



**EXAMINATION REPORT
OF**

**Vault Reciprocal Exchange
St. Petersburg, Florida**

NAIC Company Code: 16186

**as of
December 31, 2023**

**By
The Florida Office of Insurance Regulation**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY.....	2
GENERAL	2
DIVIDENDS	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	2
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	3
MANAGEMENT AND CONTROL.....	3
CORPORATE GOVERNANCE	3
HOLDING COMPANY SYSTEM	5
ORGANIZATIONAL CHART	6
SUBSCRIBERS' AGREEMENT	7
ATTORNEY-IN-FACT AGREEMENT	7
POOLING AGREEMENT.....	7
ACCOUNTS AND RECORDS	7
TERRITORY AND PLAN OF OPERATIONS.....	7
REINSURANCE.....	8
REINSURANCE ASSUMED.....	9
REINSURANCE CEDED.....	9
FINANCIAL STATEMENTS.....	9
ASSETS.....	10
LIABILITIES, SURPLUS AND OTHER FUNDS	11
STATEMENT OF INCOME	12
RECONCILIATION OF CAPITAL AND SURPLUS.....	13
COMMENTS ON FINANCIAL STATEMENT ITEMS	13
CAPITAL AND SURPLUS	13
SUBSEQUENT EVENTS.....	13
CONCLUSION.....	14

May 1, 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

Vault Reciprocal Exchange
300 First Avenue South, Suite 401
St. Petersburg, FL 33701

hereinafter referred to as “the Reciprocal.” 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 3, 2024. The fieldwork concluded as of May 1, 2025. The Reciprocal’s last full scope exam by representatives of the Office covered the period of January 1, 2019 through December 31, 2019.

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 Reciprocal, 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 a multi-state/coordinated process with the Office acting as the lead state for the Plutus Insurance Holdings Group (“Plutus Holdings” and formally known as Vault Holdings), which included the Reciprocal and Vault E&S Insurance Company (“VES”), an Arkansas domestic insurer. The Arkansas Insurance Department (“AID”) participated in the exam. The Reciprocal has business and licenses in multiple states.

All accounts and activities of the Reciprocal 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 Reciprocal 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 Reciprocal.

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

Vault Reciprocal Exchange (“the Reciprocal” or “VRE”) was organized in Florida on June 9, 2017, and a Certificate of Authority was issued by the Office to Vault Risk Management Services, LLC (“VRM”) in the name of the Reciprocal to write Homeowners Multi-Peril, Inland Marine, Other Liability, Private Passenger Auto (PPA) Liability, and PPA Physical Damage. The Reciprocal commenced business in Florida as a subscriber-owned reciprocal company on November 1, 2017. On November 16, 2018, the Office approved the addition of the following lines of business to the Reciprocal’s Certificate of Authority: Allied Lines, Earthquake, Boiler & Machinery, and Ocean Marine.

On March 1, 2021, Vault Holdings was acquired by Plutus Co-Invest pursuant to Consent Order 277424-22. As a result, the Reciprocal was indirectly acquired.

Dividends

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

Capital Stock and Capital Contributions

VRE is a reciprocal entity and therefore does not have common stock. The initial capitalization for the Reciprocal was in the form of surplus notes and additional surplus is generated by subscriber contributions or additional surplus notes.

The Reciprocal received surplus contributions from its members in the following amounts:

Calendar Year Ending	Earned Surplus Contributions for Period
December 31, 2020	\$4,910,066
December 31, 2021	\$7,878,077
December 31, 2022	\$11,930,269
December 31, 2023	\$11,826,077

Surplus Notes

The Reciprocal was issued a surplus note of \$50,000,000 on April 28, 2021, from Plutus Holdings at a rate 6.8%. The Reciprocal was issued a surplus note of \$35,000,000 on May 1, 2022, from Plutus Holdings at a rate of 6.8%. The Reciprocal had accrued but unpaid interest of \$14,448,935 and \$4,140,912, respectively for each note. The surplus notes have the following repayment conditions and restrictions: no payment of interest or repayment of principal may be made unless approved by the Office and only to the extent that the Reciprocal can make such payment out of its surplus.

Acquisitions, Mergers, Disposals, Dissolutions

Plutus Co-Invest, LLC (“Plutus”) acquired a majority ownership of Plutus Holdings, the indirect parent of the Attorney-in-Fact (“AIF”), VRM. The transaction was reviewed and approved by the Office on February 28, 2021 and closed on March 1, 2021.

MANAGEMENT AND CONTROL

Corporate Governance

The Reciprocal is governed by a Subscribers’ Advisory Committee (“SAC”) under an Amended and Restated Powers of the Subscribers’ Advisory Committee (“SAC Powers”). The SAC provides certain limited advisory, governance, and oversight functions in accordance with Section 629.201, Florida Statutes and the SAC Powers.

As provided in the Vault Subscribers’ Agreement and the Vault Power of Attorney, the SAC is an elected committee, with not less than one member elected by VRM. The SAC Governance Rules require that an election for members of the SAC be held annually. Consistent with Section

629.201, Florida Statutes, no less than two-thirds of the membership of the SAC will be subscribers to the Reciprocal other than VRM or any person employed by, representing, or having financial interest in VRM and at no time will be the SAC consist of fewer than three members. As of December 31, 2023, the SAC members are shown below:

SAC Committee		
Name	City, State	Principal Occupation, Company Name
Scott A. Carmilani ¹	Palm Beach Gardens, FL	Chairman/CEO of Vault Risk Management Services, LLC
Richard Lydecker ²	Miami Beach, FL	Senior Partner, Lydecker LLP
Anne F. Jones ³	Dallas, TX	Partner, Artemis Partners
Oscar F. Seikaly	Miami, FL	CEO/Founder of NSI Insurance Group

¹ Chairman

² Richard Lydecker resigned on March 27, 2024 and was replaced by Joseph Coughlin on April 11, 2024

³ Anne Jones resigned on August 15, 2024 and was replaced by Worth Gordon Knight on September 30, 2024

The day-to-day affairs of the Reciprocal are managed by the VRM Attorney-in-Fact Agreement (“VRM AIF”). As defined in Section 629.061, Florida Statutes the AIF may be in an individual, corporation or other person. The VRM AIF Directors serving as of December 31, 2023, are shown below:

VRM Board of Directors *		
Name	City, State	Principal Occupation, Company Name
Scott A. Carmilani ⁽¹⁾	Palm Beach Gardens, FL	Chairman/CEO of Vault Risk Management Services, LLC
Emily Rachel Pollack	Closter, NJ	Partner of Cornell Capital LLC
Taylor Joseph Watt	New York, NY	Managing Director of Cornell Capital LLC

¹ Chairman

* The individuals listed are directors of VRM which acts as AIF for the Reciprocal.

In accordance with the Reciprocal’s Amended and Restated Operating Agreement and Section 629.081, Florida Statutes, the VRM Board appointed the following Senior Officers:

VRM Senior Officers *		
Name	City, State	Title
Scott Andrew Carmilani	Palm Beach Gardens, FL	Chief Executive Officer
Paul William Bassaline	Palm Beach Gardens, FL	President
Timothy Matthew Carey	Sparta, NJ	Chief Financial Officer
Nicholas Gregory Popp	Clearwater, FL	Secretary
Stephen Phillip Russell	West Palm Beach, FL	Chief Actuary and Executive Vice President of Insurance

* The individuals listed are officers of VRM which acts as AIF for the Reciprocal.

The Reciprocal did not maintain an audit committee, as required by Section 624.424(8)(c), Florida Statutes. Per the Subscribers’ Agreement and the Amended and Restated Powers of the Subscribers Advisory Committee, the SAC under Article 1, Section C has the power to recommend the selection of an independent auditor and procure the audit of the accounts and records and review the results of any such audit.

Holding Company System

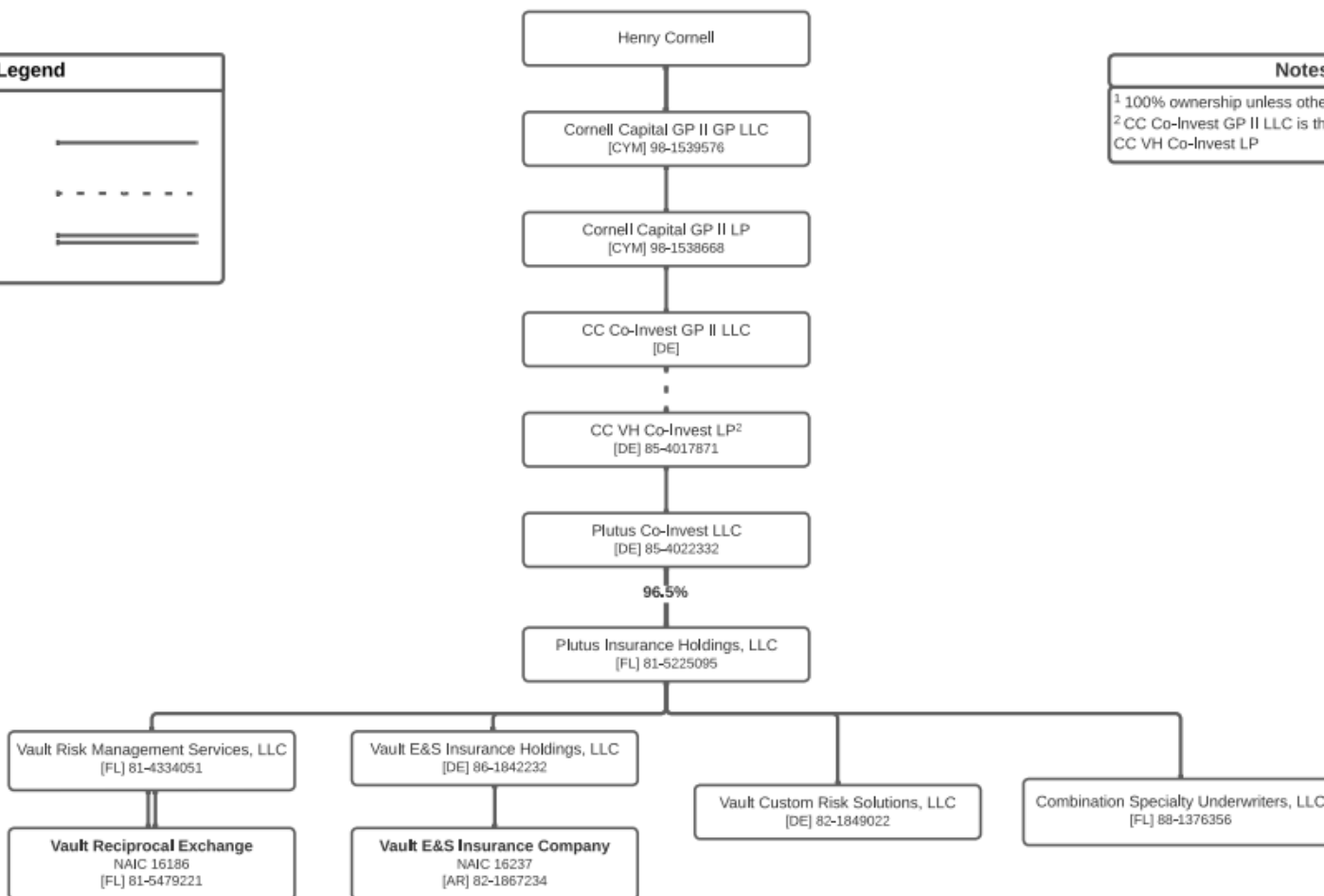
Control of the Reciprocal is maintained by the AIF, VRM, a limited liability company organized under the laws of Florida. VRM’s sole member is Plutus Insurance Holdings, LLC, a Florida limited liability company which is owned approximately 96.5% by Plutus Co-Invest LLC, a Delaware limited liability company and 3.5% by other persons. Plutus Co-Invest LLC is wholly owned by CC VH Co-Invest LP. CC Co-Invest GP II LLC, is the General Partner of CC VH Co-Invest LP. Henry Cornell is the ultimate controlling person through ownership of Cornell Capital GP II GP LLC, which ultimately owns CC Co-Invest GP II LLC.

An organizational chart as of December 31, 2023, reflecting the holding company system, is shown below.

Vault Reciprocal Exchange Organizational Chart December 31, 2023

Legend	
Ownership ¹	—————
Management	- - - - -
Attorney-in-Fact	=====

Notes
¹ 100% ownership unless otherwise indicated. ² CC Co-Invest GP II LLC is the General Partner of CC VH Co-Invest LP



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

Subscribers' Agreement

Each subscriber to the Reciprocal executes a Subscribers' Agreement granting VRM a power of attorney on behalf of the subscriber to issue and administer the exchange of insurance contracts with other subscribers and conduct the affairs of the Reciprocal.

Attorney-in-Fact Agreement

Effective September 1, 2017, the Reciprocal entered into an attorney-in-fact agreement with VRM. Under the agreement, VRM is responsible for the administration and operations of the Reciprocal, including, with limitations, underwriting, procurement of reinsurance, billing and collection of premium balances, financial reporting, regulatory compliance, and for adequate personnel and facilities to conduct such activities. Pursuant to this agreement, VRM receives a management fee equal to 17% of gross premiums written for its underwriting and marketing services and a fee of 5% of gross premiums written for servicing and management of claims.

Pooling Agreement

Effective March 1, 2021, the Reciprocal entered into a 50% pooling agreement ("Pooling Agreement") with VES, whereby the Reciprocal cedes 100% of net premiums earned and net liability with respect to all policies in force as of the effective date or written or renewed after that date. VES then retrocedes 50% of the combined net premiums earned and net liability of both companies back to the Reciprocal.

ACCOUNTS AND RECORDS

The Reciprocal maintained its principal operational offices in St. Petersburg, Florida.

TERRITORY AND PLAN OF OPERATIONS

The Reciprocal was authorized to transact insurance in the following states:

Alaska	Arizona	Arkansas
Colorado	Connecticut	Delaware
District of Columbia	Florida	Georgia

Hawaii	Illinois	Indiana
Iowa	Kentucky	Louisiana
Maine	Maryland	Massachusetts
Michigan	Mississippi	Missouri
Montana	Nebraska	Nevada
New Hampshire	New Jersey	New Mexico
North Carolina	North Dakota	Ohio
Oklahoma	Oregon	Pennsylvania
Rhode Island	South Carolina	South Dakota
Tennessee	Texas	Utah
Vermont	Virginia	Washington
West Virginia	Wyoming	

The Reciprocal was authorized to transact insurance in Florida on June 9, 2017, and is currently authorized for the following lines of business in Florida as of December 31, 2023:

- Allied Lines
- Ocean Marine
- Earthquake
- PPA Auto Liability
- Boiler & Machinery
- Homeowners Multi-Peril
- Inland Marine
- Other Liability
- PPA Physical Damage

The Reciprocal primarily writes homeowners multiple peril policies in the 29 states, with 42% of direct written premiums in the State of Florida and 13% written in the State of Texas.

REINSURANCE

As noted in Holding Company System above, the Reciprocal cedes 100% of net premiums earned and net liability to affiliate VES and then is retroceded 50% of net premiums earned and net liability. The Reciprocal and its affiliate VES, maintains a reinsurance program with various third-party reinsurers to manage and reduce exposures. 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 noted in Holding Company System above, the Reciprocal assumes 50% of the combined net premiums earned and net liability, after it cedes 100% of net premiums earned and net liability.

Reinsurance Ceded

As noted in Holding Company System above, the Reciprocal cedes 100% of net premiums earned and net liability.

The Reciprocal collectively with VES, maintains a reinsurance program backed by third-party reinsurers. These reinsurance agreements are structured on an excess of loss (“XOL”), facultative, and quota share (“QS”) basis. The Reciprocal’s catastrophe reinsurance program consists of two main elements: QS agreements, which offer pro-rata reimbursement for claims up to a specified limit, and XOL agreements, which cover losses once a predetermined loss threshold is surpassed. The Reciprocal engaged with Aon and Howden Re to market and place the Reciprocal’s reinsurance covers.

FINANCIAL STATEMENTS

The following includes the Reciprocal’s statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2023. The financial statements are based on the statutory financial statements filed by the Reciprocal with the Florida Office of Insurance Regulation and present the financial condition of the Reciprocal 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.)

**Vault Reciprocal Exchange
Assets
December 31, 2023**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$60,698,954		\$60,698,954
Cash and short-term investments	26,042,503		26,042,503
Subtotals, cash and invested assets	86,741,457		86,741,457
Investment income due and accrued	541,339		541,339
Premiums and considerations			
Uncollected premiums and agents' balances	21,026,923	36,700	20,990,223
Reinsurance			
Amounts recoverable from reinsurers	58,663,325		58,663,325
Receivable from parent, subsidiaries and affiliates	2,292,987		2,292,987
Aggregate write-in for other than invested assets	10,505,570		10,505,570
Total	\$179,741,601	36,700	\$179,704,901

**Vault Reciprocal Exchange
Liabilities, Surplus and Other Funds
December 31, 2023**

	Per Reciprocal
Losses	\$25,082,078
Reinsurance payable on paid losses and loss adjustment expenses	\$3,948,032
Loss adjustment expenses	\$1,217,160
Commissions payable, contingent commissions and other similar charges	\$851,123
Other expenses	\$36,523
Taxes, licenses and fees	\$1,523,749
Unearned premiums	\$12,296,488
Ceded reinsurance premiums payable	\$26,214,603
Funds held by company under reinsurance treaties	\$22,698,026
Provision for reinsurance	\$22,200
Payable to parent, subsidiaries and affiliates	\$1,355,895
Aggregate write-in for liabilities	\$3,839,438
Total liabilities	\$99,085,315
Aggregate write-ins for other than special surplus funds	\$39,902,894
Surplus notes	\$85,000,000
Unassigned funds (surplus)	\$(44,283,308)
Surplus as regards policyholders	\$80,619,586
Totals	\$179,704,901

**Vault Reciprocal Exchange
Statement of Income
December 31, 2023**

	Per Reciprocal
Underwriting Income	
Premiums earned	\$44,053,355
Deductions	
Losses Incurred	\$20,054,251
Loss adjustment expenses incurred	\$9,525,757
Other underwriting expenses incurred	\$13,478,407
Total Underwriting deductions	\$43,058,415
Net underwriting gain (loss)	\$994,940
Investment Income	
Net investment income earned	\$3,266,281
Net realized capital gains or (losses)	\$(67,484)
Net investment gain or (loss)	\$3,198,797
Other Income	
Net gain or (loss) from agents' or premium balances charged off	\$0
Finance and service charges not included in premiums	\$0
Total other income	\$0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$4,193,738
Federal & foreign income taxes incurred	\$0
Net Income	\$4,193,738
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	
Surplus as regards policyholders, December 31 prior year	\$62,721,502
Net Income	\$4,193,738
Net transfers (to) from Protected Cell accounts	
Change in net unrealized capital gains or losses less capital gains tax	\$178,368
Change in net unrealized foreign exchange capital gain (loss)	
Change in net deferred income taxes	
Change in non-admitted assets	\$320,101
Change in provision for reinsurance	\$1,379,800
Aggregate write-ins for gains and losses in surplus	\$11,826,077
Change in surplus as regards policyholders for the year	\$17,898,084
Surplus as regards policyholders, December 31, current year	\$80,619,586

**Vault Reciprocal Exchange
Reconciliation of Capital and Surplus
December 31, 2023**

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, 2019 per Reciprocal			\$46,774,641
	Increase	Decrease	
Net income		\$37,654,032	
Change in net unrealized capital gain (loss)		\$53,232	
Change in net deferred income tax		\$1,383,047	
Change in non-admitted assets	\$1,418,325		
Change in provision for reinsurance	\$2,442		
Change in Surplus Note	\$35,000,000		
Aggregate write-ins for gains and losses in surplus	\$36,544,489		
Net increase (or decrease)			\$33,874,945
Surplus at December 31, 2023 per Reciprocal			\$80,619,586

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Reciprocal of \$80,619,586, exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

The Second Amendment to the Pooling Agreement with VES was entered into effective January 1, 2025. The amendment revised the pooling percentage to more equitably incorporate the impact of the surplus contribution. The VES retrocession was amended to forty percent (40%).

CONCLUSION

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

In addition to the undersigned, the following individuals from Lewis & Ellis, LLC, Transient LLC, and the Office also participated in the examination:

James Wheeler, PIR	Exam Manager	The Office
David Palmer, CFE, MCM	Exam Supervisor	L&E
Kathryn Koch, FCAS, MAAA	Actuarial Specialist	L&E
P. Anthony Gilbert, CPA, CFE	Participating Examiner	L&E
Claire Chadick	Participating Examiner	L&E
Lori Shores, CISA	IT Specialist	Transient
Jonathan Alberts	Participating Examiner	OIR

Respectfully submitted,



Omar D. Akel, CFE
Examiner-in-Charge
Lewis & Ellis, LLC
Representing the Florida Office of Insurance Regulation



Charles Mason
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation