,123	46,301	5,897,822
Aggregate write-in for other than invested assets	3,322,881	1,213,202	2,109,679
<b>Total</b>	<b>\$305,552,372</b>	<b>\$1,438,930</b>	<b>\$304,113,442</b>

**Monarch National Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2023**

	Per Company
Losses	\$ 49,015,543
Reinsurance payable on paid losses and loss adjustment expenses	7,192,919
Loss adjustment expenses	9,303,609
Commissions payable, contingent commissions and other similar charges	42,121
Other expenses	1,003,791
Taxes, licenses and fees	4,932,032
Current federal and foreign income taxes	999,783
Unearned premiums	117,447,927
Advance premiums	7,396,690
Ceded reinsurance premiums payable	33,010,282
Funds held by company under reinsurance treaties	2,825,611
Amounts withheld or retained by company for account of others	5,171
Provision for reinsurance	537,881
Payable to parent, subsidiaries and affiliates	9,827,870
<b>Total liabilities</b>	<b>\$243,541,230</b>
Common capital stock	3,000,000
Surplus notes	2,560,166
Gross paid-in and contributed surplus	63,000,000
Unassigned funds (surplus)	(7,987,954)
Surplus as regards policyholders	60,572,212
<b>Totals</b>	<b>\$304,113,442</b>

**Monarch National Insurance Company**  
**Statement of Income**  
**December 31, 2023**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$145,579,290
<b>Deductions</b>	
Losses Incurred	68,371,176
Loss adjustment expenses incurred	14,459,516
Other underwriting expenses incurred	63,080,206
Total Underwriting deductions	145,910,898
Net underwriting gain (loss)	(331,608)
<b>Investment Income</b>	
Net investment income earned	8,365,314
Net realized capital gains or (losses)	11,825
Net investment gain or (loss)	8,377,139
<b>Other Income</b>	
Finance and service charges not included in premiums	790,133
Total other income	790,133
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	8,835,664
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	8,835,664
Federal & foreign income taxes incurred	2,138,988
Net Income	6,696,676
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	51,375,222
Net Income	6,696,676
Change in net unrealized capital gains or losses less capital gains tax	37,061
Change in net deferred income taxes	2,125,576
Change in non-admitted assets	505,810
Change in provision for reinsurance	(168,133)
Change in surplus as regards policyholders for the year	9,196,990
Surplus as regards policyholders, December 31, current year	\$ 60,572,212

**Monarch National Insurance Company  
Reconciliation of Capital and Surplus  
December 31, 2023**

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

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2019 per Company			\$16,811,444
	Increase	Decrease	
Net income	\$2,402,222		
Change in net unrealized capital gain (loss)		\$126,091	
Change in net deferred income tax	\$5,901,283		
Change in non-admitted assets		\$1,438,930	
Change in provision for reinsurance		\$537,881	
Change in Surplus Notes	\$2,560,166		
Capital Changes: Paid In	\$13,000,000		
Surplus Adjustments: Paid In	\$22,000,000		
Net increase (or decrease)			\$43,760,769
Surplus at December 31, 2023 per Company			\$60,572,212

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Capital and Surplus**

The amount of capital and surplus reported by the Company of \$60,572,212 exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

**SUBSEQUENT EVENTS**

Hale Partnership Capital Management, LLC now owns 88.85% of MNIC versus 99% as of December 31, 2023.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Monarch National Insurance Company as of December 31, 2023, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following individuals from the firm Examination Resources, LLC (“ER”) also participated in the examination:

Rachelle Gowins, CFE, MCM	Examination Manager	ER
Hollylynn Ford, CFE	Assisting Examiner	ER
Robin Brown, CFE, MCM	Assisting Examiner	ER
James Gowins, CISA, AES, AFE, MCM	IT Supervisor	ER
Kevin Ralston, CISA, MCM	IT Specialist	ER
Kirk Braunius, ASA, MAAA	Actuary	ER
Solomon Frazier, FCAS, FSA, MAAA	Actuary Supervisor	ER

Respectfully submitted,



Leah Thomas, CFE, ACI, MCM, FLMI  
Examiner-In-Charge  
Examination Resources, LLC  
Representing the Florida Office of Insurance Regulation



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