NOBLE CONSULTING SERVICES, INC

SUNSHINE STATE INSURANCE COMPANY IN LIQUIDATION

REPORT OF FINDINGS

ASSIGNMENT PHASE II – SECTIONS 1-3

JUNE 20, 2015

ASSIGNMENT PHASE II – SECTIONS 4 AND 6

MARCH 11, 2016

ATTORNEY CLIENT PRIVILEGED

Table of Contents

Assignment Phase II – Sections 1 -3 (June 20, 2015)

Assignment……………………………………………………………………………………………………2
General Information…………………………………………………………………………………………2
SECTION ONE – Preferential Treatment Analysis…………………………………………………5
SECTION TWO – Review Previous Statutory Audits………………………………………………18
SECTION THREE – Analyze Reinsurance Contracts………………………………………………24
Summary……………………………………………………………………………………………………30

EXHIBIT A – Workpaper and Report Abbreviations……………………………………………….31
EXHIBIT B – Documents Provided to Noble……………………………………………………………34
EXHIBIT C – U.S. Re Companies, Inc…………………………………………………………………..35
EXHIBIT D – Conflict Check List…………………………………………………………………………36
EXHIBIT E – Reinsurance Accounts from 2009………………………………………………………..38
EXHIBIT F – 2013-2014 Reinsurance Program…………………………………………………………40
EXHIBIT G – Ceded Reinsurance with Recoverables > $100,000…………………………………..41
EXHIBIT H – Reinsurance Analysis from October-December 2013……………………………….45
EXHIBIT I – Summary of Wire Transfers Relating to Reinsurance in Last Nine Months of Company…………………………………………………………………………………………………….46
EXHIBIT J – Replication of Premium Ceded……………………………………………………………47

Assignment Phase II – Sections 4 and 6 (March 11, 2016)

Assignment……………………………………………………………………………………………………49
Section 3.1.2.4 – Insolvency Finding…………………………………………………………………50
Section 3.1.2.6 – Other Duties as Assigned…………………………………………………………54

EXHIBIT 1 – Summary of Damages Findings…………………………………………………………57
EXHIBIT 2 – Statements of Assets, Liabilities, Capital and Surplus, Adjusted for Errors & Damages……………………………………………………………………………………………………..58
EXHIBIT 3 – Calculation of Ceding Commission in Excess of Direct Acquisition Expenses……………………………………………………………………………………………………..69
EXHIBIT 4 – Claim Development on 2013 Year End Direct & Assumed Reserves…………70
EXHIBIT 5 – Documents Provided to Noble……………………………………………………………73

ASSIGNMENT

SECTION 3.1.2 - PHASE II:
Noble will engage in forensic analysis of the following areas, for which Receiver's staff will assign priority. Upon completion of each section of Phase II, Noble will submit a draft Report of Findings.

Section 3.1.2.1. - Preferential Transfer Analysis
Perform a preferential transfer analysis of the 24 months preceding the date of receivership for SSIC, including an analysis of the cost sharing and MGA agreements in place.

Section 3.1.2.2. - Review Previous Statutory Audits
Review previous statutory financial statement audits performed prior to receivership to determine whether there are any causes of action against the appointed CPA firm.

Section 3.1.2.3. - Analyze Reinsurance Contracts
Perform analysis of all reinsurance transactions, especially as relates to the treatment of reinsurance premium in the company financial reports.

GENERAL INFORMATION

COMPANY BACKGROUND:

The Company was incorporated in Florida on November 4, 1997 and commenced business on November 21, 1997 as Sunshine State Insurance Company (SSIC or Company). SSIC is the successor name for the approved merger of SSIC and QualSure Insurance Company in 2004.

The last financial examination conducted by State of Florida Office of Insurance Regulation (OIR or Department) was for the year ended December 31, 2011. There were no adjustments to surplus as a result of this examination.

SSIC was unable to fulfill its capital and surplus commitment in a Consent Agreement dated March 11, 2014, to raise admitted surplus to the agreed upon minimum of $15 million. The Company was placed in Liquidation by the OIR via an agreed Consent Order on May 30, 2014, with the court order effective June 2, 2014.

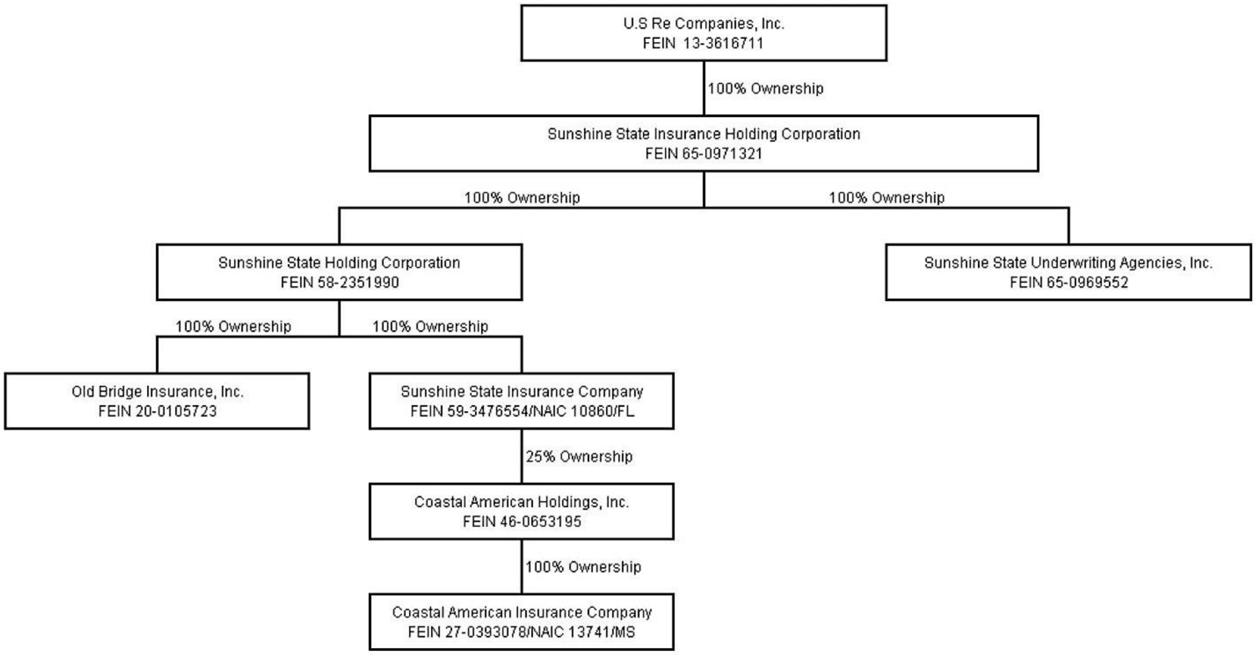
The Company's admitted surplus was less than the agreed upon minimum amount as a result of the discovery of an accounting error prior period adjustment (PPA) for catastrophe excess of loss reinsurance contracts entered into during 2008 and 2011. This prompted OIR to place SSIC into liquidation once it was unable to raise additional capital.

CORPORATE STRUCTURE:

ANNUAL STATEMENT FOR THE YEAR 2013 OF THE Sunshine State Insurance Company

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SSIC is owned in an insurance holding company structure where it is directly owned by Sunshine State Holding Company (SSHC), which is owned by Sunshine State Insurance Holding Company (SSIHC or Sunshine). SSIHC is owned by U.S. Re Companies, Inc. (USRE).

However the ultimate controlling person (100% ownership) is shown erroneously in the 2013 Annual Statement as USRE. The Group Code assigned to SSIC is 4689 and its Group Name is listed as TP Piccione Grp. This Group Name implies ownership by Tal Piccione (Piccione). Therefore the entire USRE corporate structure should have been reported in Schedule Y along with all individual shareholders of USRE with five percent (5%) or greater ownership.

In Exhibit C of this report there is a comprehensive corporate structure presentation that was included in the May 23, 2014, Alvarez & Marsal (A&M) “whistleblower” report. It may be outdated as it does not reflect the ten percent (10%) ownership portion of SSIHC that was previously held by Sunshine’s former CEO, Steve Korducki (Korducki). His shares were redeemed in 2013 according to the August 13, 2013, SSIC Board of Director minutes.

Prior to ownership by USRE, Piccione and other individuals related to either USRE or Piccione were members in Fenelon Ventures, LLC, (Fenelon) which owned SSIC as of December 31, 2011. At one time in 2005 USRE owned a Fenelon Ventures II, LLC. It is unknown if it is the same company that subsequently spun out of the USRE group, or another different LLC entity with a similar name. The most recent USRE corporate organization chart does not include Fenelon Ventures II, LLC.

By the end of 2012, Fenelon ownership of SSIHC interest had decreased to 35.4375% from 100% and USRE owned 55.5625%. The remaining 10% was owned by Korducki. During 2013, USRE obtained 100% ownership of SSIHC. As described below in Section One, USRE and Fenelon have other common shareholders beyond Tal Piccione.

As of March 31, 2014, SSIC's Board of Directors contains three (3) current or former executives and/or directors of USRE: Tal Piccione, Peter Rawlings, and Marshall Manley. In 2011 an additional USRE director and executive, Sanford Elsass, was also a SSIC director.

SECTION ONE

Section 3.1.2.1. - Preferential Transfer Analysis

Perform a preferential transfer analysis of the 24 months preceding the date of receivership for SSIC, including an analysis of the cost sharing and MGA agreements in place.

CONFLICT CHECK LIST:

FLDFS provided a list of thirty-nine (39) related parties and persons of interest which were to be specifically included in the analysis. Subsequently, John E. Rogan was added to this list, which is included as Exhibit D in this report. Each entity and individual is discussed below, including their list placement number (#), relationship with SSIC, contractual agreements, if any, and relevant findings and comments.

Based on the analysis, the list has been divided into the following three (3) categories with outline numbering for ease of referencing:

A. Entities and individuals with potential preferential transfers
B. Entities and individuals with financial activity, but no preferential transfers noted
C. Entities and individuals with no financial activity

A. **Entities and Individuals with potential preferential transfers** *(See Exhibit C for full corporate structure)*

1. U.S. RE Companies, Inc. (USRE) (#1)
    a) *Description* – USRE is a holding company and the ultimate parent company over the U.S. Re, Uni-ter, and Sunshine entities
    b) *Contracts* –
        i. Although USRE does not have any written contracts directly with SSIC, several USRE subsidiaries do have contracts with SSIC and will be discussed, as appropriate.
        ii. USRE claimed to have an oral agreement with SSIHC and its subsidiaries, which include SSIC. USRE represents that the oral agreement allows it to invoice those companies for corporate “recharges”, including an allocation of corporate executive salaries, benefits, travel, entertainment and efforts in raising capital, including additional Surplus for SSIC.
    c) *Payments and Contractual Compliance* –
        i. On July 24, 2013, USRE invoiced SSIC in the amount of $261,843 for SSIHC corporate recharges, applicable to SSIHC and its subsidiaries. SSIC wired the amount to SSIHC in September of 2013, under the premise that the amount would be forwarded to USRE. The payment was not based on any written agreement; only the oral agreement represented by USRE. Although the invoice was applicable to SSIHC and all subsidiaries, SSIC remitted the entire balance.

ii. On November 7, 2013, USRE invoiced SSIHC in the amount of $446,987, for corporate recharges, applicable to SSIHC and its subsidiaries. In November 2013, SSIC remitted the entire balance in separate payments to USRE and SSIHC. As with the July payment, the remittance was not based on any written contract. Again, SSIC bore the entire burden of payment.

d) Comments –

i. Florida Statute Title XXXVII, Chapter 628 requires contracts of this nature to be written and pre-approved by the Department. No documentation was provided regarding submission to or approval by OIR of any agreement with USRE.

ii. USRE expected SSIC to bear the burden of all SSIHC corporate recharges, which is contrary to the terms of the invoice.

2. U.S. RE Corporation (USCORP) (#3)

a) Description – USCORP is a wholly owned subsidiary of USRE. It is listed on the USRE website as a Reinsurance Brokerage and Consulting Company.

b) Contracts –

i. In 2007, SSIHC appointed USCORP as the exclusive reinsurance intermediary broker for SSIC. Reinsurance payments were wired directly to the USCORP fiduciary operating account as directed in the terms of the agreement.

c) Payments and Contractual Compliance –

i. USCORP was paid for reinsurance transactions in accordance with their SSIC broker contract, discussed above.

ii. USCORP was also paid commissions, labeled “makeup fees”, which were not part of any written contractual agreement. USCORP was credited as receiving $214,043, $302,071 and $166,137 in 2012, 2013 and 2014 respectively. As per iii below, part of the 2013 and all of the 2014 payments were prefunded.

iii. On May 13, 2013, USCORP requested and received a $350,000 unapproved advance on commissions from SSIC. The advance was wired to account #704-7785523, which is not the bank account used for other routine transactions. Subsequently, the advance was approved by SSIC’s Board, and the funds were amortized monthly as prepaid expense. As of the May 23, 2014, A&M whistleblower report, there was approximately $9,000 remaining as prepaid fees.

iv. USCORP was paid $65,472, $62,615 and $62,189 in October, November and December of 2013 respectively. The remittances were labeled as payments towards a loan with Capital One, National Association (CapOne), but were recorded as a debit to accounts payable-affiliates. *(See A,3,b,iii.)*

d) *Comments* –
  i. No documentation was provided regarding submission to or approval by OIR of the USCORP broker contract. While USCORP may not have had enough common ownership with SSIC in 2007 to require approval, it did in subsequent years.
  ii. The payment of makeup fees first appeared in 2009, in both the General Ledger (G/L) and the JL audit workpapers. Additional research is required to identify who directed the fees to be paid and how the calculations were made. In total Noble identified $1,525,153 paid from SSIC to USCORP from September 2009 through March 2014.
  iii. The advanced payment of $350,000 is considered preferential treatment to an affiliated company, because SSIC was instructed by its parent company to make the advance.
  iv. Per the A&M whistleblower investigation report: "As of December 31, 2013, the prepayment balance was $176,055.24. The TRC treaty ends June 30, 2014 and, according to Rick Ervin (Ervin), all but approximately $9,000 of the prepaid fees have been earned and offset against the $350,000 advance." Noble confirmed that the 2014 general ledger makeup fee expense was posted against a debit to ceded premium payable.
  v. Since SSIC was not a signatory on the CapOne loan, the payments should be considered an advance to USCORP. However, in one of our conference calls with Phil Dragotto, acting SSIC CFO in 2014, represented that all of the CapOne loan payments made by SSIC were reviewed and subsequently reclassed to SSUA.

3. Sunshine State Underwriting Agencies. Inc. (SSUA) (#27)

a) *Description* – SSUA is a wholly owned subsidiary of SSIHC. It served as the managing general agent and management company for SSIC.

b) *Contracts* –
  i. On December 31, 2012, the management agreement between SSUA and SSIC was renewed. The original contract was between SSHC and SSIC. SSHC later assigned all rights of the contract to SSUA.
  ii. On September 17, 2009, SSIC, along with SSUA and Computer Sciences Corporation (CSC) entered into a Policy Administration Services Agreement, where SSIC assigned its "rights and interests in and all of its duties and obligations under the Agreement" to SSUA.
  iii. On August 20, 2013, USCORP and SSUA entered into a $2 million credit agreement with CapOne. The funds were deposited into the SSIC operating account and recorded as paid-in and contributed surplus. SSUA was responsible for two-thirds of the total loan payment due CapOne, and the remaining one third was owed by USRE.

c) *Payments and Contractual Compliance* – No issues were noted.

d) *Comments* –
   i. Even though no issues noted, a more detailed analysis should be considered due to the number of transactions and the dollar amount of these transactions. (i.e Allocation of operating costs between SSUA and SSIC were often split in half without supporting documentation as to percentages assigned.)

4. Stephen A. Korducki (#32)
   a) *Description* – Korducki was the President, CEO, and a Director of the SSIC for the period of August 1, 2010 through August 31, 2013.
      i. As part of his employment agreement, Korducki owned up to 10% of the stock in SSIHC during the period he was employed.
      ii. Korducki is a Director of Coastal American Insurance Company (CAIC) and continues to serve after his departure from SSIC.
   b) *Contracts* –
      i. Korducki had an employment contract for his period of employment. It was extended in the final year by thirty (30) days, approved at a Board meeting.
   c) *Payments and Contractual Compliance* –
      i. Korducki received wages in accordance with his contract.
      ii. In accordance with his contract, Korducki received a bonus. In 2013 he received $200,000, at least partially related to the 2012 performance of SSUA.
   d) *Comments* –
      i. In the August 13, 2013, SSUA BOD minutes, Korducki stated that he felt that he deserved a $600,000 bonus, due to the performance of SSUA. In 2013 alone, SSIC wired SSUA over $13 million, for fees, payroll reimbursements and expense reimbursement. Since Korducki received bonuses partially based on the financial performance of SSUA, there may be an inherent conflict of interest in his fiduciary duties as CEO of SSIC.

B. Entities and Individuals with financial activity, no preferential transfers noted

1. Tal P. Piccione (#2)
   a) *Description* – Piccione is the President and CEO of USRE and the Chairman of the Board of SSIC and of USRE.
      i. He is a 38.100% shareholder of USRE.
      ii. He was a 31.746% owner of Fenelon, a prior owner of SSIHC, and was on its Board of Managers.
   b) *Contracts* –
      i. The SSIC Board of Directors agreed to pay Piccione $15,000 per quarter, for the performance of his duties as Chairman of the Board.

- c) *Payments* –
    - i. In 2012 and 2013, Piccione received $60,000 in director fees. In 2014 Piccione received $15,000. These payments are consistent with the Board instructions.
- d) *Comments* –
    - i. It was noted that Piccione and Ervin often traded weekly emails in 2012 and 2013, discussing financial matters and other issues related to SSIC. This indicates Piccione was actively involved with the management of SSIC.

2. Peter S. Rawlings (#10)
    - a) *Description* – Rawlings is a Director of both SSIC and USRE.
        - i. He is also the Chairman of U.S. RE Securities, LLC (USSEC) (#13). He is a 5.440% shareholder of USRE.
        - ii. He was a 15.873% owner of Fenelon, a prior owner of SSIHC, and was on its Board of Managers.
        - iii. Additionally Rawlings serves on the Advisory Board of Logan Capital Management.
    - b) *Payments* –
        - i. Rawlings received director fees of $40,000 in 2012, $40,000 in 2013, and $10,000 in 2014.

3. Marshall Manley (#22)
    - a) *Description* – Manley is a Director of both SSIC and USRE.
        - i. According to his Biographical Affidavit in SSIC's 2012 Form A, he is a retired Chairman & CEO of Gerova Financial Group, Ltd, an international reinsurance company in Bermuda.
    - b) *Payments* –
        - i. SSIC paid Manley $4,493 in 2012 and $6,331 in 2013 as expense reimbursement.
        - ii. SSIC paid Vendor ID "M82 – M82 Group LLC" for director fees of $30,000, $40,000, and $10,000 in 2012, 2013 and 2014 respectively. Director fees commenced in July 2012. Consulting fees of $10,000 were paid in April 2012.

4. Mechlin Moore (#16)
    - a) *Description* – Moore is the President of MDM Communications (MDM). He was a 3.175% owner of Fenelon, a prior owner of SSIHC.
    - b) *Contracts* –
        - i. SSIC does not have any contracts with Moore or MDM, but SSUA did use the services of MDM. The vendor history report shows monthly retainer fees paid of $1,000. Some months were higher and there were some odd payments too, which may have represented expenses or additional service charges.
    - c) *Payments* –
        - i. SSUA paid MDM $13,931, $14,505 and $2,000 in 2012, 2013 and 2014 respectively.

5. John Lombardo (#18)
   a) *Description* – Lombardo is a Director on the SSIC board.
      i. He was a 6.349% owner of Fenelon, a prior owner of SSIHC.
      ii. Lombardo attended Pace University, which is also Piccione's alma mater. He does not appear on the USRE website.
   b) *Payments* –
      i. He received $40,000 in both 2012 and 2013 as director fees. In 2014 he received $10,000.
   c) *Comments* – No issues noted.

6. John Anthony Gerson (#20)
   a) *Description* –
      i. Gerson is a Director on the SSIC board. He is not listed on the Fenelon or USRE shareholder lists on SSIC's 2012 Form A application.
      ii. There is a person of the same name that is a CPA and a CFO. That person is sixty-five (65) years old, a former student from and serves as a Trustee for Pace University. It appears that Gerson may be a personal contact of Tal Piccione. Piccione is approximately the same age and went to Pace University also.
   b) *Payments* –
      i. He received $41,660 in 2012, $41,734 in 2013, and $10,000 in 2014 as director fees and expense reimbursement. No issues noted.

7. Joe Braunstein (#24)
   a) *Description* – Braunstein became the President and CEO of SSIC in October 2013. He is also a Director of SSIC.

   b) *Payments* – No payments were noted other than compensation paid through payroll. No separate transactions were found in either the SSIC or SSUA Vendor History reports for Director Fees. Nor were there any entries in the G/L that implied expense relating to his serving as a Director.

8. Richard "Rick" L. Ervin, Jr (#26)
   a) *Description* – Ervin was the EVP & CFO of SSIC and SSUA.
      i. Other than compensation and expense reimbursements, no payments to Ervin were noted.
      ii. However, most of the preferential transfers occurred while he was CFO. Several emails between Ervin and USRE senior staff were noted shortly prior to the 2009 erroneous reinsurance accounting entry.
   b) *Comments* – Due to the serious nature of accounting errors in 2009 and 2012, it is recommended that his emails and correspondence be scrutinized in more detail. It is possible

that Ervin was not the only person aware of the manipulation of the ceded reinsurance amortization schedules.

9. Sandra Blundetto (#30)
    - a) *Description* – Blundetto was the Senior Vice President and General Counsel for USRE.
    - b) *Contracts* –
        - i. SSIC was billed corporate recharges as discussed in the USRE section above.
    - c) *Payments* –
        - i. Part of those recharges represented $24,000 of Blundetto's time.
    - d) *Comments* –
        - i. It was noted in the A&M whistleblower report that Blundetto was paid directly from SSIHC and SSUA in prior years. It states she received a 1099 tax form for her payments.
        - ii. The A&M whistleblower report also indicated that Blundetto drove a car leased by SSUA "at the direction of U.S. RE."

10. Coastal American Holdings, Inc. (CAHI) (#37)
    - a) *Description* – SSIC currently owns approximately twenty-three percent (23%) of CAHI. CAHI owns CAIC (#39) who had a Managing General Agent Agreement with SSUA.
    - b) *Payments* – No payments from SSIC were noted since the beginning of 2012.

C. Entities and individuals with no financial transactions noted

1. Richard Davies (#4)
    - a) *Description* – Davies is a Senior Vice President and the CFO of USRE. He was a 3.175% owner of Fenelon, a prior owner of SSIHC.
    - b) *Payments* – Davies did not have any individual financial transactions with SSIC. However he was actively involved with USRE's financial transactions with SSIC.

2. U.S. RE Agencies, Inc. (USAGY) (#5)
    - a) *Description* – USAGY is a subsidiary of USRE.
    - b) *Comments* – No activity noted.

3. Brian McGuire (#6)
    - a) *Description* – McGuire is a Senior Vice President of USCORP.
        - i. He is a 6.530% shareholder of USRE.
        - ii. He was a 3.175% owner of Fenelon, a prior owner of SSIHC.
    - b) *Payments* – McGuire did not have any individual financial transactions with SSIC. However, he was actively involved with USCORP's financial transactions with SSIC.

4. Joseph M. Fedor (#8)
   a) *Description* – Fedor is an Executive Vice President of USRE.
      i. He is a 30.410% shareholder of USRE.
      ii. He was a 6.349% owner of Fenelon, a prior owner of SSIHC.
   b) *Payments* – Fedor did not have any individual financial transactions with SSIC. However he was actively involved with USRE's financial transactions with SSIC.

5. U.S. RE Holdings, Ltd (USHOLD) (#9)
   a) *Description* – USHOLD is a foreign subsidiary of USRE in Bermuda.
   b) *Comments* – No activity noted.

6. U.S. RE Analytics, LLC (USANAL) (#11)
   a) *Description* – USANAL is a subsidiary of USRE. It is listed on the USRE website as an Analytical Services Company.
   b) *Comments* – No activity noted.

7. Nigel Rogers (#12)
   a) *Description* – Rogers is an 11.360% shareholder of USRE.
      i. He was not a shareholder in Fenelon.
      ii. According to his Biographical Affidavit in SSIC's 2012 Form A, he is a shareholder and executive of Syndicate Re in Puerto Rico. He is now its CEO
      iii. He is not listed on the USRE website as part of the management team, nor does it indicate so in the Form A.
   b) *Comments* – No activity noted.

8. U.S. RE Securities, LLC (USSEC) (#13)
   a) *Description* – USRESEC is a subsidiary of USRE. It is listed on the USRE website as Investment Bankers to the Insurance Industry.
   b) *Comments* – No activity noted.

9. Larry Shatoff (#14)
   a) *Description* – A Google search found Shatoff reported as a Senior Vice President of USRE.
      i. However, he is not currently listed on the USRE website as part of the management team.
      ii. He was a 6.349% owner of Fenelon, a prior owner of SSIHC.
   b) *Comments* – No activity noted.

10. U.S. RE, LLC (USLLC) (#15)
    a) *Description* – USLLC is a subsidiary of USRE.
    b) *Comments* – No activity noted.

11. Uni-Ter Claims Services Corporation (UNICLM) (#17)
    a) *Description* – UNICLM is a subsidiary of USCORP. It is listed on the USRE website as a Third Party Claims Administration Company.
    b) *Contracts* –
        i. On January 1, 2008, SSIC entered into a contract with UNICLM to receive claims administration services.
        ii. The contract was reviewed by OIR in July 2009 and required to be amended.
        iii. It did not appear to be active during the period of this review.
    c) *Payments and Contractual Compliance* –
        i. No activity in 2012, 2013 or 2014.

12. Uni-Ter Underwriting Management Corporation (UNIUW) (#19)
    a) *Description* – UNIUW is a wholly owned subsidiary of USCORP. It is listed on the USRE website as an Underwriting Management Company.
    b) *Comments* –
        i. No activity was noted in the period of this review.
        ii. However, as noted in the A&M whistleblower report, SSIC paid UNIUW $1,000,000 in between August 2008-May 2009 for what appeared to be “software development fees”.

13. Uni-Ter Risk Management Services Corporation (UNIRSK) (#21)
    a) *Description* – UNIRSK is a wholly owned subsidiary of USRECORP. It is listed on the USRE website as a Third Party Risk Management Company.
    b) *Comments* – No activity noted.

14. Sunshine State Insurance Holding Corporation (SSIHC) (#23)
    a) *Description* – SSIHC is a direct subsidiary of USRE. It directly owns SSHC and SSUA.
    b) *Comments* – No activity noted.

15. Sunshine State Holding Corporation (SSHC) (#25)
    a) *Description* – SSHC is a direct subsidiary of SSIHC. SSIC and Old-Bridge Insurance Inc. (OLDBRDG) are wholly owned by SSHC.
    b) *Contracts* –
        i. On December 2, 2003, SSIC entered into a Managing General Agent Agreement with SSHC, to receive certain management services. On October 1, 2005, the arrangement with SSHC was assigned to SSUA.
    c) *Payments and Contractual Compliance* –
        i. No payments to SSHC were noted.

16. Richard “Dick” Davis (#28)
    a) *Description* –This person does not appear in SSIC company files. The address listed in #28 in Exhibit D – Conflict Check List is the USRE office. This may be a duplication with a misspelling of Richard Davies (#4), as he is listed as going by “Dick” on the USRE website.

17. Uni-Ter International Insurance Company (UNIINS) (#29)
    a) *Description* – UNIINS is a subsidiary of USHOLD. It is a Class III, Bermuda Domiciled Insurer.
    b) *Comments* – No activity noted.

18. Uni-Ter International Management Company, Ltd. (UNIMGT) (#31)
    a) *Description* – UNIMGT is a subsidiary of USHOLD in Bermuda. It is listed on the USRE website as a Captive Management Company.
    b) *Comments* – No activity noted.

19. US RE Corp. International Ltd (USCLTD) (#33)
    a) *Description* – USCLTD is a subsidiary of USHOLD in Bermuda.
    b) *Comments* – No activity noted.

20. American International Group, Inc. (AIG) (#34)
    a) *Description* – AIG is one of the writers of SSIHC and subsidiaries Directors & Officers Insurance Policy for the coverage period of August 1, 2013 - August 1, 2014.
    b) *Comments* – No activity noted in SSIC.

21. Old-Bridge Insurance Inc. (OLDBRDG) (#35)
    a) *Description* – OLDBRDG is a subsidiary of SSIHC. It is described as being used to collect commission. As of December 31, 2013 it had negative equity of ($10,956).
    b) *Comments* – No activity noted.

22. XL Specialty Insurance Company (XLIC) (#36)
    a) *Description* – XLIC is one of the writers of SSIHC and subsidiaries Directors & Officers Insurance the coverage period of August 1, 2013 - August 1, 2014.
        i. It issued an Excess D&O Liability Renewal Binder on August 7, 2013.
    b) *Comments* – No activity noted in SSIC.

23. American Insurance Company/ACE USA (ACE) (#38)
    a) *Description* – ACE is one of the writers of SSIHC and subsidiaries Directors & Officers Insurance the coverage period of August 1, 2013 - August 1, 2014.
    b) *Comments* – No activity noted in SSIC.

24. Coastal American Insurance Company (CAIC) (#39)
    - a) *Description* – CAIC is an indirect subsidiary of SSIC. SSIC owns approximately 23% of CAIC's parent company CAHI.
    - b) *Comments* – No activity noted.

25. John E. Rogan (#40)
    - a) *Description* – Rogan was the CEO of SSIC and SSUA prior to Korducki. Although there was no financial activity noted, Rogan was the CEO of SSIC and SSUA when some of the preferential transfers occurred and when the accounting error in 2009 occurred.

INTERCOMPANY AGREEMENTS:

Management Agreement

On December 31, 2012, the management agreement between SSUA and SSIC was renewed. The original contract was between SSHC and SSIC. SSHC later assigned all rights of the contract to SSUA.

The agreement conveys the authority for SSUA to act on the behalf of SSIC regarding the management of:

1. Underwriting
2. Actuarial
3. Claims
4. Marketing
5. Data processing
6. Accounting
7. Legal services
8. Miscellaneous services incidental to the operation of SSIC

Managing General Agent Agreement

On December 31, 2013, the managing general agent agreement between SSUA and SSIC was renewed. The original contract was between SSHC and SSIC. SSHC later assigned all rights of the contract to SSUA.

The agreement conveys the authority for SSUA to act on the behalf of SSIC regarding the following services:

1. Application receipts
2. Policy issuance
3. Eligibility compliance
4. Premium billing and collection
5. Commission handling
6. Policyholder support services
7. Data and reporting management
8. Policy distribution

9. Policy file maintenance
10. Complaint tracking
11. Maintaining agent files
12. Claims services
13. Reinsurance negotiations
14. Additional services, as necessary to fulfill the contract responsibilities
15. Anti-Fraud investigation compliance

The analysis of the above two and other affiliated contracts identified areas of duplicate services. Both the SSUA management agreement and the SSUA managing general agent agreement commit to providing claims services. Both the SSUA managing general agent agreement and the USCORP reinsurance intermediary broker agreement involve providing reinsurance negotiation services. It was found though that some of these services were delivered by outside vendors that SSIC paid directly.

The following items were noted in SSIC's Vendor List:

1. SSIC paid NCA Group, a claims management company, $280,610 from February 2012 through June 2013. The expense was classified as "inspection fees" in the G/L.
2. SSIC paid CDS Business Mapping, LLC. (CDS) $179,329 from April 2012 through May 2014. CDS "is a leader in providing geographic underwriting information for the property & casualty insurance industry." This underwriting service was recorded to the expense account "surveys".
3. SSIC paid Insurance Services Office, Inc. (ISO) $100,186 from January 2012 through January 2014. ISO provides underwriting related services. Its website states that they provide:
    - *a)* statistical, actuarial, underwriting, and claims information
    - *b)* policy language
    - *c)* information about specific locations
    - *d)* fraud-identification tools
    - *e)* technical services.

PREFERENTIAL TRANSFER ANALYSIS SUMMARY:

The preferential transfer analysis identified several issues that warrant additional inquiries.

1. Several of the affiliated contracts include overlapping services.
2. Some of the affiliated agreements were verbal, rather than written.
3. Some of the affiliated agreements were not previously approved by the Department.
4. The analysis identified advances paid to affiliates.
5. Intentional misrepresentations in financial reporting were noted in this analysis.
6. Some of the whistleblower's allegations that had been previously dismissed were affirmed in this analysis.
7. The analysis identified inherent conflicts of interests with the SSIC CEO and CFO positions.
8. Emails indicated that most of the issues identified were a function of a collaborative effort by key individuals throughout the USRE organization and not attributable to one person.

The issues described in this section may provide insight into how to proceed with future inquiries into questionable transactions and activities involving the USRE and SSIC executive teams. While some instances are identified, the depth or extent of the transactions may need to be examined to determine the cumulative effect of unapproved transactions on SSIC's unassigned surplus.

SECTION TWO

Section 3.1.2.2. - Review Previous Statutory Audits

Review previous statutory financial statement audits performed prior to receivership to determine whether there are any causes of action against the appointed CPA firm.

CPA AUDITORS:

SSIC's CPA auditors were Johnson Lambert (JL) based in Atlanta, Georgia. JL audited both SSIC's statutory financial statements, the SSIHC Consolidated financial statements as well, for the years ending December 31, 2005 through December 31, 2012. This includes the years when the prior period adjustment recorded in 2013 commenced.

Marcia Jelding, Managing Office Partner, was the lead on their engagement in the later years. Her contact information is:

Marcia G. Jerding
Office Managing Partner, Atlanta
Johnson Lambert LLP
7000 Central Parkway NE, Suite 1225
Atlanta, GA 30328
(678) 534-2960
mjerding@johnsonlambert.com

For the year ended December 31, 2013, JL was engaged to perform the following services via a standard industry engagement letter:

> "We will audit the GAAP-basis consolidated financial statements of Sunshine State Insurance Holding Corporation and Subsidiaries ("the Company"), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations and comprehensive income, changes in stockholder's equity, and statements of cash flows for the year then ended, and the related notes to the consolidated financial statements."
>
> "We will audit the statutory-basis financial statements of Sunshine State Insurance Company, which comprise the statement of admitted assets, liabilities, capital and surplus as of December 31, 2013, and the statements of income, changes in surplus, and cash flows for the year then ended, and the related notes to the financial statements. Also, the document we submit to you will include the following supplementary information that will be subjected to the auditing procedures applied in our audit of the financial statements: Supplemental Investment Risk Interrogatories, Summary Investment Schedule and Reinsurance Interrogatories."

On March 31, 2014, JL informed the SSIC Board of Directors that due to "the alleged material errors in the financial statements of Sunshine State Insurance Company and Sunshine State Insurance Holding

Company and their impact on the 2009 through 2013 audits", they were withdrawing their Audit Reports. JL further stated *(emphasis added by Noble)*:

> "We are hereby notifying you that reliance should no longer be placed on our audit reports on the financial statements of Sunshine State Insurance Company and Sunshine State Insurance Holding Company as of and for the years ended December 2012, 2011, 2010 and 2009 and that we are hereby withdrawing our reports. We request that you notify the Florida Office of Insurance Regulation ("FOIR"), and any other parties known or likely to be relying on the financial statements and the related auditor's reports, that reliance should no longer be placed on our audit reports on those financial statements.
>
> "We have become aware of information which relates to these financial statements previously reported on by us, which was not known to us at the date of our report, and which is of such a nature and from such a source, that we would have investigated had it come to our attention during the course of our audits. Specifically, it has come to our attention that certain reinsurance agreements have been accounted for improperly thus misstating financial results, including overstating surplus. As a result, we are obligated to withdraw our auditor's reports for the years impacted by these misstatements. Thus, you should no longer use or rely upon the 2009 through 2012 audited financial statements for Sunshine State Insurance Company and Sunshine State Insurance Holding Company or our independent auditor's reports thereon."

JL further discussed in their letter the revisions needed to the scope of the 2013 year end audit services regarding the additional audit procedures, updated risk assessment, and the additional management and legal counsel representations that would be required. The 2013 year end audit was not completed.

PRIOR PERIOD ADJUSTMENT:

The "alleged material errors" that JL referred to were reported in the Company's 2013 Annual Statement Note 2 – Accounting Changes and Corrections of Errors. It states:

> "During the current year's financial statement preparation, the Company identified an accounting error related to catastrophe excess of loss reinsurance contracts. The correction of error increased ceded premium payable (Page 3, line 12) and decreased unassigned funds (Page 3 line 35) by $4,646,820. There was no effect on net income."

The disclosure in the Annual Statement is incomplete and does not comply with the Annual Statement Instructions for Note 2. The Company should have disclosed the error correction effect to the prior year as well.

The 2009 Accounting Error

The details of the accounting error were researched in both the Company files and in JL audit workpapers (w/p or wps). The 2009 "error" resulted from the manual override of amortization formulas and resulting manipulation of ceded premium expense. This created an overstatement of the debit balance in the ceded premium payable. The earliest indication of manipulation occurred in February 2009. Thus monthly, quarterly, and annual financial statements filed with the Department from that date forward were in error in consideration of this topic alone. Complete corrections did not occur until the filing of the 2013 Annual Statement which posted the PPA.

The list below shows the amount of understated ceded premium payable liability as of the following dates resulting from the originally manipulated adjustments in 2009 until corrected in December 2013. The liability understatement did not change until the following month listed.

February 2009	$ 895,915
March 2009	1,791,830
April 2009	2,291,830
May 2009	2,966,830
June 2009	4,829,772
December 2009	3,505,505
December 2012	2,821,820

A complete list of the reinsurance contracts impacted and the monthly overrides are illustrated in Exhibit E. The effected accounts were related to Excess of Loss (XOL) contracts.

The monthly adjustments discussed in this report were determined by review of the Company's accounting files provided by FLDFS. The JL audit plan and testing workpapers, specifically regarding the 2009 ceded premium payable account, were examined to determine what procedures were considered and performed which would have allowed the identification of such an error by JL.

In the 2009 "PLANNING-AUDIT STRATEGY" workpaper P.5.1 - Significant Receivable Balances, JL determined that confirmations were not necessary for the significantly increased ceded premium payable debit balance of $10,551,721. The explanation included JL standard language for the other reinsurance accounts, although SSIC had no history of such a high debit balance. The $3.5 million year-end overstatement may have been discovered if confirmations had been requested of the reinsurers.

In addition, JL states "Funds are settled within 45 days after quarter end and history has followed form." However, there are no listings in their 2009 Workpaper Index that trace the subsequent receipt or payment of the overstated balances. The $3.5 million overstatement may have been discovered if subsequent transaction verifications had been performed.

Another opportunity to identify the error was in the completion workpaper REIN.5 - Reinsurance Detail 12-31-09. This document notes that the XOL and Florida Hurricane Catastrophe Fund (FHCF) calculation tabs were not included in the file. There is no evidence that JL followed-up to obtain support for these accounts; yet, these tabs were included in the prior year's workpaper JL 2008 REIN.6. It was the amortization tabs of these specific accounts that were manipulated resulting in the overstatement. The $3.5 million overstatement may have been identified if support for the XOL accounts had been obtained.

Noble reviewed JL's detail workpaper REIN.5 to the audit Lead Sheet, JL 2009 U.Lead, where these accounts were grouped. The entire $10.5 million debit ceded premium payable balance was tied out in U.LEAD to a workpaper REIN.3. Noble reviewed workpaper REIN.3, and although ceded XOL premiums were tested, no testing of ceded premium payable debit balances were documented. These ceded premium payable accounts in the Lead Sheet should not have been referenced to REIN.3 as they are not supported by workpaper REINS.3.

By year end 2010, the debit balance in the ceded premium payable account had increased to approximately $17.0 million, thereby making this amount represent a receivable. This balance included the carryforward of the $3.5 million error from 2009. JL's 2010 workpaper REIN.5 lists and tests ceded premium payable on tab 3. In cell A29, above the list of XOL and FHCF accounts, JL entered a note: "Requested support from Rick on 3/15". These XOL and FHCF accounts equaled a $19.8 million debit balance in a liability account. JL subtotaled the contracts but did nothing further on this workpaper. The JL preparer's note was never cleared, and JL finalized the audit without the requested support.

Even without the supporting detail for the XOL and FHCF accounts, JL had the ability to use other tools to identify and inquire regarding the unchanged 2009 balances. In the 2010 REIN.LEAD workpaper, which is produced directly in the JL auditing CaseWare software, the current and prior year balances and annual change are shown. It is understood that the various contract accounts with less than a $100,000 unchanged balance could be waived as immaterial. However, for a $3.2 million debit balance to remain unchanged from the prior year, it is unusual to not test the account.

JL had another opportunity to identify the 2009 accounting error carryforward into 2010. In JL workpaper S.9 - Final Analytics, Note J, JL explains the 61% fluctuation of ceded premium payable as due to an increase in CAT deposit premiums. JL references workpaper REIN.5; yet as stated above, REIN.5 does not contain any supporting documentation for the XOL and FHCF accounts. If a JL reviewer had looked for the support of this fluctuation in the referenced workpaper, the open JL auditor note and lack of documentation would have been noted.

The 2011 Accounting Error

In 2011, the 2009 accounting error remains unchanged and is carried forward, unadjusted, to December 31, 2011. The ceded premium payable debit balance remains overstated by approximately $3.5 million but is increased by another, separate accounting error. The FHCF ceded premium payable debit balance was overstated by approximately $2.2 million at December 31, 2011. It should be noted, the Company's accounting file contained a $2.2 million manual override of the amortization formula which occurred in March 2011 and was later reclassed to a subsequent FHCF policy in December 2011.

The JL 2011 REIN.LEAD workpaper shows no change, again, in the overstated 2009 accounts. There are no notes that an inquiry was made. The 2009 accounts, along with the 2011 FHCF, and all the other years' accounts listed, are marked with a circled 5. This tickmark is defined as "JL recalculated ceded premium payable at workpaper REIN.7, Tab 4." Upon review of workpaper REIN.7, like each year since 2008 before manual manipulation, the file did not contain amortization tabs for the XOL or FCHF accounts. XOL is not tested, and the FCHF balance is explained with incorrect logic.

JL attempted to reconcile the balance in FCHF with the invoice received from the fund. It appears that JL confused debits and credits. From the invoiced amount of $8.6 million, JL subtracted the 2011 payment of $2.8 million for a balance of $5.8 million. The digits are similar, but this test indicates a payable credit balance and not the debit balance reported in the account. JL waived their calculated $41,148 difference to the G/L as immaterial. This JL calculation is a mistake.

JL tested FCHF further in 2011 at workpaper REIN.6. In this workpaper, JL traces the amount due from the invoice without exception and recomputes the annual expense of seven (7) months (June –December). The sum of all ceded premium expense accounts on the tab is traced to the G/L without exception. The JL workpaper does not contain any reference to the reconciling of the unamortized expense to the G/L. Noble computed the unamortized balance and determined that the FHCF mandatory layer in the G/L exceeded the expected outcome by $2.2 million.

JL could have performed this same reconciliation and as a result may have inquired as to why the account appeared overstated. If not satisfied with a response from the Company, JL could have reviewed the detail of the balance. In the 2011 workpaper GL - GL Detail 10-01-11 thru 12-31-11, contained in their PLANNING-AUDIT STRATEGY Year End Financial Information section, JL had the monthly postings that showed the $2.2 million entry.

Accounting Errors Carryforward to 2012

At the end of 2011, there is a total overstated ceded premium payable debit balance of $5,705,505 *($3,505,505 from 2009 and $2,200,000 from 2011).* These errors were not identified as part of the 2012 audit.

JL's 2012 REIN.LEAD workpaper, again, has a circled 5 tickmark. In the 2012 audit, it is referenced to REIN.7, Tab 3. This tab contained the following note marked "X" by the debit balance XOL accounts:

> "Ceded Premium Payable has different types of reinsurance contracts rolling through the account balance. Account balances offset the ceded premium payable due to different reasons.
>
> 1. TIV Adjustment: the Company enters into CAT reinsurance with an estimated amount of TIV *(total insured value)* and then on Dec 1 TIV is reevaluated and CAT deposit premium is adjusted to reflect that amount. In 2012, this resulted in a reduction of ceded premium.
>
> 2. Property risk XOL and property facultative is based on a set premium deposit multiplied by a set rate (based on estimated earned premium). This rate is adjusted at year end to reflect actual earned premium. If premium payment is over, that amount is returned."

There is no attempt noted to obtain support for any of the debit balances or to verify subsequent receipts. The balance of the debit accounts are totaled by JL and equal approximately $3.6 million. Noble utilized the "annual change" column in the JL workpaper REIN.LEAD, to determine that approximately $3.0 million of the ending debit balances related to prior years, and only one account from 2009 with a remaining balance had changed.

The remaining 2009 account that did change was account # 2313000020-08-0000-000000-00, ceded premium payable-2nd XOL. It changed in the amount of $696,813, from approximately $3.2 million to $2.5 million. There is no notation of inquiry or support for the ending balance in the 2012 workpapers.

According to workpaper REIN.LEAD, the FHCF account that was overstated in 2011 changed by approximately $3.9 million at year end. JL tested FHCF balances in workpaper REIN.7. In this workpaper, JL prepared a reconciliation that included prior year debit balances, 2012 invoices, 2012 payments, and 2012 expense to calculate the ending balance for 2012. This roll forward does not support the ending debit amount shown as a contra-liability in the balance sheet. It only confirms the calculation of the amount expensed; not what should have been.

JL tested the FCHF ceded premium expense in workpaper REIN.6, tab 2B. On this workpaper, JL indicates that the 2012 contract premiums expense is tied to the FCHF Invoices. Noble reviewed JL workpaper REIN.6.1, which contains the FCHF invoices, and the amount shown is approximately $7.6 million, not the approximately $8.4 million that is reported in workpaper REIN 6, tab 2B. The difference in the expense of approximately $800,000 is not explained. The computation and an inquiry of the difference may have revealed that it was an amortization adjustment from the prior year overstated balance.

DETERMINATION IF CAUSE OF ACTION:

Noble has reviewed the Johnson Lambert statutory financial statement audit workpapers for the years ending 2009 through 2012. In some cases, the 2008 workpapers were referenced for comparison. It is our determination that if JL had *a)* followed up on their own preparer notes, *b)* obtained detailed support for large debit reinsurance balances, and *c)* questioned prior year account balances which had no current year change and arguably should have, Johnson Lambert likely would have discovered the reinsurance accounting errors in 2009 and years afterward.

SECTION THREE

Section 3.1.2.3. - Analyze Reinsurance Contracts

Perform analysis of all reinsurance transactions, especially as relates to the treatment of reinsurance premium in the company financial reports.

As described above, SSIC is a lower tier subsidiary of USRE. One difficulty presented by this corporate structure is that because USRE served as the reinsurance intermediary for SSIC, virtually all activity and communication between SSIC and its reinsurers were funneled through USRE or its direct subsidiary USCORP. This presents the need for enhanced scrutiny to ascertain the veracity of documents, balances and communications.

COMPANY FINANCIAL OVERVIEW:

To better understand the impact of reinsurance as it relates to the financial condition of SSIC, select components of SSIC's financial condition are summarized below.

Item	Ref	2013	2012	2011	2010	2009
Direct & assumed premium		$ 76,708,324	$ 80,480,537	$ 84,823,172	$ 114,673,125	$ 128,267,383
Ceded Premium	*1.*	91,677,687	93,539,236	111,194,527	114,719,995	109,248,595
Net earned	*2.*	(11,462,888)	(10,490,462)	(10,799,046)	10,110,778	7,926,501
Other underwriting expenses	*3.*	(17,937,057)	(16,134,777)	(15,816,641)	(2,444,706)	360,526
Ceded premium payable	*4.*	1,735,553	(2,944,199)	(8,841,705)	(17,036,069)	(10,551,721)

<u>Observations</u>

1. It is unusual for an insurer to cede more than it writes. It is like selling something for less than it costs. A negative net written premium in periods of declining quota-share percentages especially arouses suspicion. (*For example, the recapture of ceded unearned premiums at 70% from an old contract would exceed the cession at 50% in a new contract.)*

2. While likely driven by the negative written premium, negative "net earned premium" is equally unusual. To occur once might be explained by unique circumstances like a recapture; however, that it continues for the last three years does not seem normal.

3. The pattern of negative "other underwriting expenses" strongly implies an undue emphasis by the Company on ceding commissions and fees. These items are intended to be a reimbursement for underwriting costs, not a revenue source. Recording excessive commission income before the underlying premium is earned is in violation of Statements of Statutory Accounting Principles (SSAP) # 62R – 55.

4. A consistent pattern of negative premiums payable suggests there may be issues with proper reporting of assets and liabilities. At a minimum, a reconciliation of the components of the account balance to its underlying support and calculation would seem to have exposed/avoided the accounting errors that began in 2009.

REINSURANCE PREMIUM ADJUSTMENT:

The triggering event for this receivership action involves an adjustment to ceded premium payable and a reduction in policyholders surplus. This adjustment initially came to light as a result of SSIC initiating an independent inquiry into allegations made by a member of the Company's accounting staff regarding improper activity and conduct. While the ensuing investigation generally found minimal conclusive evidence supporting most the allegations, it appears that a routine query of the former CFO, Richard Ervin, as to "whether he might be aware of any other problem transactions" resulted in Mr. Ervin disclosing adjustments he had made to ceded premium payable of approximately $5.0 million.

As a practical matter, it seems unlikely that any of SSIC's reinsurers would have willingly participated in a deferral of more than $5.0 million of reinsurance premiums due them. On this basis, our preliminary conclusion is that the effect of the entries in question involves less an issue of the failure to record a payable due reinsurers, than it does the netting of an improperly created asset. This asset was created by the "capitalization" of a portion of the premiums ceded for these periods from 2009 to 2011 with the intent of then amortizing, or writing off, part of this capitalized premium in successive years. By netting these entries against premiums payable, this resulted in an artificial understatement of the actual liability of the Company for premiums payable at any time. Initial research further revealed no permitted practice from the OIR or any relevant SSAP literature allowing or supporting these somewhat unusual accounting entries.

REINSURANCE PROGRAM STRUCTURE:

Review of SSIC's reinsurance treaty documents for the years 2009 - 2013 indicate multiple treaties, usually 8-12, for each period. SSIC's reinsurance program consists of a combination of a) individual excess of loss reinsurance contracts, b) a catastrophe reinsurance program, and c) a quota share treaty covering the "net" retained premium/loss after deduction of these other inuring reinsurances. In addition, several periods appear to also have included a reinstatement premium treaty covering any obligation to pay reinstatement premiums in the event of losses. Retentions, percentage placements, and layer limits are further interwoven around the mandatory FHCF participation imposed on all writers in Florida as well as National Flood Insurance Program participation.

Exhibit F summarizes the analysis of SSIC's 2013-2014 reinsurance contract's key terms and conditions.

A review of select reinsurance contract files reveals that in most instances copies of fully executed contracts, including signed Interest and Liabilities endorsements (I and L's) are available. In a few instances, however, treaty files appear to consist solely of draft copies of contracts, unsigned treaty records, or missing I & L endorsements covering a portion of the contract placement.

Mid-year effective date structure of program

The Company has traditionally placed their reinsurance with either a June or July effective date for each year's treaty coverage, thus overlapping two years of reinsurance into their required statutory financial reporting. This minimizes the effectiveness of comparative analysis of the premium and loss schedules found in each year's Annual Statement. Consequently, without the benefit of more in-depth information and analysis, any given Annual Statement provides only one half of two different treaty year's activity.

Premium and net retention limiting contract restrictions

One element to note involves language in the 2013-2014 main quota share contract limiting SSIC's allowance for "other reinsurance" to 41.53% of the total written premiums that are subject to the contract. Of the remainder, the reinsurer then takes 77.50% on a quota share basis. The contract language then states that the Company "shall retain net for its own account 22.50% of its net retained liability in each policy ceded thereunder." This treaty provision implies that SSIC should be retaining 22.50% of no less than 58.50% of total subject written premiums, or roughly 13.00% of total gross premiums. Even taking into account the "roll-in and roll-out" of beginning and ending unearned premiums, this language contradicts a condition whereby SSIC would have reported negative written premiums for several successive years and warrants further analysis.

Unusual or risk transfer limiting contract conditions

Our review of SSIC's reinsurance agreements resulted in the identification of one contract in which the language appears intended to contain questionable terms and conditions. The Lloyd's Syndicate #2791 agreement provides for a ceded premium of approximately $10.2 million, less a ceding commission estimated at $9.4 million, leaving the reinsurer a net premium of under $1 million. This agreement appears to be solely designed to generate ceding commission income.

This reinsurance agreement further reveals two (2) issues that potentially impact statutory reporting. One of the red flags associated with proper risk transfer involves high or excessive ceding commissions. Without proper risk transfer in accordance with SSAP #62R, the contract must be reported as Deposit Accounting. This contract is not reported as Deposit Accounting.

The second issue this agreement raises involves statutory reporting of ceding commission. Ceding commission is intended to reimburse the ceding entity for underwriting and administrative expenses associated with the underlying business being reinsured. SSAP #62R, paragraph 55, requires that to the extent the ceding commission exceeds a reasonable estimate of these costs; the excess, which represents a profit to the ceding party, must be deferred and recognized "over the effective period of the reinsurance agreement in proportion to the amount of coverage provided under the reinsurance contract." SSIC did not comply with this requirement, nor did the JL auditors make such an adjustment in the Audited Financial Statements.

Counterparty recovery analysis

Based on information made available, the most complete accounting of SSIC reinsurance activity and balances appears to be the filed 2013 Annual Statement. Schedule F - Part 3 reports a detailed listing of amounts ceded and balances recoverable by reinsurer. Of the roughly 75-80 individual reinsurers listed as participating on various SSIC treaties, only eight (8) reinsurers appear to owe SSIC more than $100,000 at December 31, 2013.

Two (2) of these are the National Flood Program and the FHCF of which recovery is more certain. As expected, the largest individual balance relates to Transatlantic Re (TRC), the quota share reinsurer of SSIC. Of the total amount reported as recoverable from TRC, approximately 80.00% relates to unearned premium credits claimed at December 31, 2013.

Analyze significant reinsurance recoverables

The evaluation of significant reinsurance recoverables consisted of contract review, research of premium payments made to each reinsurer, and review of summary level detail as was available for each recoverable. Based on the information this information, preliminary conclusions were developed relating to potential obstacles inhibiting recovery of amounts due SSIC.

The mid-year nature of SSIC's contracts combined with an insolvency date of May 31, 2014, results in a situation where most recent transactions may not have been fully assessed and/or recorded in the Company's records. This would indicate a significant portion of balances listed in SSIC's Schedule F – Part 3 at December 31, 2013, should be fully recoverable from key reinsurers, subject primarily to the adjustment of balances for interim transactions. It is recommended that SSIC pursue these recoverables as identified through this analysis.

Exhibit G summarizes the analysis of the reinsurance contracts listed in SSIC's 2013 Annual Statement, Schedule F, with ceded reinsurance recoverables greater than $100,000.

Below is a list of reinsurance recoveries that should be prioritized and explored at the earliest possible time in an effort to maximize SSIC's assets:

- Transatlantic Re
  - Cancellation of quota share treaty and return of unearned premium as of the insolvency date
    - Estimated value - $24 million
  - Settlement of paid and/or outstanding case loss recoveries as of the insolvency date
    - Estimated value - $5 million

- Lloyds Syndicate # 2791
  - Cancellation of treaty and return of unearned premium as of the insolvency date
    - Estimated value - $7 million

- Harco Insurance Company
  - Settlement of profit commission due SSIC
    - Estimated value - $1.6 million

- Florida Hurricane Catastrophe Fund
    - recovery of receivable if not previously settled
        - Estimated value $2.7 million

Review of ceding statements provided to reinsurers

At the onset of this analysis, it was noted that the designation of USRE as the reinsurance intermediary for all SSIC reinsurance transactions poses special challenges. As the intermediary, USRE was responsible to receive and disburse all premiums to individual reinsurers, collect any losses due to SSIC, and ensure these funds were properly remitted.

The basic responsibilities involving this intermediary relationship is covered in contract language which is contained in each reinsurance agreement. The language provides that payment of premium to the intermediary is “deemed” to constitute payment of the funds to the reinsurers. On the other hand, payment of losses to the intermediary is not regarded as settlement with the reinsurer until such time as the funds are actually received by the ceding party, SSIC in this case. This language is essentially NAIC standard verbiage and is required in all agreements wherein an intermediary has a role.

Accounting for SSIC was conducted by CSC, who maintained documentation of supporting disbursements made to USRE for premiums. In some situations Noble was able to identify amounts transmitted and relate them to underlying contract language, most notably in instances where the treaty provided for payment of quarterly deposit premiums.

For agreements involving quota share treaties, where the largest initial recoverables appear to reside, it is common practice to settle premiums and losses on a net basis at intervals designated in each agreement. A settlement of a very minor amount can represent the net balance resulting from millions of premiums due the reinsurer, less commissions and losses totaling almost as much. In such cases, more detailed ceding statements are necessary to enable transactions to be reconciled against underlying records of the Company.

An example of this situation is included in Exhibit H where a schedule is presented that analyzes the last three (3) months of 2013. It summarizes the transactions for reinsurers that remitted through USRE. The net amount to settle all reinsurance transactions between USRE and SSIC during this three (3) month period was $7,795.

The presumption is that more detailed statements relating to specific treaties were prepared by USRE in their capacity as intermediary. However, individual ceding statements to the reinsurers have not been located in the SSIC files provided. The absence of this information underscores the necessity of independently confirming treaty coverage with individual reinsurers and presumably obtaining, through this process, copies of the most recent ceding statements which were filed with each reinsurer on SSIC’s behalf.

Because of this limitation, as an alternative procedure, Noble prepared a summary of all cash disbursements from SSIC relating to reinsurance for the nine (9) months preceding the Company’s insolvency finding. Exhibit I details the components of the payments. The information generated by this process was utilized to assist in the evaluation of the potential collectability of reinsurance recoverables.

REINSURANCE PREMIUMS ACCOUNTING:

As commented above in the Unusual or risk transfer limiting contract conditions section, the nature of SSIC's reinsurance contracts presented accounting issues under SSAP #62R. To supplement the understanding and assessment efforts in accounting for SSIC's reinsurance, Noble prepared a schedule at Exhibit J which represents an attempt to replicate balances reported in SSIC's Annual Statement relative to key reinsurance transactions.

This analysis has been included for informational purposes; however, Noble was unable to narrow differences noted on any individual contract or year to amounts considered to be below materiality. As such, the most significant issue this analysis demonstrates is the overall complexity of SSIC's reinsurance calculations, and the degree to which the JL auditors appear have relied on inadequate explanations without further due diligence and investigation.

Noble has reviewed the source documents provided by FLDFS and concluded that the Company's management manipulated SSIC's results since at least February 2009. The reinsurance program brokered and implemented by its ultimate controlling parent company, USRE, was overly complex and often appears to focus more on ceding commission than loss protection.

SUMMARY

The objective of this report was to provide a forensic analysis of financial transactions in support for possible litigation. Each section of this report includes a detailed analysis of identified issues and a summary, which can be used by FLDFS and its litigation team to determine a course of action.

Although our forensic analysis provides support for possible litigation, additional research, interviews, inquiries and analysis are likely, if the litigation process is pursued.

- EXHIBIT A -

WORKPAPER AND REPORT ABBREVIATIONS

abbr	***definition***	***description***
Acctg	Accounting	
ACE	American Insurance Company/ACE USA	SSIHC and subsidiaries D&O carrier
AFS	Audited Financial Statements	
AIG	American International Group, Inc.	SSIHC and subsidiaries D&O carrier
A&M	Alvarez & Marsal Global Forensic & Dispute Services, LLC	investigated whistleblower's allegations
AnnStmt	NAIC Annual Statement	
A/S	NAIC Annual Statement	
BH	Buttner Hammock & Company	SSIC's investigative accountants
BOD	Board of Directors	
CAHI	Coastal American Holdings, Inc.	parent company of CAIC
CAIC	Coastal American Insurance Company	MS homeowner insurance company
CapOne	Capital One, National Association	lender in 2013 to USCORP and SSUA
CDS	CDS Business Mapping, LLC.	geographic u/w information company
CEO	Chief Executive Officer	
CFO	Chief Financial Officer	
Comm	Commission	
CSC	Computer Sciences Corporation	independent outside accountants to SSIC
Department	Florida Office of Insurance Regulation	
D&O	Directors & Officers insurance coverage	
E&O	Errors & Omissions insurance coverage	
Fenelon	Fenelon Ventures, LLC	a prior majority shareholder of SSIHC
FHCF	Florida Hurricane Catastrophe Fund	FL mandatory reinsurance
FLDFS *or* DFS	Florida Dept of Financial Services	
FLOIR *or* OIR	Florida Office of Insurance Regulation	
GAAP	General Accepted Accounting Principles	
Ins	Insurance	

- EXHIBIT A -

WORKPAPER AND REPORT ABBREVIATIONS (continued)

Inuring	Inuring Reinsurance	other reinsurances which are applied first
ISO	Insurance Services Office, Inc.	P&C u/w advisors & software provider
JL	Johnson Lambert, LLP	SSIC's auditors
MDM	MDM Communications	identified as owned by Mechlin Moore
Noble	Noble Consulting Services, Inc.	Deputy Receiver's outside accountants
OLDBRDG	Old-Bridge Insurance Company	used as an agency; pier company of SSIC
P&C	Property & Casualty Insurance	
Prem	Premiums	
Rein	Reinsurance	
SSAP	Statements of Statutory Accounting Principles	
SSHC	Sunshine State Holding Corporation	direct holding company of SSIC
SSIC	Sunshine State Insurance Companies	
SSIHC	Sunshine State Insurance Holding Corp.	top holding company in the Sunshine tree
SSUA	Sunshine State Underwriting Agencies	brother/sister corp of SSIC
u/w	underwriting	
UNICLM	Uni-Ter Claims Services Corporation	a domestic subsidiary of USCORP
UNIINS	Uni-Ter International Insurance Company	a Bermuda Company under USHOLD
UNIMGT	Uni-Ter International Management Co. Ltd.	a Bermuda Company under USHOLD
UNIUW	Uni-Ter Underwriting Management Corp.	a domestic subsidiary of USCORP
UNIRSK	Uni-Ter Risk Management Services Corp.	a domestic subsidiary of USCORP
USRE	U.S. Re Companies, Inc.	top holding company of all the Sunshine, Uni-Ter, and U.S. Re entities
USAGY	U.S. RE Agencies, Inc.	a domestic subsidiary of USRE
USANAL	U.S. RE Analytics, LLC.	a domestic subsidiary of USRE
USCLTD	U.S. RE Corp. International Ltd.	a Bermuda Company under USHOLD
USCORP	U.S. RE Corporation	a domestic subsidiary of USRE
USHOLD	U.S. Re Holdings, Ltd.	a Bermuda Company under USRE
USLLC	U.S. RE, LLC.	a domestic subsidiary of USRE

- EXHIBIT A -

WORKPAPER AND REPORT ABBREVIATIONS (continued)

USSEC	U.S. RE Securities, LLC.	a domestic subsidiary of USRE
w/p	workpaper	
wps	workpapers	
XLIC	XL Specialty Insurance Company	SSIHC and subsidiaries D&O carrier
XOL	Excess of Loss	stop loss reinsurance coverage

- EXHIBIT B -

DOCUMENTS PROVIDED TO NOBLE

Auditor workpapers: Johnson Lambert

- For the completed audit years of 2008, 2009, 2010, 2011, and 2012
- For the commenced but unconcluded audit year of 2013
- Statutory Financial Statement only; no General Accepted Accounting Principles (GAAP) workpapers for the consolidated financial statement audit

Outside accountants' files: CSC

- Accounting workpapers for the years of 2009, 2010, 2011, 2012, 2013 and through May 2014
- Emails for the corresponding period

Company emails for:

- Joe Braunstein, President & CEO
- Steve Korducki, former President & CEO
- Rick Ervin, CFO
- Phil Dragotto, acting CFO
- Valerie Troup, accounting manager

Company files:

- An entire reproduction of the Company file server
- Login access to Freedom General Ledger (now StoneRiver) at the DFS office

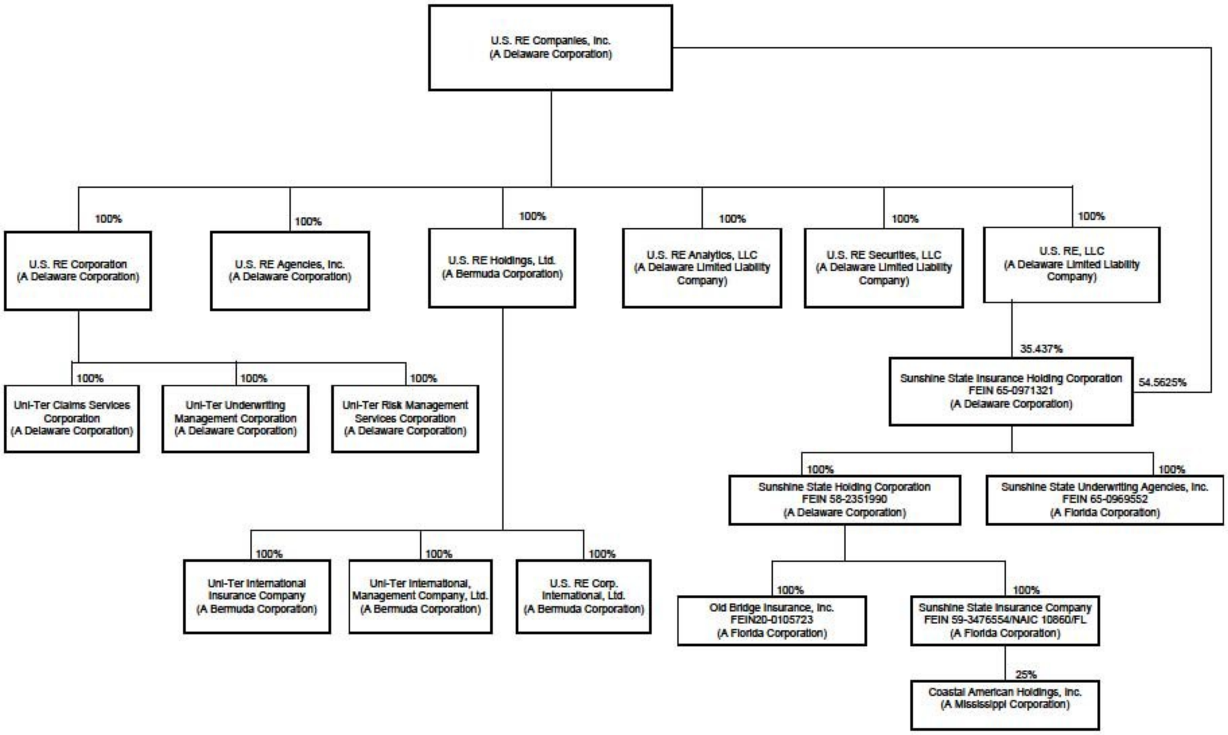
FL Dept of Financial Services files:

- TeamMate database for the 2011 Quinquennial Financial Examination
- TeamMate database for the 2013 Limited Scope Examination
- "Whistleblower" report and workpapers from Alvarez & Marsal
- Office of Insurance Regulation emails regarding or with SSIC

- EXHIBIT C -

U.S. Re Companies, Inc.

Organizational Chart of USRE and subsidiaries from the Alvarez & Marsal "whistleblower" report dated May 23, 2014.



See the U.S. Re website for additional information on the company and its executive team.

http://www.usre.com/us-re-companies-c1.html

http://www.usre.com/us-re-team-c3.html

- EXHIBIT D -

CONFLICT CHECK LIST

1. U.S. RE Companies, Inc. (Delaware Corporation)
2. Tal P. Piccione, 7 Pharis Place, Upper Saddle River, NJ 07458
3. U.S. RE Corporation (Delaware Corporation)
4. Richard Davies, 319 Howard Avenue, Fair Lawn, NJ 07410
5. U.S. RE Agencies, Inc. (Delaware Corporation)
6. Brian McGuire, 29 S. Bay Avenue, Brightwaters, NY 11718
7. U.S. RE Agencies, Inc. (Delaware Corporation) *(duplicate of #5)*
8. Joseph M. Fedor, 35 Markham Drive, Long Valley, NJ 07853
9. U.S. RE Holdings, Ltd (Bermuda Corporation)
10. Peter S. Rawlings, 1610 Old Gulph Rd., Villanova, PA 19085
11. U.S. RE Analytics, LLC (Delaware Limited Liability Company)
12. Nigel Rogers, Penthouse 10, Regent Court, Wright Lane, London w8 5SJ
13. U.S. RE Securities, LLC (Delaware Limited Liability Company
14. Larry Shatoff, 310 Sayre Drive, Princeton, NJ 08540
15. U.S. RE, LLC (Delaware Limited Liability Company)
16. Mechlin Moore, 720 Milton Road L 4, Rye, NY 10580
17. Uni-Ter Claims Services Corporation (Delaware Corporation)
18. John Lombardo, 302 Anchorage Drive, Woodbury, NY 11797
19. Uni-Ter Underwriting Management Corporation (Delaware Corporation)
20. John Anthony Gerson, 12 Independence Court, Madison, NJ 07940
21. Uni-Ter Risk Management Services Corporation (Delaware Corporation)
22. Marshall Manley, 24-75 Marseilles Drive, Palm Beach Gardens, FL 33410
23. Sunshine State Insurance Holding Corporation (Delaware Corporation)
24. Joe Braunstein (President and CEO of SSIC)
25. Sunshine State Holding Corporation (Delaware Corporation)
26. Richard “Rick” L. Ervin, Jr., 12052 River Plantation Drive, Jacksonville, FL
27. Sunshine State Underwriting Agencies (Florida Corporation)
28. Richard “Dick” Davis, One Blue Hill Plaza, Pearl River, NY 10965

- EXHIBIT D -

CONFLICT CHECK LIST (continued)

29. Uni-Ter International Insurance Company (Bermuda Corporation)
30. Sandra Blundetto
31. Uni-Ter International Management Company, Ltd. (Bermuda Corporation)
32. Stephen A. Korducki, 39388 N 105th Street, Scottsdale, AZ 85262
33. US RE Corp. International Ltd (Bermuda Corporation)
34. American International Group, Inc., 175 Water Street, New York, NY 10038
35. Old-Bridge Insurance Inc. (Florida Corporation)
36. XL Specialty Insurance Company, One Hundred Constitution Plaza, 18th Floor, Hartford, CT 06103
37. Coastal American Holdings Inc. (Mississippi Corporation)
38. American Insurance Company/ACE USA, 1133 Avenue of the Americas, 32nd Floor, New York, NY 10036
39. Coastal American Insurance Company (Mississippi Corporation)
40. John E. Rogan

- EXHIBIT E -

Sunshine State Insurance Company
Reinsurance Accounts from 2009

NOTE: *This tab was inserted into a copy of the Company's file to summarize the monthly manual adjustments to the reinsurance expense amortization tables.*

Colors: *purple cells link to other tabs*
blue cells are input numbers

CJStarrett: Input from SSIC file which is p/y without any changes and tab renamed to 2010. Amts agree to JL10-REIN-5 wp of which JL closed file without clearing their own inquiry note.

CJStarrett: Input from JL12-REIN-7 wp which has all the XOL acct balances listed. JL ignored the older accts and only focused on testing the 2011 ones.

Treaty #	XOL Layer	2009 w/s Ending Balance	12/31/2009 G/L Balance	C.6.9 C.6.10 12/31/2010 G/L Balance	C.6.12 12/31/2011 G/L Balance	C.6.16 *2012 Change*	C.6.16 12/31/2012 G/L Balance
140	1st Property Per Risk Sect 1 (30% of $750k xs $250k) (7/1/08 to 6/30/09)		$ 40,492.60	40,492.60	40,492.60	*(40,492.60)*	
141	1st Prop Per Risk Sect 2 BR & DIC (70% of $750K xs $250K) (7/1/08 to 6/30/09)		43,192.20	43,192.20	43,192.20	*(43,192.20)*	
154	Casualty Clash Section A ($1.5m xs $500k) (7/1/08 to 6/30/09)		39,375.00	39,375.00	39,375.00		39,375.00
155	Casualty Clash Section B ($3m xs $2m) (7/1/08 to 6/30/09)		40,500.00	40,500.00	40,500.00		40,500.00
153	High Value Property Per Risk (100% of $5M xs $1M) (7/1/08 to 6/30/09)		(73,333.34)	(73,333.34)	(73,333.34)	*73,333.34*	
159	Commercial Property Faculative Per Risk XOL						
143	1st Prop Cat XOL(30.00%) ($15.00m xs $12.00m) (7/1/08 to 6/30/09)						
144	1st Prop Cat XOL(30.00%) ($15.00m xs $12.00m) (1/1/09 to 6/30/09)	40,784.96		40,784.96			
143	1st Prop Cat XOL(30.00%) ($15.00m xs $12.00m) (1/1/09 to 6/30/09)	14,989.40	55,774.36	14,989.40	55,774.36		55,774.36
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (7/1/08 to 6/30/09)						
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)	1,836,707.77		1,836,707.77			
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)	187,179.34		187,179.34			
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)	500,000.00		500,000.00			
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)	675,000.00	3,198,887.11	675,000.00	3,198,887.11	*(696,812.61)*	2,502,074.50
150	2nd Prop Cat XOL(12.80% of $28.00m xs $27.00m) (7/1/08 to 6/30/09)						
150	2nd Prop Cat XOL(12.80% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)		43,339.33	43,339.33	43,339.33		43,339.33
145	3rd Prop Cat XOL(30.00% of $15.00m xs $55.00m) (7/1/08 to 6/30/09)						
145	3rd Prop Cat XOL(30.00% of $15.00m xs $55.00m) (1/1/09 to 6/30/09)	16,861.42		16,861.42			
145	3rd Prop Cat XOL(30.00% of $15.00m xs $55.00m) (1/1/09 to 6/30/09)	6,245.06	23,106.48	6,245.06	23,106.48		23,106.48
146	4th Prop Cat XOL(100.00% of $10.50m xs $55.00m) (7/1/08 to 6/30/09)						
146	4th Prop Cat XOL(100.00% of $10.50m xs $55.00m) (1/1/09 to 6/30/09)	23,736.23		23,736.23			
146	4th Prop Cat XOL(100.00% of $10.50m xs $55.00m) (1/1/09 to 6/30/09)	8,745.17	32,481.40	8,745.17	32,481.40		32,481.40
147	5th Prop Cat XOL(100.00% of $14.50m xs $55.00m) (7/1/08 to 6/30/09)						
147	5th Prop Cat XOL(100.00% of $14.50m xs $55.00m) (1/1/09 to 6/30/09)	54,619.77		54,619.77			
147	5th Prop Cat XOL(100.00% of $14.50m xs $55.00m) (1/1/09 to 6/30/09) 151	20,124.00	74,743.77	20,124.00	74,743.77		74,743.77
	3rd & 4th Event Catastrophe (100%) ($20m xs $1m) (7/1/08 to 6/30/09) 151 3rd						
	& 4th Event Catastrophe (100%) ($20m xs $1m) (1/1/09 to 6/30/09) 151 3rd &		(23,479.27)	(23,479.27)	(23,479.27)	*23,479.27*	
	4th Event Catastrophe (100%) ($20m xs $1m) (1/1/09 to 6/30/09) 152 FHCF						
	Wrap Around XOL (30.00%) ($10m xs $2.00m) (7/1/08 to 6/30/09)						
152	FHCF Wrap Around XOL (30.00%) ($10m xs $2.00m) (1/1/09 to 6/30/09)		10,425.42	10,425.42	10,425.42		10,425.42
152	FHCF Wrap Around XOL (30.00%) ($10m xs $2.00m) (1/1/09 to 6/30/09)						
142	Commercial Prop Cat XOL BR (100% of $4M xs $1M) (7/1/08 to 6/30/09)						
			$ 3,505,505.06	**$ 3,505,505.06**	**$ 3,505,505.06**	**$ (683,684.80)**	**$ 2,821,820.26**

- EXHIBIT E -

Sunshine State Insurance Company
Reinsurance Accounts from 2009

NOTE: *This tab was inserted into a copy of the Company's file to summarize the monthly manual adjustments to the reinsurance expense amortization tables.*

Colors: *purple cells link to other tabs*
blue cells are input numbers

		Amount Manually Adjusted to Monthly Amortization Tables per the following 2009 w/s tabs						
Treaty #	**XOL Layer**	**Feb 2009**	**Mar 2009**	***1Q 2009 subbtotal***	**Apr 2009**	**May 2009**	**Jun 2009**	***2Q 2009 subbtotal***
140	1st Property Per Risk-Sect 1 (30% of $750k xs $250k) (7/1/08 to 6/30/09)							
141	1st Prop Per Risk-Sect 2 BR & DIC (70% of $750K xs $250K) (7/1/08 to 6/30/09)							
154	Casualty Clash Section A ($1.5m xs $500k) (7/1/08 to 6/30/09)							
155	Casualty Clash Section B ($3m xs $2m) (7/1/08 to 6/30/09)							
153	High Value Property Per Risk (100% of $5M xs $1M) (7/1/08 to 6/30/09)						113,333.33	*113,333.33*
159	Commercial Property Faculative Per Risk XOL							
143	1st Prop Cat XOL(30.00%) ($15.00m xs $12.00m) (7/1/08 to 6/30/09)							
144	1st Prop Cat XOL(30.00%) ($15.00m xs $12.00m) (1/1/09 to 6/30/09)							
143	1st Prop Cat XOL(30.00%) ($15.00m xs $12.00m) (1/1/09 to 6/30/09)						215,239.40	*215,239.40*
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (7/1/08 to 6/30/09)							
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)							
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)							
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)							
144	2nd Prop Cat XOL(84.50% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)	895,915.19	895,915.19	*1,791,830.38*	500,000.00	675,000.00	895,915.19	*3,862,745.57*
150	2nd Prop Cat XOL(12.80% of $28.00m xs $27.00m) (7/1/08 to 6/30/09)							
150	2nd Prop Cat XOL(12.80% of $28.00m xs $27.00m) (1/1/09 to 6/30/09)						134,235.73	*134,235.73*
145	3rd Prop Cat XOL(30.00% of $15.00m xs $55.00m) (7/1/08 to 6/30/09)							
145	3rd Prop Cat XOL(30.00% of $15.00m xs $55.00m) (1/1/09 to 6/30/09)							
145	3rd Prop Cat XOL(30.00% of $15.00m xs $55.00m) (1/1/09 to 6/30/09)						89,682.55	*89,682.55*
146	4th Prop Cat XOL(100.00% of $10.50m xs $55.00m) (7/1/08 to 6/30/09)							
146	4th Prop Cat XOL(100.00% of $10.50m xs $55.00m) (1/1/09 to 6/30/09)							
146	4th Prop Cat XOL(100.00% of $10.50m xs $55.00m) (1/1/09 to 6/30/09)						125,557.67	*125,557.67*
147	5th Prop Cat XOL(100.00% of $14.50m xs $55.00m) (7/1/08 to 6/30/09)							
147	5th Prop Cat XOL(100.00% of $14.50m xs $55.00m) (1/1/09 to 6/30/09)							
147	5th Prop Cat XOL(100.00% of $14.50m xs $55.00m) (1/1/09 to 6/30/09)						288,978.17	*288,978.17*
151	3rd & 4th Event Catastrophe (100%) ($20m xs $1m) (7/1/08 to 6/30/09)							
151	3rd & 4th Event Catastrophe (100%) ($20m xs $1m) (1/1/09 to 6/30/09)							
151	3rd & 4th Event Catastrophe (100%) ($20m xs $1m) (1/1/09 to 6/30/09)							
152	FHCF Wrap Around XOL (30.00%) ($10m xs $2.00m) (7/1/08 to 6/30/09)							
152	FHCF Wrap Around XOL (30.00%) ($10m xs $2.00m) (1/1/09 to 6/30/09)							
152	FHCF Wrap Around XOL (30.00%) ($10m xs $2.00m) (1/1/09 to 6/30/09)							
142	Commercial Prop Cat XOL BR (100% of $4M xs $1M) (7/1/08 to 6/30/09)							
		$ 895,915.19	$ 895,915.19	***$ 1,791,830.38***	$ 500,000.00	$ 675,000.00	$1,862,942.04	***$ 4,829,772.42***

- EXHIBIT F -

Sunshine State Insurance Company
2013-2014 Reinsurance Program

Type	Deposit Premium	Placement	Retention/Limit	Cover Note	Section	Sch F DB
1). Property CAT XOL Reinsurance Contract-Option 1				0312-13-2013	B	
First Layer	$6,432,450	61.000%	$3.2m xs $35.15m			270
Second Layer	$2,486,343	96.230%	$38.35m xs $19.875m			273
Third Layer	$1,384,625	100.000%	$58.225m xs $14.575m			274
2). Property CAT XOL Reinsurance Contract-Option 2				0312-14-2013	C	
First Layer	$3,292,380	39.000%	$8.2m xs $30.15m			271
3). Property CAT XOL Reinsurance Contract-Option 3				0312-40-2013	D	
First Layer-Harco	$475,313	39.000%	$3.2m xs $35.15m			272
4). Property CAT XOL Reinsurance Contract-Option 1				0312-41-2013	E	
Fourth Layer-Harco	$316,875	39.000%	$3.2m xs $35.15m			275
5). Property CAT XOL Reinsurance Contract-Stop Loss				0312-22-2013	F	
Section 1 - Aggregate Stop Loss		100.000%	$1.5m xs 22.5% of 35% GNPI			276
Section 1 - Aggregate Stop Loss-BR		100.000%	$1.5m xs 22.5% of 35% GNPI			277
Section 2 - Aggregate Stop Loss		100%,3.77% of 3rd CAT	$1.5m xs 22.5% of 35% GNPI			
6). Property CAT XOL-FHCF Corridor/3rd & Subsequent Event	$330,000	100.000%		0312-49-2013	G	278
7). Property CAT XOL Reinsurance Contract- RPP Option 1				0312-42-2013	H	
First Layer-Aeolus & Blue Water	$2,783,880	80.000%				279
Second Layer-Aeolus & Blue Water	$498,341	100.000%				281
Third Layer-Aeolus & Blue Water	$267,059	100.000%				282
8). Property CAT XOL Reinsurance Contract- RPP Option 2				0312-58-2013	I	
First Layer-Ace	$695,970	20.000%				280
9). Per Risk XOL Reinsurance Contract	$731,000	100.000%	$3m xs $1m	0312-55-2013	J	283
10). Property Facultative Contract-Arch Re	$230,000	100.000%	$8m xs $4m	F734034	K	284
11). Casualty Clash XOL Reinsurance Contract	$250,000	100.000%	$2.5m xs $500k	0312-70-2013	L	285
12). Multiple Line Quota Share 7/1/13		77.500%		0312-75-2013	M	286
13). Multiple Line Quota Share Citizens 7/1/13		77.500%		0312-75-2013	M	287
14). Multiple Line Quota Share BR 7/1/13		77.500%		0312-75-2013	M	288
15). Equipment Breakkdown Property Insurance		100.000%		05-031-6605	N	220
16). FHCF 2013-2014 (Main) (6/1/13 to 5/31/14)	$6,613,307	100.000%		N/A		53

Sunshine State Insurance Company

Ceded reinsurance with recoverables > $100,000

- EXHIBIT G -

NOTE: *Reinsurance contracts with external parties wherein counterparty balance at 12/31/2013 is $ 100,000 or greater were reviewed by Noble.*

	1	2	3	4
Contract name:	**Quota Share**	**Quota Share**	**Catastrophe Excess of Loss (1st - 3rd layers)**	**Catastrophe Excess of Loss (4th layer)**
TeamMate link to contract:	PA5.a	PA5.o	PA5.b	PA5.c
Ceding Company:	Sunshine State Insurance Company	Sunshine State Insurance Company	Sunshine State Insurance Company	Sunshine State Insurance Company
Reinsurer: *(if multiple reinsurers note various)*	**Transatlantic Reinsurance Company**	**Transatlantic Reinsurance Company**	**Harco National Insurance Company**	**Harco National Insurance Company**
Effective date of agreement:	**July 1, 2013**	**July 1, 2012**	**June 1, 2013**	**June 1, 2013**
Expiration date: (*or if continuous so note*)	**Art 21** - Continuous until cancelled *(with 60 days written notice prior to any anniversary)*	**Art 21** - Continuous until cancelled *(with 60 days written notice prior to any anniversary)*	**June 1, 2016**	**June 1, 2016**
Special termination clause:	**None noted**	**None noted**	**Yes - Art 2** *(Company has the option to terminate in the event of specified surplus or rating decline of any reinsurer.)*	**Yes - Art 2** *(Company has the option to terminate in the event of specified surplus or rating decline of any reinsurer.)*
Contract appears to have been executed timely as per SSAP No. 62 guidelines?	**Yes - signed 8/1/13**	**Yes - signed 7/23/13**	**Yes - signed 6/13/13**	**Yes - signed 6/13/13**
DESCRIPTION OF REINSURANCE COVERAGE **Type of reinsurance agreement:**	**Quota Share**	**Quota Share**	**Catastrophe Excess of Loss**	**Catastrophe Excess of Loss**
Ceded premium terms: *(summarize below)*	**Art 11 -** a 77.5% proportionate share of Gross New Written Premium	**Art 11 -** a 67.5% proportionate share of Gross New Written Premium	**Art 7 -** *contract provides for four quarterly installments of $937,500 (for the full 100% share)*	**Art 7 -** *contract provides for four quarterly installments of $937,500 (for the full 100% share)*
Does agreement provide for a ceding commission? *If so, summarize:*	**Yes - Art 14** Reinsurer shall allow Company a 29.0% provisional ceding commission on the incoming unearned premium portfolio and subsequent gross net written premium.	**Yes - Art 14** Reinsurer shall allow Company a 29.0% provisional ceding commission on the incoming unearned premium portfolio and subsequent gross net written premium.	**none noted** n/a	**none noted** n/a
General description of company retention, reinsurance coverage and contract maximums (if any): (*summarize*	*A 77.5% quota share participation in the "net retained liability" of the Company under policies ceded hereunder up to a maximum of $775,000 any one risk. For catastrophe-related losses the reinsurers maximum shall be $2.48 million (being 77.5% of $3.2 million, any one event.*	*A 67.5% quota share participation in the "net retained liability" of the Company under policies ceded hereunder up to a maximum of $675,000 any one risk. For catastrophe-related losses the reinsurers maximum shall be $2.16 million (being 67.5% of $3.2 million, any one event.*	**Art 3** - *Reinsurer shall be liable for the amount of any catastrophe loss exceeds the company retention of $3.2 million subject to a maximum liability to the reinsurer of $5 million any one occurrence, any one contract year.*	**Art 3** - *Reinsurer shall be liable for the amount of any catastrophe loss exceeds the company retention of $3.2 million subject to a maximum liability to the reinsurer of $5 million any one occurrence, any one contract year.*

Sunshine State Insurance Company

Ceded reinsurance with recoverables > $100,000

- EXHIBIT G -

NOTE: *Reinsurance contracts with external parties wherein counterparty balance at 12/31/2013 is $ 100,000 or greater were reviewed by Noble.*

Contract name:	**1 Quota Share**	**2 Quota Share**	**3 Catastrophe Excess of Loss (1st - 3rd layers)**	**4 Catastrophe Excess of Loss (4th layer)**
STANDARD CONTRACT CLAUSES INCLUDED				
Entire agreement clause:	**None noted**	**None noted**	**None noted**	**None noted**
Claims due upon presentation to reinsurer:	**Art 16 -** *premium and claims settled "net" monthly*	**Art 16 -** *premium and claims settled "net" monthly*		
Insolvency clause:	**Yes - Art 28 (**_appears industry standard_ **)**	**Yes - Art 28 (**_appears industry standard_ **)**	**Yes - Art 19** (*appears industry standard*)	**Yes - Art 19** (*appears industry standard*)
Offset clause:	**Yes - Art 18** *(allows offset covering all agreements between company and reinsurer) (standard)*	**Yes - Art 18** *(allows offset covering all agreements between company and reinsurer) standard)*	**Yes - Art 23** *(allows offset between company and reinsurer, however appears limited to only balances due either party under this agreement)*	**Yes - Art 23** *(allows offset between company and reinsurer, however appears limited to only balances due either party under this agreement)*
Arbitration clause:	**Yes - Art 27** *(appears industry standard)*	**Yes - Art 27 (**_appears industry standard_ **)**	**Yes - Art 20 (**_appears industry standard_ **)**	**Yes - Art 20** (*appears industry standard*)
Does agreement provide for collateral? *If so, summarize.*	**None noted**	**None noted**	**Yes - Art 16 (** *appears applicable to any unauthorized reinsurer)*	**Yes - Art 16** *(appears applicable to any unauthorized reinsurer)*
Intermediary clause:	**Yes - Art 30 (U.S. Re**) *(language appears industry standard)*	**Yes - Art 30 (U.S. Re)** (*language appears industry standard*)	**Yes - Art 27 (U.S. Re)** (*language appears industry standard*)	**Yes - Art 27 (U.S. Re)** (*language appears industry standard*)
Were any unusual items noted which might impede delay of claim payments and thus bring into question issues of risk transfer? *(e.g. fronting, cut-through end., excessive risk or commissions, retroactive prem adj. etc.) If so, summarize.*	**None noted**	**None noted**	**None noted**	**None noted**
Other examiners notes or comments:	**Art 12 -** *allowance against Ceded Premium for cost of FHCF and other reinsurances (FHCF 15.50%). Other reinsurances (26.03%)* **Art 15 -** *50% profit commission calculation based on contract experience.*	**Art 12 -** *allowance against Ceded Premium for cost of FHCF and other reinsurances (FHCF 15.50%). Other reinsurances (26.03%)* **Art 15 -** *50% profit commission calculation based on contract experience.*	**Art 7** - *Profit commission equal to 67.5% of premium ceded less any claims paid.* *Examiner notes that addendum # 1 appears to limit the final premium due for the first three layers of this agreement to the amount equivalent to the first three quarterly deposit premiums paid to each reinsurer. This addendum does not appear to void the profit commission calculation.*	**Art 7** - *Profit commission equal to 67.5% of premium ceded less any claims paid.* `

Sunshine State Insurance Company

Ceded reinsurance with recoverables > $100,000

- EXHIBIT G -

NOTE: *Reinsurance contracts with external parties wherein counterparty balance at 12/31/2013 is $ 100,000 or greater were reviewed by Noble.*

	5	6	7	8
Contract name:	**Catastrophe Excess of Loss**	**National Flood Insurance Program**	**Equip Breakdown Quota Share**	**Florida Hurricane Cat Fund**
TeamMate link to contract:	PA5.g	PA5.t	PA5.q	PA5.s
Ceding Company:	Sunshine State Insurance Company	Sunshine State Insurance Company	Sunshine State Insurance Company	Sunshine State Insurance Company
Reinsurer: *(if multiple reinsurers note various)*	**Lloyd's Synd. 2791 - MAP**	**Federal Emergency Management Agency (FEMA)**	**Factory Mutual Insurance Co.**	**Florida Hurricane Cat Fund**
Effective date of agreement:	**June 1, 2013**	**Original signed in 2002**	**June 1, 2009**	**June 1, 2012**
Expiration date: (*or if continuous so note*)	**Art 2 -** Expires 6/30/14	**September 30, 2017**	**Art 18** - continuous pending a 90 day notice of cancellation	**June 1, 2013**
Special termination clause:	**none noted**	**none noted**	**none noted**	**none noted**
Contract appears to have been executed timely as per SSAP No. 62 guidelines?	**Yes - signed 6/14/13**	**Yes**	**Yes - signed 5/26/2009**	**Yes - signed 6/14/12**
DESCRIPTION OF REINSURANCE COVERAGE **Type of reinsurance agreement:**	**Catastrophe/Aggregate Stop Loss**	**Flood Ins. Servicing Agreement**	**100% Quota Share**	**Excess of Loss**
Ceded premium terms: *(summarize below)*	**Art 9 -** *67.23% part of 22.5% of GNEPI which is company's gross earned premium before cessions to the 77.5% quota share treaty.*	*Company is allowed to participate in the FEMA "write your own" flood insurance program which, in turn is insured through FEMA.*	**Art 9 -** *100% of subject written premiums*	*90% of Company's excess liability in the event of loss due to a covered event (hurricane)*
Does agreement provide for a ceding commission? *If so, summarize:*	**Yes - Art 10** Reinsurer shall a ceding commission equivalent to 61.84% of 22.5% of the 100% Gross Earned Premium Income (estimated at $68 million for 100%) it being further understood that the minimum premium after deduction of ceding commission shall be $825,000.	Company servicing fee - 4.25%	**Yes - Art 11** Reinsurer shall allow a ceding commission of 35% of subject written premium.	
General description of company retention, reinsurance coverage and contract maximums (if any): (*summarize*	**Art 5 - Sec 1** - *The company shall be liable for an aggregate ultimate net loss equal to a 22.5% part of 35.0% of the Company's Gross Earned Premium Income or $5.35 million whichever is greater. The reinsurer shall then be responsible for an amount not to exceed 22.5% part of 9.8% part of 20.0% of the Company's Gross Earned Premium or $1.5 million, whichever is lesser.*	*The agreement designates National Flood Services as the servicing agent for the National Flood Ins Program. The agreement appears standard and no unusual clauses were noted.*	**Art 2 -** *reinsurer shall assume a 100% share of the ultimate liability for equipment breakdown as defined by and accruing to the company under covered policies subject to a maximum exposure of $15,000,000 on any one commercial risk and $50,000 on sny one homeowners policy.*	

Sunshine State Insurance Company
Ceded reinsurance with recoverables > $100,000

- EXHIBIT G -

NOTE: *Reinsurance contracts with external parties wherein counterparty balance at 12/31/2013 is $ 100,000 or greater were reviewed by Noble.*

Contract name:	**5** **Catastrophe Excess of Loss**	**6** **National Flood Insurance Program**	**7** **Equip Breakdown Quota Share**	**8** **Florida Hurricane Cat Fund**
STANDARD CONTRACT CLAUSES INCLUDED				
Entire agreement clause:	**None noted**	***On the basis that this is a standard FEMA agreement further review is waived.***	***None noted***	***On the basis that this is a standard FHCF agreement further review is waived.***
Claims due upon presentation to reinsurer:	**Art 15 -** *claims shall be promptly settled upon presentation of satisfactory proof of loss.*		***Art 9 -*** *claims shall be promptly settled and shall be netted against applicable premium each month.*	
Insolvency clause:	**Yes - Art 25** (*see comments below*)		**Yes - Art 16** (*appears industry standard*)	
Offset clause:	**Yes - Art 16** (*allows offset covering all amounts due from one party to another under this contract)*		**None noted**	
Arbitration clause:	**Yes - Art 24** (*appears industry standard*)		**Yes - Art 17** (*appears industry standard*)	
Does agreement provide for collateral? *If so, summarize.*	**Yes - Art 17**		**None noted**	
Intermediary clause:	**Yes - Art 31 (U.S. Re)** (*language appears industry standard*)		**None noted**	
Were any unusual items noted which might impede delay of claim payments and thus bring into question issues of risk transfer? *(e.g. fronting, cut-through end., excessive risk or commissions, retroactive prem adj. etc.) If so, summarize.*	**Yes -** *contract provides for excessive ceding commission in relation to net amount at risk under the agreement.*		**None noted**	
Other examiners notes or comments:	*This contract contains terms and conditions whereby a comprehensive risk transfer analysis should have been performed. See premium commission calculation at w-p* ISS.7 PA5.r **Art 25 - Insolvency -** *in addition to language generally considered industry-standard this clause further specifies that should the company go into liquidation all amounts due either party shall be subject to the right of offset and*	*Nothing noted in this agreement appears to limit or void the right of the company to recover unexpired premiums in the event that underlying policies are duly cancelled pursuant to an Order of Liquidation.*	**Art 12 -** *if losses are below 30%, contract provides for a profit commission equal to one-half of the difference between losses incurred and 30% of subject premiums. Reinsurer to provide a profit sharing statement within 3 months of each year-end.*	*Nothing noted in this agreement appears to limit or void the right of the company to recover any amount due from the FHCF in the event that underlying coverage was duly cancelled pursuant to an Order of Liquidation.*

- EXHIBIT H -

Contract #	Title of Cover	101 Premium	118 Inuring	201 Commission	203 FHCF Comm	301 Losses (Non Cat)	306 LAE (Non Cat)	301 Losses (Cat)	306 LAE (Cat)	SSIC #0312	A H J #4007	Transatlantic #0268	Everest #0187	AWAC #4562	AXA #4235	Platinum #0397	Odyssey RE #0356	X.L. RE #4426	Brokerage #9400
#0312-76-13	77.5% Multi-Line QS	**3,574,437.81**	930,426.16	1,036,586.96	554,037.86	**864,155.34**	**241,660.22**			(52,428.74)		73,875.36							(21,446.63)
#0312-76-13	77.5% Multi-Line QS Makeup Fee	**53,616.57**								53,616.57									(53,616.57)
#0312-76-13	77.5% Multi-Line QS Incoming UEP		-	-	-					-		-							-
#0312-22-13	22.5% Stop Loss	**1,013,991.57**		943,674.57						70,317.00	(63,285.30)								(7,031.70)
#0312-22-13	22.5% Stop Loss Incoming UEP			-						-	-								-
#0312-75-13	77.458% Multi-Line Q/S Eff 4/1/2013		-	-	-	**131,243.17**	**11,819.08**			(143,062.25)		143,062.25							-
#0312-75-13	77.458% Multi-Line Q/S - .90% fee Eff 4/1/2013	-								-									-
#0312-75-12	67.5% Multi-Line Q/S		-	-	-	**37,267.80**	**6,575.26**			(43,843.06)		43,843.06							
#0312-75-12	67.5% Multi-Line Q/S - .90% fee	-																	
#0312-22-12	32.5% Stop Loss Outgoing 6/12 UEP			-						-	-								-
#0312-22-12	32.5% Stop Loss			-						-	-								-
#0312-39-07	50.58% Q/S						**64.91**			(64.91)	52.08		12.83						
#0312-81-07	9.42% Q/S						**12.09**			(12.09)	12.09								
#0312-81-07	9.42% Q/S 2/1/08 Treaty									-	-								
#0312-74-06	10% Q/S						**20.20**			(20.20)			20.20						
#0312-75-06	60% Q/S						**121.18**			(121.18)	100.98			20.20					
#0312-72-05	47.25% Q/S								**2,818.18**	(2,818.18)	2,818.18								
#0312-75-05	13% Q/S								**775.37**	(775.37)				775.37					
#0312-76-05	5.5% Q/S								**328.04**	(328.04)						328.04			
#0312-65-04	25% & 50% Aspen Q/S								-	-	-								
#0349-01-04	70% Q/S						-			-	-				-				
#0349-01-03	58.5% Q/S									-	-		-		-				
#0312-22-11	Stop Loss- 7/31/2012 Acct												-		-				
Dec 13	**Q/S Balance December 2013**	4,642,045.95	930,426.16	1,980,261.53	554,037.86	1,032,666.31	260,272.94	-	3,921.59	$ (119,540.45)	(60,301.97)	260,780.67	33.03	795.57	-	328.04	-	-	(82,094.89)

Less Brokerage Makeup Fee	(53,616.57)	-		-
Net Due SSIC- December 2013	(173,157.01)		-	
Net Payable to USRe from November 2013 tab	195,282.30			
Net Due SSIC from October 2013 tab	(14,330.08)			
Net Wire to USRe for 3 months	**$ 7,795.21**			

see wire request at w-p PA5.z PA5 - ___ - Wire $7795.21 1-31-2014 : PA5 - Wire $7795.21 on 1-31-2014

Brokerage Previously Paid		350,000.00	PA3 - $350,000 emails-banking-board minutes
July	(67,676.31)		
August	(56,832.59)		
Sept	(49,435.86)		
October	(50,900.89)		
November	(61,619.51)		
December	(53,616.57)		
		(340,081.73)	
Balance Remaining to be applied		9,918.27	

- EXHIBIT I -

Sunshine State Insurance Company

Summary of wire transfers relating to reinsurance in last nine months of Company

NOTE: *To summarize netted reinsurance transactions during the final nine months of operations.*

			contract description>	*CAT XOL*	*CAT XOL*	*Reinstatement prem*	*CAT XOL addtl prem*	*Reinstatement prem*	*1st, 2nd 3rd XOL*	*Casualty Clash*	*Trans Re QS*	*Fla Hurricane*	*Property Per Risk*
Payee	***Date Pd***	***$ Wired***	*contract #>*	*3121313*	*3121413*	*3125813*	*3124913*	*3124213*	*multiple*	*3127013*	*multiple*	*Cat Fund*	*3125513*
U.S. Re	04/03/14	$61,565							61,565				
			Prem adj - Blue Water Re										
U.S. Re	04/28/14	$2,630,956		1,102,344	653,456	102,491	65,048	100,200					
				404,878									
				202,539									
			April dep prem pymt	$1,709,761	$653,456	$102,491	$65,048	$100,200	$0	$0	$0	$0	$0
No wires	02/28/14		*No wires for the month*										
No wires	03/31/14												
U.S. Re	01/10/14	$695,970						695,970					
			Jan 2014 period										
U.S. Re	01/21/14	$1,188,438			823,095	173,993	191,350						
			Jan 2014 period										
U.S. Re	01/31/14	$2,720,854		1,608,113					82,500	62,500			
				346,156									
				621,585									
			Jan 2014 period	$2,575,854	$0	$0	$0	$0	$82,500	$62,500	$0	$0	$0
U.S. Re	01/31/14	$7,795									7,795		
			covers Oct-Dec 2013 Q/S accts										
FHCF	12/02/13	$2,406,847										2,406,847	
			Nov invoice - 3rd install										
U.S. Re	12/27/13	$240,250											240,250
			December 13 period										
U.S. Re	11/08/13	$47,352									47,352		
			Jul-Sep QS a/c's										
FHCF	10/01/13	$2,100,000										2,100,000	
			Sep invoice - 2nd install										
U S Re	10/15/13	$1,608,113		1,608,113									
			2nd deposit prem pymt										
U S Re	10/25/13	$967,742		967,742									
			2nd deposit prem pymt										
U S Re	10/31/13	$2,029,408			823,095	447,843		695,970		62,500			
			2nd deposit prem pymt										
U S Re	09/30/13	$340,686									340,686		
			Jun-Aug incl UEP roll in & out										
GRAND TOTALS		**$17,045,976**		**$6,861,470**	**$2,299,646**	**$724,327**	**$256,398**	**$1,492,140**	**$144,065**	**$125,000**	**$395,833**	**$4,506,847**	**$240,250**

- EXHIBIT J -

Sunshine State Insurance Company
Replication of premium ceded

	commuted - 2011 **Year 2009**	*commuted - 2011* **Year 2010**	**Year 2011**	**Year 2012**	**Year 2013**	**Total Years 2011 - 2013**
Quota Share to TRC						
Estimated premium ceded to TRC	54,977,940	41,467,732	60,489,977	31,433,106	34,619,623	126,542,706
Actual premium ceded per A/S	48,505,000	45,983,000	54,113,000	33,835,000	38,158,000	126,106,000
Difference	6,472,940	(4,515,268)	6,376,977	(2,401,894)	(3,538,377)	436,706
Percentage variance	**11.8%**	**-10.9%**	**10.5%**	**-7.6%**	**-10.2%**	**0.3%**
Florida Hurricane Cat Fund - FHCF						
Premium allowance for FHCF	17,436,390	17,291,188	13,239,165	12,474,483	11,889,790	37,603,438
Actual premium ceded per A/S	16,284,000	17,753,000	14,210,000	10,531,000	7,044,000	31,785,000
Difference	1,152,390	(461,812)	(970,835)	1,943,483	4,845,790	5,818,438
Percentage variance	**6.6%**	**-2.7%**	**-7.3%**	**15.6%**	**40.8%**	**15.5%**
All other reinsurance						
Premium allowance from QS	17,823,148	16,184,279	17,052,435	21,327,342	20,165,833	58,545,610
Actual premium ceded per A/S *(other than to QS & FHCF)*	44,459,595	50,983,995	42,871,527	49,173,236	46,475,687	138,520,450
Difference	26,636,447	34,799,716	25,819,092	27,845,894	26,309,854	
	***Noble note:** while further review may be necessary, the difference is likely related to the roll-in of unearned premiums into each years agreement.*					
Ceded per A/S	*109,248,595*	*114,719,995*	*111,194,527*	*93,539,236*	*91,677,687*	
Quota Share	48,505,000	45,983,000	54,113,000	33,835,000	38,158,000	
FHCF	16,284,000	17,753,000	14,210,000	10,531,000	7,044,000	
All Other Ceded	44,459,595	50,983,995	42,871,527	49,173,236	46,475,687	

ASSIGNMENT

SECTION 3.1.2 - PHASE II:

Noble will engage in forensic analysis of the following areas, for which Receiver's staff will assign priority. Upon completion of each section of Phase II, Noble will submit a draft Report of Findings.

Section 3.1.2.4. – Insolvency Finding

Determine when SSIC was truly impaired / insolvent and prepare a damage analysis if appropriate.

Section 3.1.2.6. – Other Duties as Assigned

We have been asked to perform an analysis to determine development on 2013 and prior incurred claims.

SECTION 3.1.2.4

Section 3.1.2.4. - Insolvency Finding

Determine when SSIC was truly impaired / insolvent and prepare a damage analysis if appropriate.

You have asked us to determine when SSIC was truly impaired / insolvent and to prepare a damage analysis if appropriate. To accomplish this task we rolled back reported Surplus for known inappropriate transactions. These included:

A. Unamortized ceded premium deposits
B. Non-capitalized excess ceding fees
C. Unauthorized intercompany reinsurance "make-up" brokerage fees
D. Unauthorized intercompany "recharges"
E. Overstated deferred tax assets

We also reviewed other unauthorized intercompany transactions that were originally funded by SSIC, but were later corrected in the company books as a receivable from SSUA. These corrections were prepared by the company acting CFO, Phil Dragotto, in the 2013 and 2014 general ledgers.

Our analysis concluded that there were two types of damages incurred by SSIC. The first amount resulted from unauthorized intercompany disbursements and may be recoverable from US Re. This equals $1,872,140. The second type is overstated surplus that likely delayed action by the FL OIR until the spring of 2014. These amounts varied from $4,417,444 to $13,298,054 during the periods ending December 31, 2005, through May 31, 2014. A schedule summarizing these amounts is included as Exhibit 1.

A. Unamortized ceded premium deposits

In our prior draft report of findings issued June 20, 2015, on page 19, we discussed the Prior Period Adjustment and the "Accounting Error" concerning ceded premiums. The amortization of ceded premiums was first understated in 2009. By June 30, 2009, the amount was $4,829,772. This overstated reported Surplus by 40.86%. When the disallowed admitted deferred tax asset of $1,094,127 is included, the overstated percentage rises to 50.12% of the reported surplus at June 30, 2009.

SSIC had reported Surplus of $11,634,955 at the prior year end, December 31, 2008. If the ceded premiums and deferred taxes had been properly calculated at June 30, 2009, Surplus would have dropped by 50.19% from the prior year end. If the company had reported properly, the FL OIR would have noted the severe drop in surplus and would likely have raised questions to the company. It is then that SSIC was impaired and financially at risk.

The understated reinsurance premiums ceded at the following period ends were:

June 30, 2009	$ 4,829,772
December 31, 2009	3,505,505
2010	3,505,505
2011	5,705,505
2012	5,021,820

2013	0
May 31, 2014	0

The prior period adjustment was reported in the company's 2013 Annual Statement (AnnStmt).

B. Non-capitalized excess ceding fees

The June 30, 2009 impairment date, however, assumes that the Company's accounting for excess ceding fees was a permitted practice by the FL OIR. We find no correspondence from the Department or other supporting documentation to evidence such permission for this practice. Nor did the Company report it as a permitted practice in their AnnStmt Notes, as required in the instructions.

Therefore, when we compute the required accounting under SSAP 62 - par 55 regarding excess ceding fees, we determine that SSIC was insolvent as of December 31, 2005. The deferred ceding fees of $6,088,178 at 2005 year end exceed the reported Surplus of $5,738,899 by $349,279. Using proper reinsurance ceding fee accounting, SSIC was insolvent no later than year-end 2005.

It is possible the Company may have already been insolvent at December 31, 2004. The merger of SSIC and QualSure occurred in 2004, although it didn't close until after year end. The Department allowed SSIC and QualSure to prepare a combined AnnStmt, according to the audited financial statement (AFS). The AFS does not contain enough detail to enable us to prepare the SSAP 62 -par 55 calculation. Nor do we have other financial records or the 2004 AnnStmt with which to do so. We observed that the ending ceded unearned premium balance at 2004 was similar to the amount at 2005. If the Company's accounting method was consistent in 2004, SSIC could have been impaired since the merger.

We calculated excess ceding fees referencing the company's annually filed Insurance Expense Exhibit (IIE) to determine which costs were appropriate to include. Those amounts were then corrected for the exclusion of the unauthorized intercompany reinsurance "make-up" brokerage fees. The excess percentage of reinsurance ceding fees over the direct acquisition costs, as represented in the IIE, was then applied to the unearned ceded premiums to determine the proper deferred amount, in accordance with SSAP 62 – par 55. The detailed schedule of this calculation is attached as Exhibit 3.

Using this methodology the deferred amount required each period end would have been:

December 31, 2005	$ 6,088,178
2006	7,633,383
2007	3,704,053
2008	4,254,328
June 30, 2009	3,540,406
December 31, 2009	3,760,641
2010	2,304,621
2011	4,121,384
2012	6,537,437
2013	7,981,404
May 31, 2014	4,925,470

C. Unauthorized intercompany reinsurance “make-up” brokerage fees

During 2009 US Re and SSIC renegotiated terms for its reinsurance ceded contract with Trans Re. Reinsurance premiums were reduced. Trans Re eliminated the broker fee to help offset its reduced income. At that time SSIC began paying US Re a “make-up” broker fee directly. This is an intercompany transaction that requires permission from the FL OIR. We have seen no documentation to indicate that such permission was requested or granted.

Therefore, the entire amount paid US Re for this arrangement represents damages to SSIC and should be disallowed. SSIC reduced reported Surplus for these unapproved costs. However, if reversed in the respective periods, the related intercompany receivable would be considered non-admitted, since it is over 90 days due, and would therefore not increase Surplus.

The unauthorized intercompany reinsurance “make up” fees at these period ends were:

December 31, 2009	$ 270,258
2010	703,628
2011	842,902
2012	1,056,945
2013	1,359,016
May 31, 2014	1,525,153

D. Unauthorized intercompany “recharges”

During 2013 US Re began billing SSIC for intercompany “recharges” for an allocation of parent company executive salaries, benefits, travel, entertainment, and costs incurred in raising capital, including additional Surplus for SSIC. This is an intercompany transaction that requires permission from the FL OIR. We have seen no evidence that such permission was requested or granted.

These costs were reviewed by the company’s acting CFO, Phil Dragotto, in 2014 and the majority of the payments were reclassified to intercompany receivable from SSUA. We traced the payments and subsequent reclassifications and found that part of the 2013 charges had not been reversed. This amounted to $346,988. These unapproved costs should be disallowed and represent damages to SSIC. SSIC reduced reported Surplus for these costs. However, if reversed today in the respective periods, the increased intercompany receivable would be non-admitted, since it is over 90 days due and would therefore not increase Surplus.

The unauthorized intercompany “recharge” fees not previously reversed at these period ends were:

December 31, 2013	$ 346,988
May 31, 2014	346,988

E. Overstated deferred tax assets

Each year end through December 31, 2012, SSIC reported an admitted deferred tax asset (DTA). This created Surplus for a future realizable intangible asset. SSIC was not profitable and did not benefit from the deferred tax asset. Therefore, we have reversed the admission of the reported DTA each year as part of our calculation of restated Surplus.

The admitted deferred tax assets originally reported and now reversed at these period ends are:

December 31, 2005	$ 587,544
2006	694,436
2007	713,391
2008	1,020,661
June 30, 2009	1,094,127
December 31, 2009	1,243,129
2010	1,116,363
2011	1,812,199
2012	1,738,796
2013	0
May 31, 2014	0

F. Summary of Damages and Surplus Rollback

We have "posted" the above mentioned items to SSIC's reported AnnStmt Balance Sheets. Consequently we have rolled surplus backwards to the amounts that would have been reported if the company had followed proper statutory accounting and not engaged in unauthorized transactions.

The summary of our findings is attached as Exhibit 1. The detailed restatement of SSIC's Balance Sheets is attached as Exhibit 2.

SECTION 3.1.2.6

Section 3.1.2.2. - Other Duties as Assigned

We have been asked to perform an analysis to determine development on 2013 and prior incurred claims.

You have asked us to review claim development in SSIC since the issuance of its actuarial opinion as of the year ended December 31, 2013. We have reviewed the company's reserves without regard to reinsurance ceded and have analyzed the development for all direct and assumed policies. The assumed policies were issued by QualSure, the company SSIC merged with in 2004. These assumed claims appear as direct policies in the company's records and were only separated out for reporting to the NAIC and Florida. Consequently they are included in this analysis.

To conduct our analysis, your office provided us with a data file of claims activity from the Florida Insurance Guaranty Association (FIGA) as of November 30, 2015. The file is organized on a per claim number basis, including date of loss and date claim reported. It lists amounts on a pre- and post- liquidation date basis, separating loss and LAE amounts for reserves, payments, and recoveries. The pre- liquidation payments in the FIGA file are inception-to-date, so we referenced SSIC company files to isolate the 2014 activity.

We examined files provided by CSC (the company's outside accounting firm) and files preserved on the SSIC file server. We were able to tie out the 2013 Annual Statement claim reserves in Schedule P to the detailed SSIC 12-2013 Loss Master excel file. The Loss Master is gross of expected Salvage and Subrogation (S&S) Recoveries. It also does not include Incurred But Not Reported (IBNR) reserves. We used the 2013 Annual Statement, Schedule P for IBNR per accident year. Applicable reserve amounts were also reconciled to the Statement of Actuarial Opinion for the year ended December 31, 2013, dated March 26, 2014.

Next we researched and located SSIC's 2014 claim payment activity. Our sources included month end claim reports (Loss Master) provided by NCA Group, the company's outside claims adjustors, and a file sent by your office on Builders Risk policies. Additionally we used SSIC's check registers for June 1-3, 2014 to include all 2014 payments prior to the June 4, 2014 liquidation date.

We understand that the Builders Risk policies were moved to an unrelated insurance company at liquidation by the managing agent. There were no open claims and only one payment in 2014.

As we understand from your office, there is no flood policy activity in 2014 to include. The Company received income similar to commissions on the sale of flood coverage, with all claim payments handled by FEMA.

The monthly Loss Master files provided by NCA include summaries of Loss and LAE payments by accident year. They are reported net of any S&S recoveries. We researched each claim number in the June 1-3, 2014 period check registers to identify the proper accident year for reporting. Loss and LAE were identified separately in the registers.

Once we had identified all of the 2014 SSIC claim payments we then separated the FIGA file by accident year to continue with our analysis. We also subtotaled the FIGA file into different types of claim status: *(1)* open at date of liquidation; *(2)* reopened by FIGA, and; *(3)* newly reported claims. By separating activity by claim status, we were able to more clearly identify individual claims that significantly affected the loss development. Such claims are discussed below.

We needed to understand FIGA reserving methods to verify we were comparing a like-kind set of data. Fred Staubitz of your office clarified with FIGA that they do not reduce direct claims reserves for anticipated S&S recoveries. Any such S&S recoveries made by FIGA are recorded in a separate data field than payments, so we were able to compute net payments for our analysis. Since FIGA does not include anticipated S&S recoveries, we therefore excluded estimated S&S from the ending 2013 reserves, so that the analysis compares data on a consistent basis.

FIGA also does not post a separate IBNR reserve, separately estimating each timely filed claim. Policyholder submitted claims have a finite filing date in liquidations. The final date for filing a “proof of claim” (POC) in the SSIC liquidation is June 3, 2016. This POC deadline is approximately six months later than the data set we received from FIGA. Therefore there could be additional development from the attached analysis as of November 30, 2015 because of newly reported claims.

Attached as Exhibit 4 is the calculation of development of Loss, LAE and Total claim reserves through November 30, 2015. Losses for 2013 and prior accident years have developed deficient by $1,176,095 or 11.70% from the December 31, 2013 recorded reserves. LAE has developed deficient by $873,660 or 41.01%. Total loss and LAE reserves have developed by $2,049,754 or 16.82%.

It is not surprising that losses and LAE may develop differently once a company is placed in liquidation. Loss settlement practices may differ. The cost structure of settling claims may be different for FIGA than the assumptions considered by SSIC in reserving.

We want to also point out that certain claims reopened after the liquidation date had a significant effect on loss development. For those claims with loss development of $100,000 or more, the FIGA claim file notes were requested, and obtained via email correspondence on February 18, 2016. Such claim file notes were reviewed and the following circumstances were noted:

1. CLMS – 0199280300011159: This claim was identified as involving “flood damage, not wind damage”. Claim was denied. Insured has repeatedly disputed the denial, however has failed to thus far provide any supporting documentation for his position. This claim has $100,000 in loss and LAE reserves, but file information includes no documentation that ultimate claim payment is likely.

2. CLMS – 0199280300009270: This claim is being reviewed by a Neutral Evaluator. To date, documentation supporting a sinkhole claim is lacking. This claim has $100,000 in loss and LAE reserves, but file information includes no documentation indicating that ultimate claim payment is likely.

3. CLMS – 0199280200006103: This claim appeared to have related payment made by SSIC in January 2013. Claim file notes indicate that payment was sent to an old address, which may have contributed to a time lag. Check was not cashed and did not clear the bank. Check was returned and voided in September 2014. Payment reissued in October 2014 in the amount of $133,465. Given the sequence of events, this claim would not have been in December 31, 2013 SSIC reserves because of the prior payment. Thus, loss development appears to be overstated.

4. CLMS – 0199280300010730: No issues noted during review of claim file. This claim appears to affect claims development as recorded.

These four reopened claims appear to potentially overstate estimated development of the December 31, 2013 loss and LAE reserves by as much as $333,465 or 16.3% of the total.

It is possible that other claim file documentation which was not specifically reviewed could also impact the loss and LAE reserve development analysis.

The claim development analysis was conducted from the available financial data. The scope of this work did not include reviewing the FIGA claim payment practices or the FIGA reserving as of November 30, 2015. The reserve development analysis was performed on a direct basis and does not consider the impact of reinsurance ceded. To the extent that the 2013 and prior years claims exceed the December 31, 2013 reserves, the ultimate cost would be partially offset by applicable reinsurance coverage.

The ultimate determination of the adequacy of the December 31, 2013 loss and LAE reserves will be known when all of the applicable claims are settled.

Based upon our analysis, we did not identify any factors or documentation which indicated errors or impropriety in the estimation of the December 31, 2013 loss and LAE reserves. The loss and LAE development appears to be related to the ordinary course of business and subsequent changes in estimates, facts and circumstances.

EXHIBIT 1: Damages - Unauthorized Disbursements

Recoverable from USRe - NonAdmitted Asset

Period Ending:	Reinsurance Broker Makeup Fee (a)	USRe Parent Company "Recharges" (b)	Total Unauthorized Disbursements
December 31, 2009	$ 270,258	$ -	$ 270,258
December 31, 2010	433,370	-	433,370
December 31, 2011	139,274	-	139,274
December 31, 2012	214,043	-	214,043
December 31, 2013	302,071	346,988	649,058
May 31, 2014	166,137	-	166,137
	$ 1,525,153	$ 346,988	$ 1,872,140

NOTES:

(a) USRe extracted reinsurance broker fees from SSIC when its contract with TransRe reduced premium to SSIC and eliminated fees to USRe. These intercompany fees were charged without FL OIR permission.

(b) USRe parent company billed SSIC for intercompany services without FL OIR permission. Many of the wire transfers were later reclassed to Receivable from SSUA, but some of the earlier 2013 payments were not.

Damages - Overstated Surplus

Period Ending:	Understated Ceded Premium (c)	Uncapitalized Excess Ceding Fees (d)	Overstated Deferred Tax Asset (e)	Total Overstated Surplus
December 31, 2005	$ -	$ 6,088,178	$ 587,544	$ 6,675,722
December 31, 2006	-	7,633,383	694,436	8,327,819
December 31, 2007	-	3,704,053	713,391	4,417,444
December 31, 2008	-	4,254,328	1,020,661	5,274,989
June 30, 2009	4,829,772	3,540,406	1,094,127	9,464,305
December 31, 2009	3,505,505	3,760,641	1,243,129	8,509,275
December 31, 2010	3,505,505	2,304,621	1,116,363	6,926,490
December 31, 2011	5,705,505	4,121,384	1,812,199	11,639,088
December 31, 2012	5,021,820	6,537,437	1,738,796	13,298,054
December 31, 2013	-	7,981,404	-	7,981,404
May 31, 2014	-	4,925,470	-	4,925,470

NOTES:

(c) Amounts are unamortized reinsurance deposits that understated ceded premium.

(d) These are the amounts of ceding commission income in excess of acquisition costs that should have been deferred in accordance with SSAP-62R - par 55.

(e) Admitted deferred tax assets were overstated due to the lack of future profitability of the company.

- EXHIBIT 1 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES

	12/31/2005			12/31/2005
	A/S (regrouped)	*Ceding Fees*	*Taxes*	*Adjusted*
ADMITTED ASSETS				
Bonds, at admitted carrying value	$ 6,430,307			$ 6,430,307
Common stock (affiliated)	-			-
Cash and short-term investments	(3,886,648)			(3,886,648)
TOTAL CASH AND INVESTED ASSETS	$ 2,543,659			$ 2,543,659
Investment income due and accrued	88,955			88,955
Uncollected premium and agent's balances receivable	1,807,059			1,807,059
Deferred premium and agent's balances not yet due	1,091,384			1,091,384
Amounts recoverable from reinsurers	12,879,201			12,879,201
Other amounts receivable under reinsurance				-
Current federal income taxes recoverable	362,012			362,012
Net deferred tax asset	587,544		(587,544)	-
EDP equipment and software	1,770			1,770
Receivable from affiliates	535,127			535,127
NonAdmitted Receivable from affiliates				-
Other write-in assets				-
Other assets				-
Assessment recoverable	555,104			555,104
TOTAL ADMITTED ASSETS	$ 20,451,815	$ -	$ (587,544)	$ 19,864,271
LIABILITIES AND CAPITAL AND SURPLUS				
LIABILITIES:				
Claim loss reserves	$ 7,107,238			$ 7,107,238
Loss adjustment expense reserves	1,872,874			1,872,874
Commissions payable and other similar charges	817,880			817,880
Other expenses due & accrued	167,898			167,898
Taxes, licenses and fees due	863,481			863,481
Unearned premiums, net of reinsurance				-
Direct unearned premiums	44,958,759			44,958,759
Ceded unearned premiums	(41,688,898)			(41,688,898)
Advance premiums	1,462,697			1,462,697
Ceded reinsurance premiums payable, net of comm	(2,158,111)	6,088,178		3,930,067
Remittances and items not allocated	173,108			173,108
Provision for reinsurance (Sch F, Part 7)	-			-
Other liabilities				-
Refunds payable	336,436			336,436
Escheat reserve	761,834			761,834
Assessments payable	-			-
Payable for Securities	-			-
Other liabilities	37,720			37,720
TOTAL LIABILITIES	$ 14,712,916	$ 6,088,178	$ -	$ 20,801,094
CAPITAL AND SURPLUS				
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	$ 1,530,000			$ 1,530,000
Surplus note	-			-
Gross paid-in and contributed surplus	51,638,400			51,638,400
Unassigned funds	(47,429,501)	(6,088,178)	(587,544)	(54,105,223)
SURPLUS AS REGARDS POLICYHOLDERS	$ 5,738,899	$ (6,088,178)	$ (587,544)	**$ (936,823)**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 20,451,815	$ -	$ (587,544)	$ 19,864,271
	-	-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

2.) The capitalization of excess ceding fees in this calculation was computed in agreement with the company's annual insurance expense exhibit.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES

	12/31/2006			12/31/2006
	A/S (regrouped)	*Ceding Fees*	*Taxes*	*Adjusted*
ADMITTED ASSETS				
Bonds, at admitted carrying value	$ 7,437,453			$ 7,437,453
Common stock (affiliated)	-			-
Cash and short-term investments	9,810,615			9,810,615
TOTAL CASH AND INVESTED ASSETS	$ 17,248,068			$ 17,248,068
Investment income due and accrued	115,226			115,226
Uncollected premium and agent's balances receivable	2,824,298			2,824,298
Deferred premium and agent's balances not yet due	2,191,244			2,191,244
Amounts recoverable from reinsurers	3,086,195			3,086,195
Other amounts receivable under reinsurance				-
Current federal income taxes recoverable	-			-
Net deferred tax asset	694,436		(694,436)	-
EDP equipment and software	-			-
Receivable from affiliates	(79,305)			(79,305)
NonAdmitted Receivable from affiliates				-
Other write-in assets				-
Other assets				-
Assessment recoverable	1,122,111			1,122,111
TOTAL ADMITTED ASSETS	$ 27,202,273	$ -	$ (694,436)	$ 26,507,837
LIABILITIES AND CAPITAL AND SURPLUS				
LIABILITIES:				
Claim loss reserves	$ 3,011,319			$ 3,011,319
Loss adjustment expense reserves	1,278,673			1,278,673
Commissions payable and other similar charges	719,708			719,708
Other expenses due & accrued	35,841			35,841
Taxes, licenses and fees due	621,286			621,286
Unearned premiums, net of reinsurance				-
Direct unearned premiums	59,089,083			59,089,083
Ceded unearned premiums	(48,846,307)			(48,846,307)
Advance premiums	1,466,064			1,466,064
Ceded reinsurance premiums payable, net of comm	167,526	7,633,383		7,800,909
Remittances and items not allocated	68,783			68,783
Provision for reinsurance (Sch F, Part 7)	-			-
Other liabilities				-
Refunds payable	795,583			795,583
Escheat reserve	719,320			719,320
Assessments payable	-			-
Payable for Securities	177,397			177,397
Other liabilities	(8,514)			(8,514)
TOTAL LIABILITIES	$ 19,295,762	$ 7,633,383	$ -	$ 26,929,145
CAPITAL AND SURPLUS				
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	$ 1,520,000			$ 1,520,000
Surplus note	3,000,000			3,000,000
Gross paid-in and contributed surplus	53,092,686			53,092,686
Unassigned funds	(49,706,175)	(7,633,383)	(694,436)	(58,033,994)
SURPLUS AS REGARDS POLICYHOLDERS	$ 7,906,511	$ (7,633,383)	$ (694,436)	**$ (421,308)**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 27,202,273	$ -	$ (694,436)	$ 26,507,837
	-	-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES

	12/31/2007			**12/31/2007**
	AnnStmt	*Ceding Fees*	*Taxes*	*Adjusted*
ADMITTED ASSETS				
Bonds, at admitted carrying value	$ 2,847,803			$ 2,847,803
Common stock (affiliated)	-			-
Cash and short-term investments	2,185,431			2,185,431
TOTAL CASH AND INVESTED ASSETS	$ 5,033,234			$ 5,033,234
Investment income due and accrued	39,404			39,404
Uncollected premium and agent's balances receivable	1,696,864			1,696,864
Deferred premium and agent's balances not yet due	1,678,513			1,678,513
Amounts recoverable from reinsurers	5,567,615			5,567,615
Other amounts receivable under reinsurance	1,138,437			1,138,437
Current federal income taxes recoverable	3,172,777			3,172,777
Net deferred tax asset	713,391		(713,391)	-
EDP equipment and software	-			-
Receivable from affiliates	966,791			966,791
NonAdmitted Receivable from affiliates				-
Other write-in assets				-
Other assets	295,000			295,000
Assessment recoverable	4,225,621			4,225,621
TOTAL ADMITTED ASSETS	$ 24,527,647	$ -	$ (713,391)	$ 23,814,256
LIABILITIES AND CAPITAL AND SURPLUS				
LIABILITIES:				
Claim loss reserves	$ 1,984,573			$ 1,984,573
Loss adjustment expense reserves	1,076,071			1,076,071
Commissions payable and other similar charges	571,300			571,300
Other expenses due & accrued	148,250			148,250
Taxes, licenses and fees due	527,831			527,831
Unearned premiums, net of reinsurance				-
Direct unearned premiums	44,054,222			44,054,222
Ceded unearned premiums	(32,893,793)			(32,893,793)
Advance premiums	1,195,143			1,195,143
Ceded reinsurance premiums payable, net of comm	200,457	3,704,053		3,904,510
Remittances and items not allocated	490			490
Provision for reinsurance (Sch F, Part 7)	-			-
Other liabilities				-
Refunds payable	565,985			565,985
Escheat reserve	918,925			918,925
Assessments payable	-			-
Payable for Securities	-			-
Other liabilities	48,653			48,653
TOTAL LIABILITIES	$ 18,398,107	$ 3,704,053	$ -	$ 22,102,160
CAPITAL AND SURPLUS				
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	$ 1,520,000			$ 1,520,000
Surplus note	3,000,000			3,000,000
Gross paid-in and contributed surplus	57,217,686			57,217,686
Unassigned funds	(55,608,146)	(3,704,053)	(713,391)	(60,025,590)
SURPLUS AS REGARDS POLICYHOLDERS	$ 6,129,540	$ (3,704,053)	$ (713,391)	**$ 1,712,096**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 24,527,647	$ -	$ (713,391)	$ 23,814,256
	-	-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES	**12/31/2008**			**12/31/2008**
	AnnStmt	*Ceding Fees*	*Taxes*	*Adjusted*
ADMITTED ASSETS				
Bonds, at admitted carrying value	$ 11,633,284			$ 11,633,284
Common stock (affiliated)	-			-
Cash and short-term investments	13,428,058			13,428,058
TOTAL CASH AND INVESTED ASSETS	$ 25,061,342			$ 25,061,342
Investment income due and accrued	232,771			232,771
Uncollected premium and agent's balances receivable	(270,990)			(270,990)
Deferred premium and agent's balances not yet due	3,597,619			3,597,619
Amounts recoverable from reinsurers	2,760,303			2,760,303
Other amounts receivable under reinsurance	862,079			862,079
Current federal income taxes recoverable	1,362,459			1,362,459
Net deferred tax asset	1,020,661		(1,020,661)	-
EDP equipment and software	-			-
Receivable from affiliates	330,593			330,593
NonAdmitted Receivable from affiliates				-
Other write-in assets				-
Other assets	5,700			5,700
Assessment recoverable	903,221			903,221
TOTAL ADMITTED ASSETS	$ 35,865,758	$ -	$ (1,020,661)	$ 34,845,097
LIABILITIES AND CAPITAL AND SURPLUS				
LIABILITIES:				
Claim loss reserves	$ 3,730,854			$ 3,730,854
Loss adjustment expense reserves	1,488,889			1,488,889
Commissions payable and other similar charges	709,627			709,627
Other expenses due & accrued	185,455			185,455
Taxes, licenses and fees due	554,519			554,519
Unearned premiums, net of reinsurance				-
Direct unearned premiums	63,892,400			63,892,400
Ceded unearned premiums	(43,176,826)			(43,176,826)
Advance premiums	1,835,516			1,835,516
Ceded reinsurance premiums payable, net of comm	(6,474,230)	4,254,328		(2,219,902)
Remittances and items not allocated	13,267			13,267
Provision for reinsurance (Sch F, Part 7)	-			-
Other liabilities				-
Refunds payable	567,320			567,320
Escheat reserve	904,012			904,012
Assessments payable	-			-
Payable for Securities	-			-
Other liabilities	-			-
TOTAL LIABILITIES	$ 24,230,803	$ 4,254,328	$ -	$ 28,485,131
CAPITAL AND SURPLUS				
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	$ 1,520,000			$ 1,520,000
Surplus note	3,000,000			3,000,000
Gross paid-in and contributed surplus	67,617,686			67,617,686
Unassigned funds	(60,502,731)	(4,254,328)	(1,020,661)	(65,777,720)
SURPLUS AS REGARDS POLICYHOLDERS	$ 11,634,955	$ (4,254,328)	$ (1,020,661)	**$ 6,359,966**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 35,865,758	$ -	$ (1,020,661)	$ 34,845,097
	-	-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES	**6/30/2009**				**6/30/2009**
	Filed Q/S	*Ceding Fees*	*Ceded Prem*	*Taxes*	*Adjusted*
ADMITTED ASSETS					
Bonds, at admitted carrying value	$ 8,161,270				$ 8,161,270
Common stock (affiliated)	-				-
Cash and short-term investments	13,776,963				13,776,963
TOTAL CASH AND INVESTED ASSETS	$ 21,938,233		$ -		$ 21,938,233
Investment income due and accrued	161,207				161,207
Uncollected premium and agent's balances receivable	2,213,037				2,213,037
Deferred premium and agent's balances not yet due	3,547,617				3,547,617
Amounts recoverable from reinsurers	4,846,261				4,846,261
Other amounts receivable under reinsurance	1,238,276				1,238,276
Current federal income taxes recoverable	1,052,944				1,052,944
Net deferred tax asset	1,094,127			(1,094,127)	-
EDP equipment and software					-
Receivable from affiliates	1,494,163				1,494,163
NonAdmitted Receivable from affiliates					-
Other write-in assets					-
Other assets	(3,200)				(3,200)
Assessment recoverable	251,639				251,639
TOTAL ADMITTED ASSETS	$ 37,834,304	$ -	$ -	$ (1,094,127)	$ 36,740,177
LIABILITIES AND CAPITAL AND SURPLUS					
LIABILITIES:					
Claim loss reserves	$ 4,734,975				$ 4,734,975
Loss adjustment expense reserves	1,422,282				1,422,282
Commissions payable and other similar charges	1,133,400				1,133,400
Other expenses due & accrued	10,000				10,000
Taxes, licenses and fees due	266,844				266,844
Unearned premiums, net of reinsurance					-
Direct unearned premiums	60,618,054				60,618,054
Ceded unearned premiums	(41,284,175)				(41,284,175)
Advance premiums	3,807,303				3,807,303
Ceded reinsurance premiums payable, net of comm	(6,310,824)	3,540,406	4,829,772		2,059,354
Remittances and items not allocated	6,167				6,167
Provision for reinsurance (Sch F, Part 7)	-				-
Other liabilities					-
Refunds payable	730,509				730,509
Escheat reserve	902,750				902,750
Assessments payable	-				-
Payable for Securities	-				-
Other liabilities	(23,000)				(23,000)
TOTAL LIABILITIES	$ 26,014,285	$ 3,540,406	$ 4,829,772	$ -	$ 34,384,463
CAPITAL AND SURPLUS					
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	$ 1,520,000				$ 1,520,000
Surplus note	3,000,000				3,000,000
Gross paid-in and contributed surplus	67,617,686				67,617,686
Unassigned funds	(60,317,667)	(3,540,406)	(4,829,772)	(1,094,127)	(69,781,972)
SURPLUS AS REGARDS POLICYHOLDERS	$ 11,820,019	$ (3,540,406)	$ (4,829,772)	$ (1,094,127)	**$ 2,355,714**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 37,834,304	$ -	$ -	$ (1,094,127)	$ 36,740,177
	-	-	-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES	**12/31/2009**					**12/31/2009**
	AnnStmt	*Ceding Fees*	*Ceded Prem*	*Makeup Fee*	*Taxes*	*Adjusted*
ADMITTED ASSETS						
Bonds, at admitted carrying value	$ 12,494,097					$ 12,494,097
Common stock (affiliated)	1,172,885					1,172,885
Cash and short-term investments	16,034,870					16,034,870
TOTAL CASH AND INVESTED ASSETS	$ 29,701,852		$ -			$ 29,701,852
Investment income due and accrued	196,259					196,259
Uncollected premium and agent's balances receivable	2,211,568					2,211,568
Deferred premium and agent's balances not yet due	4,748,852					4,748,852
Amounts recoverable from reinsurers	4,322,201					4,322,201
Other amounts receivable under reinsurance	809,716					809,716
Current federal income taxes recoverable	2,850,906					2,850,906
Net deferred tax asset	1,243,129				(1,243,129)	-
EDP equipment and software	204,690					204,690
Receivable from affiliates	200,507			270,258		470,765
NonAdmitted Receivable from affiliates				(270,258)		(270,258)
Other write-in assets						-
Other assets	648,991					648,991
Assessment recoverable	559,399					559,399
TOTAL ADMITTED ASSETS	$ 47,698,070	$ -	$ -	$ -	$ (1,243,129)	$ 46,454,941
LIABILITIES AND CAPITAL AND SURPLUS						
LIABILITIES:						
Claim loss reserves	$ 6,386,111					$ 6,386,111
Loss adjustment expense reserves	1,714,608					1,714,608
Commissions payable and other similar charges	1,151,571					1,151,571
Other expenses due & accrued	137,635					137,635
Taxes, licenses and fees due	701,042					701,042
Unearned premiums, net of reinsurance						-
Direct unearned premiums	71,722,977					71,722,977
Ceded unearned premiums	(39,882,584)					(39,882,584)
Advance premiums	2,373,273					2,373,273
Ceded reinsurance premiums payable, net of comm	(10,551,721)	3,760,641	3,505,505			(3,285,575)
Remittances and items not allocated	10,015					10,015
Provision for reinsurance (Sch F, Part 7)	-					-
Other liabilities						-
Refunds payable	867,627					867,627
Escheat reserve	962,988					962,988
Assessments payable	-					-
Payable for Securities						
Other liabilities	-					-
TOTAL LIABILITIES	$ 35,593,542	$ 3,760,641	$ 3,505,505	$ -	$ -	$ 42,859,688
CAPITAL AND SURPLUS						
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	$ 1,520,000					$ 1,520,000
Surplus note	3,000,000					3,000,000
Gross paid-in and contributed surplus	71,712,322					71,712,322
Unassigned funds	(64,127,794)	(3,760,641)	(3,505,505)	-	(1,243,129)	(72,637,069)
SURPLUS AS REGARDS POLICYHOLDERS	$ 12,104,528	$ (3,760,641)	$ (3,505,505)	$ -	$ (1,243,129)	**$ 3,595,253**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 47,698,070	$ -	$ -	$ -	$ (1,243,129)	$ 46,454,941
	-	-	-	-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES	**12/31/2010**					**12/31/2010**
	AnnStmt	*Ceding Fees*	*Ceded Prem*	*Makeup Fee*	*Taxes*	*Adjusted*
ADMITTED ASSETS						
Bonds, at admitted carrying value	$ 10,703,056					$ 10,703,056
Common stock (affiliated)	907,803					907,803
Cash and short-term investments	3,418,395					3,418,395
TOTAL CASH AND INVESTED ASSETS	$ 15,029,254		$ -			$ 15,029,254
Investment income due and accrued	81,589					81,589
Uncollected premium and agent's balances receivable	1,130,959					1,130,959
Deferred premium and agent's balances not yet due	3,140,750					3,140,750
Amounts recoverable from reinsurers	4,709,746					4,709,746
Other amounts receivable under reinsurance	311,647					311,647
Current federal income taxes recoverable	4,139,472					4,139,472
Net deferred tax asset	1,116,363				(1,116,363)	-
EDP equipment and software	50,000					50,000
Receivable from affiliates	-			703,628		703,628
NonAdmitted Receivable from affiliates				(703,628)		(703,628)
Other write-in assets						-
Other assets	68,741					68,741
Assessment recoverable	128,609					128,609
TOTAL ADMITTED ASSETS	$ 29,907,130	$ -	$ -	$ -	$ (1,116,363)	$ 28,790,767
LIABILITIES AND CAPITAL AND SURPLUS						
LIABILITIES:						
Claim loss reserves	$ 8,193,208					$ 8,193,208
Loss adjustment expense reserves	1,616,219					1,616,219
Commissions payable and other similar charges	548,918					548,918
Other expenses due & accrued	218,981					218,981
Taxes, licenses and fees due	218,199					218,199
Unearned premiums, net of reinsurance						-
Direct unearned premiums	54,295,612					54,295,612
Ceded unearned premiums	(32,612,867)					(32,612,867)
Advance premiums	2,244,420					2,244,420
Ceded reinsurance premiums payable, net of comm	(17,036,069)	2,304,621	3,505,505			(11,225,942)
Remittances and items not allocated	4,321					4,321
Provision for reinsurance (Sch F, Part 7)	-					-
Other liabilities						-
Refunds payable	324,574					324,574
Escheat reserve	1,228,233					1,228,233
Assessments payable	-					-
Payable for Securities	-					-
Other liabilities	-					-
TOTAL LIABILITIES	$ 19,243,749	$ 2,304,621	$ 3,505,505	$ -	$ -	$ 25,053,876
CAPITAL AND SURPLUS						
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	1,520,000					$ 1,520,000
Surplus note	3,000,000					3,000,000
Gross paid-in and contributed surplus	72,312,322					72,312,322
Unassigned funds	(66,168,941)	(2,304,621)	(3,505,505)	-	(1,116,363)	(73,095,431)
SURPLUS AS REGARDS POLICYHOLDERS	$ 10,663,381	$ (2,304,621)	$ (3,505,505)	$ -	$ (1,116,363)	**$ 3,736,891**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 29,907,130	$ -	$ -	$ -	$ (1,116,363)	$ 28,790,767
	-	-		-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES	**12/31/2011**					**12/31/2011**
	AnnStmt	*Ceding Fees*	*Ceded Prem*	*Makeup Fee*	*Taxes*	*Adjusted*
ADMITTED ASSETS						
Bonds, at admitted carrying value	$ 13,273,123					$ 13,273,123
Common stock (affiliated)	736,145					736,145
Cash and short-term investments	2,477,877					2,477,877
TOTAL CASH AND INVESTED ASSETS	$ 16,487,145		$ -			$ 16,487,145
Investment income due and accrued	68,987					68,987
Uncollected premium and agent's balances receivable	498,427					498,427
Deferred premium and agent's balances not yet due	2,587,633					2,587,633
Amounts recoverable from reinsurers	2,619,362					2,619,362
Other amounts receivable under reinsurance	972,407					972,407
Current federal income taxes recoverable	1,952,693					1,952,693
Net deferred tax asset	1,812,199				(1,812,199)	-
EDP equipment and software	112,500					112,500
Receivable from affiliates	198,524			842,902		1,041,426
NonAdmitted Receivable from affiliates				(842,902)		(842,902)
Other write-in assets						-
Other assets	-					-
Assessment recoverable	-					-
TOTAL ADMITTED ASSETS	$ 27,309,877	$ -	$ -	$ -	$ (1,812,199)	$ 25,497,678
LIABILITIES AND CAPITAL AND SURPLUS						
LIABILITIES:						
Claim loss reserves	$ 9,671,582					$ 9,671,582
Loss adjustment expense reserves	2,268,444					2,268,444
Commissions payable and other similar charges	546,160					546,160
Other expenses due & accrued	204,455					204,455
Taxes, licenses and fees due	103,618					103,618
Unearned premiums, net of reinsurance						-
Direct unearned premiums	41,434,503					41,434,503
Ceded unearned premiums	(35,324,066)					(35,324,066)
Advance premiums	2,083,934					2,083,934
Ceded reinsurance premiums payable, net of comm	(8,841,706)	4,121,384	5,705,505			985,183
Remittances and items not allocated	2,377					2,377
Provision for reinsurance (Sch F, Part 7)	-					-
Other liabilities						-
Refunds payable	322,545					322,545
Escheat reserve	1,180,500					1,180,500
Assessments payable	77,205					77,205
Payable for Securities	-					-
Other liabilities	-					-
TOTAL LIABILITIES	$ 13,729,551	$ 4,121,384	$ 5,705,505	$ -	$ -	$ 23,556,440
CAPITAL AND SURPLUS						
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	1,520,000					$ 1,520,000
Surplus note	3,000,000					3,000,000
Gross paid-in and contributed surplus	74,662,322					74,662,322
Unassigned funds	(65,601,996)	(4,121,384)	(5,705,505)	-	(1,812,199)	(77,241,084)
SURPLUS AS REGARDS POLICYHOLDERS	$ 13,580,326	$ (4,121,384)	$ (5,705,505)	$ -	$ (1,812,199)	**$ 1,941,238**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 27,309,877	$ -	$ -	$ -	$ (1,812,199)	$ 25,497,678
	-	-		-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES

	12/31/2012					12/31/2012
	AnnStmt	*Ceding Fees*	*Ceded Prem*	*Makeup Fee*	*Taxes*	*Adjusted*
ADMITTED ASSETS						
Bonds, at admitted carrying value	$ 9,556,671					$ 9,556,671
Common stock (affiliated)	752,944					752,944
Cash and short-term investments	8,830,745					8,830,745
TOTAL CASH AND INVESTED ASSETS	$ 19,140,360		$ -			$ 19,140,360
Investment income due and accrued	54,154					54,154
Uncollected premium and agent's balances receivable	1,310,052					1,310,052
Deferred premium and agent's balances not yet due	2,391,799					2,391,799
Amounts recoverable from reinsurers	2,537,101					2,537,101
Other amounts receivable under reinsurance	504,523					504,523
Current federal income taxes recoverable	1,437,309					1,437,309
Net deferred tax asset	1,738,796				(1,738,796)	-
EDP equipment and software	50,000					50,000
Receivable from affiliates	223,606			1,056,945		1,280,551
NonAdmitted Receivable from affiliates				(1,056,945)		(1,056,945)
Other write-in assets						-
Other assets	225					225
Assessment recoverable	-					-
TOTAL ADMITTED ASSETS	$ 29,387,925	$ -	$ -	$ -	$ (1,738,796)	$ 27,649,129
LIABILITIES AND CAPITAL AND SURPLUS						
LIABILITIES:						
Claim loss reserves	$ 8,184,194					$ 8,184,194
Loss adjustment expense reserves	2,081,468					2,081,468
Commissions payable and other similar charges	536,762					536,762
Other expenses due & accrued	206,842					206,842
Taxes, licenses and fees due	236,364					236,364
Unearned premiums, net of reinsurance						-
Direct unearned premiums	39,414,679					39,414,679
Ceded unearned premiums	(35,872,479)					(35,872,479)
Advance premiums	1,486,777					1,486,777
Ceded reinsurance premiums payable, net of comm	(2,944,199)	6,537,437	5,021,820			8,615,059
Remittances and items not allocated	1,435					1,435
Provision for reinsurance (Sch F, Part 7)						-
Other liabilities						-
Refunds payable	314,085					314,085
Escheat reserve	1,408,206					1,408,206
Assessments payable	245,483					245,483
Payable for Securities	-					-
Other liabilities	314,505					314,505
TOTAL LIABILITIES	$ 15,614,122	$ 6,537,437	$ 5,021,820	$ -	$ -	$ 27,173,380
CAPITAL AND SURPLUS						
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	1,520,000					$ 1,520,000
Surplus note	3,000,000					3,000,000
Gross paid-in and contributed surplus	74,662,322					74,662,322
Unassigned funds	(65,408,519)	(6,537,437)	(5,021,820)	-	(1,738,796)	(78,706,573)
SURPLUS AS REGARDS POLICYHOLDERS	$ 13,773,803	$ (6,537,437)	$ (5,021,820)	$ -	$ (1,738,796)	**$ 475,749**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 29,387,925	$ -	$ -	$ -	$ (1,738,796)	$ 27,649,129
	-	-		-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES	**12/31/2013**						**12/31/2013**
	AnnStmt	*Ceding Fees*	*Ceded Prem*	*Makeup Fee*	*Recharges*	*Taxes*	*Adjusted*
ADMITTED ASSETS							
Bonds, at admitted carrying value	$ 8,166,976						$ 8,166,976
Common stock (affiliated)	798,761						798,761
Cash and short-term investments	1,964,404						1,964,404
TOTAL CASH AND INVESTED ASSETS	$ 10,930,141		$ -				$ 10,930,141
Investment income due and accrued	53,651						53,651
Uncollected premium and agent's balances receivable	1,191,911						1,191,911
Deferred premium and agent's balances not yet due	2,063,230						2,063,230
Amounts recoverable from reinsurers	3,752,595						3,752,595
Other amounts receivable under reinsurance	2,044,519						2,044,519
Current federal income taxes recoverable							-
Net deferred tax asset	-					-	-
EDP equipment and software	50,000						50,000
Receivable from affiliates	941,826			1,359,016	346,988		2,647,829
NonAdmitted Receivable from affiliates				(1,359,016)	(346,988)		(1,706,003)
Other write-in assets							-
Other assets	450						450
Assessment recoverable							-
TOTAL ADMITTED ASSETS	$ 21,028,323	$ -	$ -	$ -	$ -	$ -	$ 21,028,323
LIABILITIES AND CAPITAL AND SURPLUS							
LIABILITIES:							
Claim loss reserves	$ 4,871,894						$ 4,871,894
Loss adjustment expense reserves	1,075,892						1,075,892
Commissions payable and other similar charges	416,439						416,439
Other expenses due & accrued	270,854						270,854
Taxes, licenses and fees due	218,609						218,609
Unearned premiums, net of reinsurance							-
Direct unearned premiums	37,206,216						37,206,216
Ceded unearned premiums	(37,170,490)						(37,170,490)
Advance premiums	1,452,309						1,452,309
Ceded reinsurance premiums payable, net of comm	1,735,553	7,981,404	-				9,716,957
Remittances and items not allocated	339,897						339,897
Provision for reinsurance (Sch F, Part 7)	18,652						18,652
Other liabilities							-
Refunds payable	207,733						207,733
Escheat reserve	1,704,616						1,704,616
Assessments payable	8,493						8,493
Payable for Securities	-						
Other liabilities	674						674
TOTAL LIABILITIES	$ 12,357,341	$ 7,981,404	$ -	$ -	$ -	$ -	$ 20,338,745
CAPITAL AND SURPLUS							
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	1,520,000						$ 1,520,000
Surplus note	3,000,000						3,000,000
Gross paid-in and contributed surplus	76,662,322						76,662,322
Unassigned funds	(72,511,340)	(7,981,404)	-	-	-	-	(80,492,744)
SURPLUS AS REGARDS POLICYHOLDERS	$ 8,670,982	$ (7,981,404)	$ -	$ -	$ -	$ -	**$ 689,578**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 21,028,323	$ -	$ -	$ -	$ -	$ -	$ 21,028,323
	-	-	-	-	-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

Sunshine State Insurance Company

Stmts of Assets, Liabilities, Capital and Surplus

ADJUSTED FOR ERRORS & DAMAGES	**5/31/2014**						**5/31/2014**
	Prepared	*Ceding Fees*	*Ceded Prem*	*Makeup Fee*	*Recharges*	*Taxes*	*Adjusted*
ADMITTED ASSETS							
Bonds, at admitted carrying value	$ 7,356,830						$ 7,356,830
Common stock (affiliated)	773,476						773,476
Cash and short-term investments	5,747,188						5,747,188
TOTAL CASH AND INVESTED ASSETS	$ 13,877,494		$ -				$ 13,877,494
Investment income due and accrued	44,985						44,985
Uncollected premium and agent's balances receivable	517,170						517,170
Deferred premium and agent's balances not yet due	2,190,169						2,190,169
Amounts recoverable from reinsurers	5,291,785						5,291,785
Other amounts receivable under reinsurance	365,229						365,229
Current federal income taxes recoverable	-						-
Net deferred tax asset	-					-	-
EDP equipment and software	-						-
Receivable from affiliates	248,162			1,525,153	346,988		2,120,302
NonAdmitted Receivable from affiliates				(1,525,153)	(346,988)		(1,872,140)
Other write-in assets							-
Other assets	8,456						8,456
Assessment recoverable	-						-
TOTAL ADMITTED ASSETS	$ 22,543,450	$ -	$ -	$ -	$ -	$ -	$ 22,543,450
LIABILITIES AND CAPITAL AND SURPLUS							
LIABILITIES:							
Claim loss reserves	$ 4,069,424						$ 4,069,424
Loss adjustment expense reserves	1,086,657						1,086,657
Commissions payable and other similar charges	540,470						540,470
Other expenses due & accrued	328,416						328,416
Taxes, licenses and fees due	169,021						169,021
Unearned premiums, net of reinsurance							-
Direct unearned premiums	35,027,337						35,027,337
Ceded unearned premiums	(34,993,828)						(34,993,828)
Advance premiums	2,244,069						2,244,069
Ceded reinsurance premiums payable, net of comm	6,213,652	4,925,470					11,139,122
Remittances and items not allocated	3,830						3,830
Provision for reinsurance (Sch F, Part 7)	-						-
Other liabilities							-
Refunds payable	356,651						356,651
Escheat reserve	1,476,379						1,476,379
Assessments payable	147,158						147,158
Payable for Securities	-						-
Other liabilities	1,048						1,048
TOTAL LIABILITIES	$ 16,670,284	$ 4,925,470	$ -	$ -	$ -	$ -	$ 21,595,754
CAPITAL AND SURPLUS							
Common stock, $100 par value, 5,000,000 shared authorized, 15,200 issued and outstanding	1,520,000						$ 1,520,000
Surplus note	3,000,000						3,000,000
Gross paid-in and contributed surplus	76,662,322						76,662,322
Unassigned funds	(75,309,156)	(4,925,470)	-	-	-	-	(80,234,626)
SURPLUS AS REGARDS POLICYHOLDERS	$ 5,873,166	$ (4,925,470)	$ -	$ -	$ -	$ -	**$ 947,696**
TOTAL LIABILITIES AND CAPITAL AND SURPLUS	$ 22,543,450	$ -	$ -	$ -	$ -	$ -	$ 22,543,450
	-	-	-	-	-	-	-

NOTE:

1.) All deferred tax assets have been non-admitted due to the lack of future profitability of the company.

- EXHIBIT 2 -

SUNSHINE STATE INSURANCE COMPANY *in liquidation*

Calculation of Ceding Commissions in Excess of Direct Acquisition Expenses

(in thousands - so using decimal to show full numbers

	Year 2005	Year 2006	Year 2007	Year 2008	1/1 - 6/30/09 Qtrly Stmt	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	1/1 - 5/31/14 Trial Balance
DIRECT -											
Direct written premiums	$ 78,755.149	$ 105,011.027	$ 82,051.442	$ 99,055.546	$ 53,735.116	$ 127,119.571	$ 113,014.975	$ 83,599.672	$ 79,402.262	$ 74,741.074	$ 29,007.520
Policy & membership fees	999.705	1,205.690	1,114.225	1,244.725	752.700	1,766.750	1,658.150	1,223.500	1,078.275	983.625	(364.550)
Total direct written premiums	$ 79,754.854	$ 106,216.717	$ 83,165.667	$ 100,300.271	$ 54,487.816	$ 128,886.321	$ 114,673.125	$ 84,823.172	$ 80,480.537	$ 75,724.699	$ 28,642.970
Acquisition costs:											
Direct commissions & acq exp	8,528.584	10,343.205	9,488.384	11,562.767	6,948.321	15,795.975	15,180.444	11,649.191	11,070.486	10,499.577	4,151.982
Policy & membership fees	999.705	1,205.690	1,114.225	1,244.725	752.700	1,766.750	1,658.150	1,223.500	1,078.275	983.625	(364.550)
Allowance to mgrs. & agents	4,936.555	8,304.434	6,474.977	10,121.108	4,316.125	10,120.051	8,131.000	5,835.000	5,036.000	5,301.540	4,905.126
Less: Unauthorized brokerage fee	0.000	0.000	0.000	0.000	0.000	(270.258)	(433.370)	(139.274)	(214.043)	(302.071)	(166.137)
Premium Taxes	969.936	1,875.713	1,936.003	1,659.582	987.071	2,280.219	1,928.453	1,356.437	1,248.251	1,186.999	437.477
Total underwriting expenses	$ 15,434.780	$ 21,729.042	$ 19,013.589	$ 24,588.182	$ 13,004.217	$ 29,692.736	$ 26,464.677	$ 19,924.854	$ 18,218.969	$ 17,669.670	$ 8,963.898
Acquisition rate to direct premium	**19.35%**	**20.46%**	**22.86%**	**24.51%**	**23.87%**	**23.04%**	**23.08%**	**23.49%**	**22.64%**	**23.33%**	**31.30%**
CEDED -											
Ceded premiums stated in A/S	85,820.662	115,942.244	98,770.120	117,979.596	52,566.076	109,248.595	114,720.000	111,195.000	93,539.000	91,677.687	34,279.542
Corrected ceded premium "error"	0.000	0.000	0.000	0.000	4,829.772	3,505.505	3,505.505	5,705.505	5,021.820	0.000	0.000
Total ceded written premiums	85,820.662	115,942.244	98,770.120	117,979.596	57,395.848	112,754.100	118,225.505	116,900.505	98,560.820	91,677.687	34,279.542
Ceding commission fees	29,374.762	39,969.652	31,855.617	40,590.779	18,244.152	36,538.225	36,137.000	41,108.000	38,378.000	39,505.177	15,586.789
Ceded contingent commission	(232.972)	1,867.668	1,847.663	(43.742)	376.197	69.882	(498.000)	(9.000)	1,896.000	1,572.397	(33.977)
Other - contingent comm	0.000	34.951	121.134	300.137	67.689	476.985	0.000	0.000	0.000	0.000	41.121
Total ceded commissions	$ 29,141.790	$ 41,837.320	$ 33,703.280	$ 40,547.037	$ 18,620.350	$ 36,608.107	$ 35,639.000	$ 41,099.000	$ 40,274.000	$ 41,077.574	$ 15,552.812
Acquisition rate to ceded premium	**33.96%**	**36.08%**	**34.12%**	**34.37%**	**32.44%**	**32.47%**	**30.14%**	**35.16%**	**40.86%**	**44.81%**	**45.37%**
EXCESS - portion to be deferred	**14.60%**	**15.63%**	**11.26%**	**9.85%**	**8.58%**	**9.43%**	**7.07%**	**11.67%**	**18.22%**	**21.47%**	**14.08%**
Ceded unearned premium reserve	$ 41,688.898	$ 48,846.307	$ 32,893.793	$ 43,176.826	$ 41,284.175	$ 39,882.584	$ 32,613.000	$ 35,324.000	$ 35,872.000	$ 37,170.490	$ 34,993.828
Deferred Unearned Ceding Fees	**$ 6,088.178**	**$ 7,633.383**	**$ 3,704.053**	**$ 4,254.328**	**$ 3,540.406**	**$ 3,760.641**	**$ 2,304.621**	**$ 4,121.384**	**$ 6,537.437**	**$ 7,981.404**	**$ 4,925.470**

NAIC - SSAP 62R - par 55:

"If the ceding commission paid under a reinsurance agreement exceeds the anticipated acquisition cost of the business ceded, the ceding entity shall establish a liability, equal to the difference between the anticipated acq and the reinsurance commissions received, to be amortized pro rata over the effective period of the reinsurance agreement in proportion to the amount of coverage provided under the reinsurance contract."

Workpaper Notes:

1.) Amounts tie to each year's AnnStmt unless indicated as other source. Direct Acquisition Expenses are as reported in the annual Insurance Expense Exhibit. It does not include contingent commission

2.) Policy Fees are included both in Premiums and in Acquisition Costs as they are collected for the benefit of the MGA, but subject to premium tax which is included in that line item.

Sunshine State Insurance Company
CLAIM DEVELOPMENT on 2013 Year End Direct & Assumed Reserves

	- LOSSES -										
	(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*equals sum of columns (d-h) less sum of (a-c)*		
	source: SSIC 12-2013 Loss Master	*source: SSIC 2013 AnnStmt Sch P Summary*		*source: SSIC 05-2014 Loss Master*	*source: 06-03-14 SSIC Claims ISSUED NCA*	*source: SSIC Builders Risk Claims Log*	*source: Claim file provided by Guaranty Fund as of 11-30-2015*				
	Loss Case Reserves per 2013 AnnStmt	**Salvage & Subro Reserves per 2013 AnnStmt**	**Loss IBNR per 2013 AnnStmt**	**Sunshine pymts 1/1-5/31/2014 Loss Pymts**	**Sunshine pymts 6/1-6/3/2014 Loss Pymts**	**Sunshine pymts 1/1-6/3/2014 Loss Pymts**	**Guaranty Fund Loss Pymts**	**Guaranty Fund Ending Loss Reserves**	**2013 Y/E Loss Reserves (Redundancy) Deficiency**		
ACCIDENT YEAR										***Variance***	**A/Y**
2004	$ 75,000.00	*Not included since not accrued in Guaranty Fund Ending Loss Reserves.*	$ 47,000.00	$ 102,500.00	$ -	$ -	$ -	$ -	$ (19,500.00)	*-15.98%*	2004
2005	70,000.00		128,000.00	-	-	-	42,916.74	301,690.00	146,606.74	*74.04%*	2005
2006	-		10,000.00	-	-	-	-	-	(10,000.00)	*-100.00%*	2006
2007	23,000.00		19,000.00	9,450.76	-	-	-	25,000.00	(7,549.24)	*-17.97%*	2007
2008	545,000.00		103,000.00	240,449.84	-	-	139,800.00	636,400.00	368,649.84	*56.89%*	2008
2009	654,462.08		128,000.00	132,794.77	-	-	113,428.88	676,102.00	139,863.57	*17.87%*	2009
2010	843,500.00		201,000.00	258,324.07	-	-	381,154.69	406,645.02	1,623.78	*0.16%*	2010
2011	1,180,760.36		164,000.00	428,292.35	68,750.00	-	410,136.09	943,740.88	506,158.96	*37.64%*	2011
2012	820,732.95		448,000.00	253,066.31	-	-	564,385.51	515,002.00	63,720.87	*5.02%*	2012
2013	2,068,149.52		2,525,000.00	1,692,084.64	52,229.68	-	1,670,590.96	1,164,764.28	(13,479.96)	*-0.29%*	2013
TOTAL Pre-2014	**$ 6,280,604.91**	**$ -**	**$ 3,773,000.00**	**$ 3,116,962.74**	**$ 120,979.68**	**$ -**	**$ 3,322,412.87**	**$ 4,669,344.18**	**$ 1,176,094.56**	*11.70%*	
2014	-	-	-	2,769,774.00	348,618.89	2,360.44	3,951,087.29	333,369.72			2014
GRAND TOTAL	**$ 6,280,604.91**	**$ -**	**$ 3,773,000.00**	**$ 5,886,736.74**	**$ 469,598.57**	**$ 2,360.44**	**$ 7,273,500.16**	**$ 5,002,713.90**	**$ 1,176,094.56**	*11.70%*	

- EXHIBIT 4 -

Sunshine State Insurance Company
CLAIM DEVELOPMENT on 2013 Year End Direct & Assumed Reserves

	- LAE -									
	(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*equals sum of columns (d-h) less sum of (a-c)*	
	source: SSIC 12-2013 Loss Master	*source: SSIC 2013 AnnStmt Sch P Summary*		*source: SSIC 05-2014 Loss Master*	*source: 06-03-14 SSIC Claims ISSUED NCA*	*source: SSIC Builders Risk Claims Log*	*source: Claim file provided by Guaranty Fund as of 11-30-2015*			
	LAE Case Reserves per 2013 AnnStmt	**LAE IBNR per 2013 AnnStmt**	**Adjusting & Other Unpaid LAE per 2013 AnnStmt**	**Sunshine pymts 1/1-5/31/2014 LAE Pymts**	**Sunshine pymts 6/1-6/3/2014 LAE Pymts**	**Sunshine pymts 1/1-6/3/2014 Loss Pymts**	**Guaranty Fund LAE Pymts**	**Guaranty Fund Ending LAE Reserves**	**2013 Y/E LAE Reserves (Redundancy) Deficiency**	
ACCIDENT YEAR										***Variance***
2004	$ 34,369.18	$ 10,000.00	$ -	$ 8,250.79	$ -	$ -	$ 131.00	$ -	$ (35,987.39)	*-81.11%*
2005	38,365.20	21,000.00	-	58,437.68	-	-	116,828.48	289,349.52	405,250.48	*682.64%*
2006	-	2,000.00	-	347.46	-	-	-	-	(1,652.54)	*-82.63%*
2007	7,625.62	3,000.00	1,000.00	2,300.11	-	-	4,707.00	20,386.00	15,767.49	*135.63%*
2008	107,862.43	39,000.00	6,000.00	34,309.11	2,546.52	-	30,482.50	191,131.50	105,607.20	*69.09%*
2009	85,852.40	33,000.00	12,000.00	34,606.68	3,169.20	-	95,922.10	292,686.76	295,532.34	*225.85%*
2010	198,179.74	14,000.00	-	98,396.08	1,472.50	-	122,190.82	237,962.97	247,842.63	*116.81%*
2011	186,835.82	18,000.00	-	134,359.04	5,225.93	-	107,695.97	231,470.26	273,915.38	*133.72%*
2012	145,445.09	68,000.00	-	78,257.95	852.00	-	108,432.00	142,897.41	116,994.27	*54.81%*
2013	188,778.49	504,000.00	406,000.00	116,834.14	2,665.55	-	166,494.55	263,173.93	(549,610.32)	*-50.02%*
TOTAL Pre-2014	**$ 993,313.97**	**$ 712,000.00**	**$ 425,000.00**	**$ 566,099.04**	**$ 15,931.70**	**$ -**	**$ 752,884.42**	**$ 1,669,058.35**	**$ 873,659.54**	*41.01%*
2014	-	-	-	112,054.56	9,597.10	5.60	320,250.03	128,418.25		
GRAND TOTAL	**$ 993,313.97**	**$ 712,000.00**	**$ 425,000.00**	**$ 678,153.60**	**$ 25,528.80**	**$ 5.60**	**$ 1,073,134.45**	**$ 1,797,476.60**	**$ 873,659.54**	*41.01%*

- EXHIBIT 4 -

Sunshine State Insurance Company
DEVELOPMENT on 2013 Year End Direct & Assumed Reserves

		- TOTAL LOSS AND LAE -						
		(a)	*(b)*	*(c)*	*(d)*	*equals sum of columns (b-d) less column (a)*		
		2013 AnnStmt - Direct and Assumed Claims	*SSIC claim payments in 2014*	*Claim file provided by Guaranty Fund as of 11-30-2015*				
		SSIC Opening Reserves as of 12/31/2013	**Sunshine pymts 1/1-6/3/2014 Claim Pymts**	**Guaranty Fund Pymts 6/4/2014-11/30/2015**	**Guaranty Fund Ending Reserves as of 11/30/2015**	**2013 Y/E Reserves (Redundancy) Deficiency**		
ACCIDENT YEAR	**A/Y**						***Variance***	**A/Y**
2004	2004	$ 166,369.18	$ 110,750.79	$ 131.00	$ -	$ (55,487.39)	*-33.35%*	2004
2005	2005	257,365.20	58,437.68	159,745.22	591,039.52	551,857.22	*214.43%*	2005
2006	2006	12,000.00	347.46	-	-	(11,652.54)	*-97.10%*	2006
2007	2007	53,625.62	11,750.87	4,707.00	45,386.00	8,218.25	*15.33%*	2007
2008	2008	800,862.43	277,305.47	170,282.50	827,531.50	474,257.04	*59.22%*	2008
2009	2009	913,314.48	170,570.65	209,350.98	968,788.76	435,395.91	*47.67%*	2009
2010	2010	1,256,679.74	358,192.65	503,345.51	644,607.99	249,466.41	*19.85%*	2010
2011	2011	1,549,596.18	636,627.32	517,832.06	1,175,211.14	780,074.34	*50.34%*	2011
2012	2012	1,482,178.04	332,176.26	672,817.51	657,899.41	180,715.14	*12.19%*	2012
2013	2013	5,691,928.01	1,863,814.01	1,837,085.51	1,427,938.21	(563,090.28)	*-9.89%*	2013
TOTAL Pre-2014		**$ 12,183,918.88**	**$ 3,819,973.16**	**$ 4,075,297.29**	**$ 6,338,402.53**	**$ 2,049,754.10**	*16.82%*	
2014	2014	-	3,242,410.59	4,271,337.32	461,787.97			2014
GRAND TOTAL		**$ 12,183,918.88**	**$ 7,062,383.75**	**$ 8,346,634.61**	**$ 6,800,190.50**	**$ 2,049,754.10**	*16.82%*	

- EXHIBIT 4 -

EXHIBIT 5 DOCUMENTS PROVIDED TO NOBLE

Auditor workpapers: Johnson Lambert

- For the completed audit years of 2008, 2009, 2010, 2011, and 2012
- For the commenced but unconcluded audit year of 2013
- Statutory Financial Statement only; no General Accepted Accounting Principles (GAAP) workpapers for the consolidated financial statement audit

Outside accountants' files: CSC

- Accounting workpapers for the years of 2009, 2010, 2011, 2012, 2013 and through May 2014
- Emails for the corresponding period

Company emails for:

- Joe Braunstein, President & CEO
- Steve Korducki, former President & CEO
- Rick Ervin, CFO
- Phil Dragotto, acting CFO
- Valerie Troup, accounting manager

Company files:

- An entire reproduction of the Company file server
- Login access to Freedom General Ledger (now StoneRiver) at the DFS office

FL Dept of Financial Services files:

- TeamMate database for the 2011 Quinquennial Financial Examination
- TeamMate database for the 2013 Limited Scope Examination
- "Whistleblower" report and workpapers from Alvarez & Marsal
- Office of Insurance Regulation emails regarding or with SSIC

FL Dept of Financial Services obtained files:

- Claim data file from FIGA as of November 30, 2014
- Select individual claims' adjustor file notes from FIGA
- SSIC Builders Risk Claim Log from block of business transferred to another carrier