



**EXAMINATION REPORT
OF
ShelterPoint Insurance Company**

NAIC Company Code: 89958

**West Palm Beach, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 28, 2021

David Altmaier
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, 2019, of the financial condition and corporate affairs of

ShelterPoint Insurance Company

515 N. Flagler Drive, Suite 1400
West Palm Beach, Florida 33401

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, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on August 20, 2020. The fieldwork concluded as of June 1, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2010 through December 31, 2014.

The examination was a multi-state/coordinated 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 lead state for this exam was New York, and Florida was the only other state that participated in this exam.

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”). The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

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 as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company (formerly JMIC Life Insurance Company) was incorporated in Florida on April 13, 1979 and commenced business on June 1, 1979. JMIC Life Insurance Company ceased writing insurance effective December 31, 2006. JMIC Life Insurance Company was purchased by ShelterPoint Life Insurance Company (“the Parent”), formerly First Rehabilitation Life Insurance Company of America, on January 24, 2014. After the acquisition, JMIC Life Insurance Company changed its name to ShelterPoint Insurance Company effective February 28, 2014. The Company was authorized on December 31, 1986 by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, F.S.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2019, the Company’s capitalization was as follows:

| | |
|--|-------------|
| Number of authorized common capital shares | 5,000,000 |
| Number of shares issued and outstanding | 2,500,000 |
| Total common capital stock | \$2,500,000 |
| Par value per share | \$1.00 |

During the period under examination the Company received capital contributions from its Parent in the years and the amounts as follows:

| For the year ended: | Capital Contribution from Parent |
|---------------------|----------------------------------|
| December 31, 2015 | \$1,100,000 |
| December 31, 2016 | \$1,000,000 |
| December 31, 2017 | \$300,000 |
| December 31, 2018 | \$300,000 |
| December 31, 2019 | \$150,000 |

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under 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, 2019, are shown below:

| Directors | | |
|------------------|-------------|--|
| Name | City, State | Principal Occupation, Company Name |
| Richard A. White | Mineola, NY | Chief Executive Officer ShelterPoint Life Insurance Company |

| | | |
|-----------------------|------------------------|---|
| Shailesh Modi | Princeton Junction, NJ | Executive Vice President, Treasurer, Chief Financial Officer ShelterPoint Life Insurance Company |
| James R. Lasko | Bethlehem, PA | Executive Vice President, Chief Administrative Officer ShelterPoint Life Insurance Company |
| Kathleen A. McAuliffe | Wantah, NY | Vice President Client Services and Administration ShelterPoint Life Insurance Company |
| David G. Melman | Springfield, NJ | Senior Vice President, Privacy Officer, Corporate Secretary, Chief Legal Counsel ShelterPoint Life Insurance Company |

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

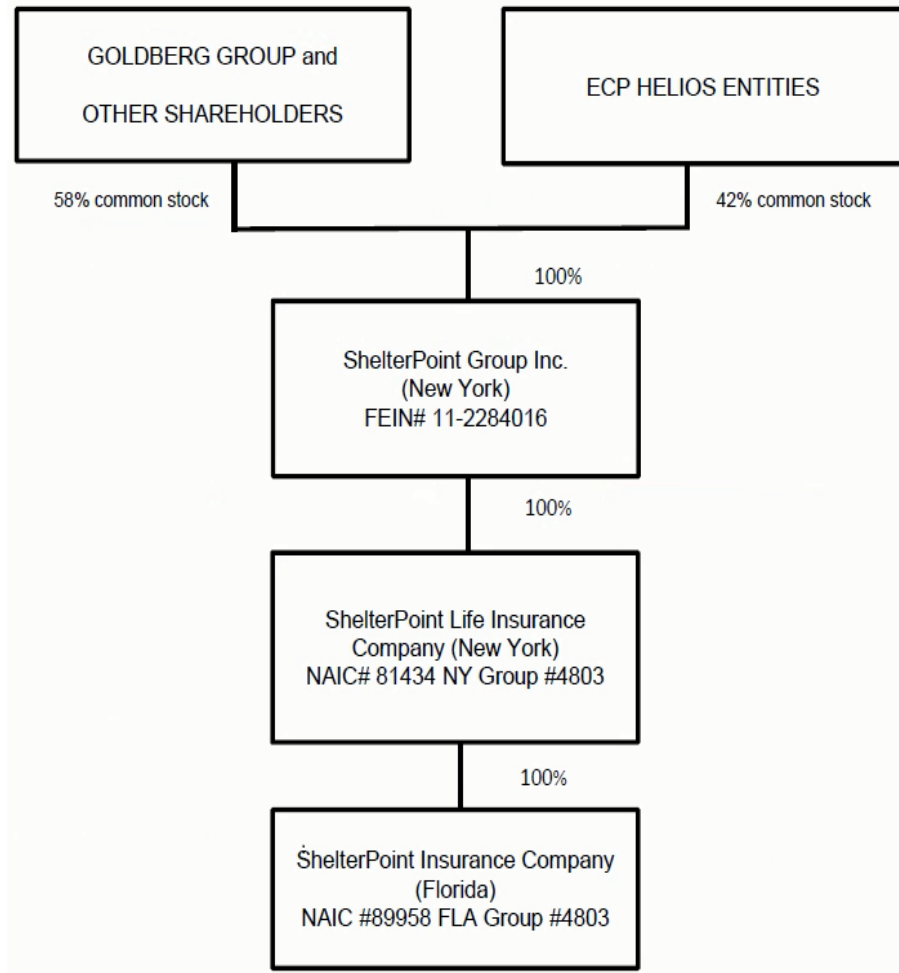
| Senior Officers | | |
|------------------------|------------------------|--|
| Name | City, State | Title |
| Richard A. White | Mineola, NY | Chief Executive Officer, Chairman of the Board |
| Shailesh Modi | Princeton Junction, NJ | Executive Vice President, Treasurer, Chief Financial Officer |
| James Lasko | Bethlehem, PA | Executive Vice President, Chief Administrative Office |
| DeWitt Smith | Wycoff, NJ | Executive Vice President, Chief Sales and Marketing Officer |
| Brian Dunham | Mineola, NY | Senior Vice President, Chief Actuary |
| David Melman | Springfield, NJ | Senior Vice President, Privacy Officer, Corporate Secretary, Chief Legal Counsel |
| Robert Slack | East Islip, NY | Senior Vice President, Chief Auditor |
| David Epstein | Commack, NY | Vice President – Sales |
| Kathleen McAuliffe | Wantagh, NY | Vice President Client Services and Administration |
| Timothy Stellato | Westbury, NY | Vice President – Information Technology |
| Mary Rose Bosco | Valley Stream, NY | Controller |
| Katrin Atienza | Hicksville, NY | Vice President – Marketing |
| Carmela D'Avanzo | Wantagh, NY | Vice President – Human Resources |
| Debbie Moy | Douglaston, NY | Director of Product Management |

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

| Audit Committee | | |
|------------------------|------------------------|--|
| Name | City, State | Title, Company Name |
| Richard A. White | Woodbury, NY | Chief Executive Officer ShelterPoint Life Insurance Company |
| Shailesh Modi | Princeton Junction, NJ | Executive Vice President, Treasurer, Chief Financial Officer ShelterPoint Life Insurance Company |
| James R. Lasko | Bethlehem, PA | Executive Vice President, Chief Administrative Officer ShelterPoint Life Insurance Company |
| Kathleen A. McAuliffe | Wantah, NY | Vice President Client Services and Administration ShelterPoint Life Insurance Company |
| David G. Melman | Springfield, NJ | Senior Vice President, Privacy Officer, Corporate Secretary, Chief Legal Counsel ShelterPoint Life Insurance Company |

Holding Company System

The Company is a member of a holding company, and all companies noted in the affiliated agreements below are shown in the following simplified organization chart.



The common stockholders having 10% or more equity ownership in ShelterPoint Group as of December 31, 2019 were: two estates and an individual with 14.33% each; ECP Helios Partners III, LP with 10.99%; and ECP Helios Partners IV, LP with 23.82%

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

Tax Allocation Agreement

Effective January 24, 2014, the Company entered into an Allocation of Consolidated Tax Liability Agreement with its ultimate parent and other affiliates which sets forth that the total combined federal income tax is allocated to each entity which is a party to the consolidation on the same basis as if it had filed a separate return. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Administrative Services and Cost Allocation Agreement

The Company entered into an Administrative Services and Cost Sharing Agreement with its Parent, effective January 24, 2014. Under the terms of this agreement, the Parent will perform day-to-day administrative services to the Company, including, but not limited to, the services of the Parent's personnel, office space, vendor contracts, and use of equipment. ShelterPoint Life Insurance Company, including its officers and employees, shall perform certain administrative consulting, marketing, and operational services incidental to the conduct, management, and processing of the insurance business and overall business operations engaged in by the Company. The allocation of the associated costs under this agreement are based upon the percentage of the staff's time that is dedicated to the Company applied to the total costs of the resources incurred by the Parent. As of December 31, 2019, there was an intercompany receivable of \$162,700 for the overpayment of service fees and a payable of \$8,918 for reimbursement of expenses with its Parent.

Net Worth Maintenance Agreement

The Company entered into a Net Worth Maintenance agreement with its Parent, effective January 24, 2014, and amended September 1, 2014. Under this agreement, the Parent agrees to maintain, without limitation as to the amount, the Company's statutory capital and surplus equal to the greater of a) the minimum amount needed to maintain licenses and authority in all jurisdictions where the Company is licensed to conduct insurance business, or b) the amount of capital and surplus as shall be necessary to maintain an NAIC Risk Based Capital ratio of at least 500% on an ongoing basis. The Parent shall also cause the Company to have the liquidity necessary to enable it to meet its current obligations on a timely basis provided, however, that such liquidity shall be provided in accordance with, and only to the extent permitted by, applicable law.

Quota-Share Reinsurance Agreement

The Company is party to a quota-share reinsurance treaty with its Parent. Under this agreement, the Company cedes 100% of its premiums and claims, and receives a ceding commission in the amount of 47.5% for group life business and 42% for group health business. These ceding commissions include a premium tax and assessment reimbursement of 2.5%.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Garden City, New York.

Custodial Agreement

The Company maintained a custodial agreement with Wells Fargo Bank, NA-IRT executed on March 20, 2014. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, Deloitte & Touche LLP (“D&T”) audited the Company’s statutory basis financial statements annually for all years within the examination period in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

Corporate Records Review

The recorded minutes of the Shareholder(s), Board of Directors (“Board”) and the Audit Committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval 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.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the District of Columbia and all U.S. states except California, Michigan, and New York.

The Company was authorized to transact insurance in Florida on March 25, 2014, and is currently authorized for the following lines of business as of December 31, 2019:

| | |
|--|------------------------------------|
| Group Accident and Health (specifically vision and dental) | Group Life Insurance |
| Medical Gap | Short-Term Disability |
| Long-Term Disability | Accidental Death and Dismemberment |

The Company primarily writes Accident and Health policies in the states where it is licensed or eligible. The following table shows the top five (5) states where the Company wrote business during the year ended December 31, 2019:

| State | Gross Premium Written |
|--------------|-----------------------|
| Alabama | \$1,632,575 |
| Pennsylvania | 693,187 |
| New Jersey | 362,002 |
| Connecticut | 185,579 |
| Maryland | 99,607 |

The Company wrote premium totaling \$27,246 within the State of Florida during the year ended December 31, 2019.

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 risk during the period of this examination.

Reinsurance Ceded

The Company has a quota share reinsurance agreement with its Parent, which has been approved by both the Office and the New York Department of Financial Services. Under this agreement, the Company cedes 100% of its premiums and claims, and receives a ceding

commission in the amount of 47.5% for group life business and 42% for group health business. These ceding commissions include a premium tax and assessment reimbursement of 2.5%.

The Company ceded \$3,252,608 and \$1,908,619 in premiums and \$2,093,831 and \$1,372,399 in benefits paid for the years ended December 31, 2019 and 2018, respectively. The Company received a ceding commission from its Parent of \$1,285,201 and \$754,356 and premium tax and assessment expense allowance of \$81,315 and \$47,715, for the years ended December 31, 2019 and 2018, respectively.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus and statutory Statement of Revenue and Expenses for the year ended December 31, 2019. 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, 2019. (Note: Due to rounding, column amounts may not add to the totals reflected in this Report)

ShelterPoint Insurance Company
Assets
December 31, 2019

| | Per Company | Examination Adjustments | Per Examination |
|---|--------------------|----------------------------|--------------------|
| Bonds | \$7,059,429 | | \$7,059,429 |
| Cash, cash equivalents and short-term investments | 1,301,201 | | 1,301,201 |
| Subtotal cash and invested assets | \$8,360,630 | | \$8,360,630 |
| Investment income due and accrued | 38,518 | | 38,518 |
| Premiums and considerations | | | |
| Uncollected premiums and agents' balances | 36,120 | | 36,120 |
| Amounts recoverable from reinsurer | 572,308 | | 572,308 |
| Other amounts recoverable under reinsurance contracts | 403,989 | | 403,989 |
| Receivables from parent, subsidiaries and affiliates | 162,700 | | 162,700 |
| Health care and other amounts receivable | 77,507 | | 77,507 |
| Aggregate write-ins for other than invested assets | 6,842 | | 6,842 |
| Totals | \$9,658,614 | | \$9,658,614 |

ShelterPoint Insurance Company
Liabilities, Capital and Surplus
December 31, 2019

| | Per Company | Examination Adjustments | Per Examination |
|---|----------------|----------------------------|--------------------|
| Claims unpaid | \$0 | | \$0 |
| Unpaid claims adjustment expenses | 0 | | 0 |
| Aggregate life and health policy reserves | 0 | | 0 |
| Premiums for life and accident and health contracts received in advance | 75,380 | | 75,380 |
| Other amounts payable on reinsurance ceded | 1,022,471 | | 1,022,471 |
| Commissions to agents due or accrued | 64,206 | | 64,206 |
| General expenses due or accrued | 179,734 | | 179,734 |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | 2,154 | | 2,154 |
| Current federal and foreign income tax payable | 68,809 | | 68,809 |
| Amounts withheld or retained by reporting entity as agent or trustee | 1,880 | | 1,880 |
| Asset valuation reserve | 17,404 | | 17,404 |
| Amounts due to parent, subsidiaries and affiliates | 8,918 | | 8,918 |
| Aggregate write-ins for other liabilities | 28,750 | | 28,750 |
| Total liabilities | \$1,469,706 | | \$1,469,706 |
| Common capital stock | 2,500,000 | | 2,500,000 |
| Gross paid-in and contributed surplus | 3,550,000 | | 3,550,000 |
| Unassigned funds (surplus) | 2,138,908 | | 2,138,908 |
| Total capital and surplus | \$8,188,908 | | \$8,188,908 |
| Total liabilities, capital and surplus | \$9,658,614 | | \$9,658,614 |

ShelterPoint Insurance Company
Statement of Revenue and Expenses
December 31, 2019

| | Per Company | Examination Adjustments | Per Examination |
|---|----------------|----------------------------|--------------------|
| Net premium income | \$0 | | \$0 |
| Net investment income | 174,988 | | 174,988 |
| Amortization of interest maintenance reserve | (467) | | (467) |
| Commissions and expense allowances on reinsurance ceded | 1,285,201 | | 1,285,201 |
| Total revenues | \$1,459,722 | | \$1,459,722 |
| Net benefit expenses | \$0 | | \$0 |
| Commissions on premiums, annuity considerations, and deposit-type contract funds | 481,212 | | 481,212 |
| General insurance expenses and fraternal expenses | 794,371 | | 794,371 |
| Insurance taxes, licenses and fees, excluding federal income taxes | 175,383 | | 175,383 |
| Total expenses | \$1,450,966 | | \$1,450,966 |
| Net gain from operations before dividends to policyholders, refunds to members and federal income taxes | \$8,756 | | \$8,756 |
| Federal and foreign income taxes incurred | (19,768) | | (19,768) |
| Net Income | \$28,524 | | \$28,524 |

| | Per Company | Examination Adjustments | Per Examination |
|---|----------------|----------------------------|--------------------|
| Capital and Surplus Account | | | |
| Capital and surplus prior reporting year | \$8,011,206 | | \$8,011,206 |
| Net Income | \$28,524 | | \$28,524 |
| Change in nonadmitted assets | 1,343 | | 1,343 |
| Change in asset valuation reserve | (2,165) | | (2,165) |
| Surplus adjustments: | | | |
| Paid in | 150,000 | | 150,000 |
| Net change in capital and surplus | \$177,702 | | \$177,702 |
| Capital and surplus end of reporting year | \$8,188,908 | | \$8,188,908 |

**ShelterPoint Insurance Company
Reconciliation of Capital and Surplus
December 31, 2019**

| Capital/Surplus Change during Examination Period | | | |
|---|-------------|-------------|-------------|
| Capital and Surplus at December 31, 2014, per Examination | | | \$7,747,555 |
| | Increase | Decrease | |
| Net income (loss) | \$0 | \$2,293,505 | |
| Change in net deferred income tax | | 481,039 | |
| Change in non-admitted assets | 376,105 | | |
| Change in asset valuation reserves | | \$10,254 | |
| Change in paid in surplus | \$2,850,000 | | |
| Net increase (or decrease) | | | \$441,353 |
| Capital and Surplus at December 31, 2019 per Examination | | | \$8,188,908 |

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Brian Dunham, FSA, MAAA, Senior Vice President of the Company and the Parent, appointed by their respective Boards, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Michael Dubin, FCAS, FSA, FCA, MAAA, Director of Actuarial Services, of Baker Tilly US LLP, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$8,188,908, exceeded the minimum of \$1,500,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the Office's review of the Company noted that there has not been a significant impact to the Company. The Office has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of ShelterPoint Insurance Company as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, James B. Morris, who served as the Examiner-in-Charge, Brandon A.F. Waters, Staff Consultant, Participating Examiner, of Baker Tilly US, LLP ("Baker Tilly") also participated in the examination. Members of the Office who participated in the examination include Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor, who served as Examination Manager. Additionally, Michael Dubin, FCAS, FSA, FCA, MAAA, Director of Actuarial Services, and Felix Peysakhovich, ASA, MAAA, Manager of Actuarial Services, of Baker Tilly and IT Specialist Phil Schmoyer, CISA, CFE, AES, CSM, Senior Manager, of Baker Tilly are recognized for their participation in the examination.

Respectfully submitted,



James B. Morris, CFE, CPA, CGMA, CICA, MBA
Director
Baker Tilly US, LLP



Margaret M. McCrary, CFE, CPA, MBA
Chief Financial Examiner
Life & Health Financial Oversight
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