

**ORGANIZATIONAL EXAMINATION**  
**OF**  
**TFG INDEMNITY INSURANCE COMPANY**  
**AS OF**  
**NOVEMBER 14, 2024**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION  
OF  
TFG INDEMNITY INSURANCE COMPANY  
AS OF  
NOVEMBER 14, 2024

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 10 day of December, 2024

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November 14, 2024

Honorable Trinidad Navarro  
Insurance Commissioner  
State of Delaware  
1351 West North Street, Suite 201  
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Examination Certification No. 24.912, dated September 23, 2024, an Organizational Examination has been conducted of

**TFG Indemnity Insurance Company**

hereinafter referred to as TFGIIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock property and casualty surplus lines insurance company.

The Company's registered agent is Corporate Creations Network, Inc. with its registered office located at 1521 Concord Pike, Suite 201, Wilmington, Delaware 19803. The Company's administrative office address is located at 10751 Deerwood Park Boulevard, Suite 200, Jacksonville, Florida 32256.

The report of such examination is respectfully submitted herewith.

**SCOPE OF EXAMINATION**

This organizational examination was conducted in conjunction with the Company's application for a surplus lines property and casualty insurer Certificate of Authority in the State of

Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of November 14, 2024, have been reviewed.

### **HISTORY**

The Company was incorporated on June 12, 2024, under the laws of the State of Delaware and is authorized to issue twenty thousand (20,000) common shares with \$100 par value per share.

The Company issued the following common stock certificate to LOTS Intermediate Co.:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Total</u>
#1	<u>20,000</u>	6/12/2024	<u>\$2,000,000</u>	<u>\$15,000,000</u>	<u>\$17,000,000</u>
	<u>20,000</u>		<u>\$2,000,000</u>	<u>\$15,000,000</u>	<u>\$17,000,000</u>

### **MANAGEMENT AND CONTROL**

#### **Board of Directors**

In accordance with its bylaws, adopted June 12, 2024, the business and affairs of the Company shall be managed by a Board of Directors (Board). The number of directors shall be no less than five members and no more than fifteen members and may be fixed or changed from time to time by the shareholder or the Board. The directors are to be elected at the annual meeting of the Company's shareholder and shall hold office until their successor shall be elected and qualified.

The director serving as of the examination date were as follows:

Richard S. Kahlbaugh, Chair  
Michael Vrban  
John G. Short  
Edward J. Pena  
Mark E. Rattner  
Abigail E. Taylor

#### **Committees of the Board of Directors**

No committees of the Board have been constituted as of the examination date.

Officers

In accordance with its bylaws, the officers of the Company shall be a President, Secretary, Treasurer, one or more Vice-Presidents, Assistant Secretaries, Assistant Treasurers and any other officers as deemed appropriate, who shall be elected annually and hold office until their successors are elected and qualified. Any two offices may be held by the same person. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Richard S. Kahlbaugh	President and Chief Executive Officer
John G. Short	Secretary
Michael Vrban	Treasurer

The Company completed the National Association of Insurance Commissioners (NAIC) Form 11 - Biographical Affidavit for the director and officer noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective November 1, 2024.

A conflict of interest statement was completed by each of the directors and executive officers noted above. There were no material conflicts of interest disclosed.

**HOLDING COMPANY SYSTEM**

At formation, the Company became a member of an Insurance Holding Company System pursuant to 18 *Del. C.* §5001(3), which states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.”

An abbreviated presentation of the holding company system as of November 14, 2024, is as follows (ownership of subsidiaries is 100% unless otherwise noted):

<u>Company</u>	<u>Domicile</u>
Tiptree, Inc. (Tiptree){1}	Maryland
Tiptree Holdings, LLC (THL)	Delaware
The Fortegra Group, Inc. {2} (Fortegra)	Delaware
Fortegra Financial Corporation (FFC)	Delaware
LOTS Intermediate Co (LOTS Intermediate)	Delaware
LOTSolutions, Inc. (LOTSolutions)	Georgia
Fortegra Indemnity Insurance Company, Ltd. (FIICL)	Turks & Caicos
<b>TFG Indemnity Insurance Company</b>	Delaware

{1} Tiptree is a publicly-traded company. Michael G. Barnes beneficially owns 27% of Tiptree common stock. Mr. Barnes has not filed a disclaimer of affiliation with the Delaware Department of Insurance (Department) as of November 15, 2024. In effect, Mr. Barnes is the ultimate controlling entity of the Company with 19.76% beneficial ownership interest (calculated as 27% X 100% X 73.2% X 100% X 100%). Other than Mr. Barnes, no other person or entity owns or controls greater than 10% of Tiptree.

{2} Fortegra is 73.2% owned by THL, 24.1% owned by WP Falcon Aggregator, P.C. (WP Falcon), and 2.7% by management of Fortegra. Pursuant to the Warburg Pincus & Company (WB & Co) Delegation Certificate, effective October 11, 2021, the direct and indirect control persons of WP Falcon have delegated authority over decisions with respect to Fortegra to a committee called the Financial Services Investment Management Group (FIG IMG). There are six members on the FIG IMG. All decisions of the FIG IMG attendant to WP Falcon's ownership of voting securities of Fortegra require the approval of at least a majority of the FIG IMG members. Thus, no single individual of FIG IMG has the ability to control any decision of the FIG IMG with respect to WP Falcon's 24.1% investment in Fortegra.

### **FIDELITY BOND**

The Company is covered by a financial institution bond as a subsidiary of FFC through a policy issued by Federal Insurance Company with an aggregate liability limit of \$10,000,000 and a single loss deductible of \$250,000. Based on the Company's pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$900,000 at year-end 2025, \$1,000,000 at year-end 2026, and \$1,000,000 at year-end 2027.

### **AGREEMENTS**

#### **Affiliated**

As of the examination date, the Company is not a party to any affiliated agreements.

However, upon licensure, the Company intends to become a party to the Amended and Restated Tax Sharing Agreement with The Fortegra Group, Inc. and various subsidiaries effective for the tax year beginning 2025.

Upon licensure, the Company intends to become a party to the Administrative Services Agreement with affiliate LOTSolutions, whereby LOTSolutions will provide the following administrative and operational services to the Company: compliance, systems, operations, employees, funds, records.

Upon licensure, the Company intends to become a party to the Administrative Services Agreement with affiliate LOTSolutions, whereby LOTSolutions will provide the following third-party administrator (TPA) services to the Company: underwriting, issuance of policies, endorsements to policies and adjudication of claims.

Upon licensure, the Company intends to become a party to the Master Asset Transfer Agreement among several LOTS Intermediate subsidiaries, whereby the parties to the agreement may transfer assets to each other from time to time, subject to specific provisions outlines in the agreement, including regulatory approval when required.

Investments will be directed by the Investment Committee of the Company's Board. However, upon licensure, the Company intends to become a party to an Investment Management Services Agreement with affiliate Tiptree Advisors, LLC (Tiptree Advisors), whereby Tiptree Advisors will serve as the Company's investment manager.

**Affiliated agreements and significant affiliated transactions require a Form D filing with and approval from the Department prior to becoming effective.**

Unaffiliated

As of the examination date, the Company is not yet a party to a custodial agreement.

Blackrock Financial Management may also serve as investment manager for the Company's investments.



## **PLAN OF OPERATION**

The Company plans to insure risks declined by standard underwriting companies or otherwise outside the risk appetite and pricing process of traditional admitted insurance carriers. The Company will write commercial property and casualty business only on an excess and surplus lines basis, with a focus on non-standard, unique and specialized capacity risks in the commercial general liability and commercial property segments. The Company will offer the following coverages: contractual liability insurance; other liability insurance including general liability and general casualty; employment practices liability and other professional liability (errors and omissions); management liability insurance; motor truck cargo insurance and commercial auto physical damage.

The Company will focus primarily on claims-made business, concentrating on smaller risks where the policy premiums are \$5 million or less and risk date inception where possible, so limiting prior acts. Policy limits will also be managed to the \$1 million/\$2 million range in niche businesses.

## **REINSURANCE**

As of the examination date, the Company is not a party to any reinsurance agreements, affiliated or unaffiliated.

However, upon licensure, the Company intends to enter into quota share and excess of loss reinsurance agreements with affiliate FIICL, a reinsurer domiciled in Turks and Caicos.

**Affiliated agreements and significant affiliated transactions require a Form D filing with and approval from the Department prior to becoming effective.**

**CAPITAL AND SURPLUS REQUIREMENTS**

18 *Del. C.* §511(a) requires \$650,000 as the minimum common capital stock for a stock insurance company authorized to write multiple lines property and casualty insurance. 18 *Del. C.* §1932(a) requires \$15,000,000 as the minimum policyholder surplus for a domestic surplus lines insurer. The Delaware Domestic/Foreign Insurers Bulletin No. 45 effective October 14, 2011, requires that newly-formed Delaware domestic surplus lines insurers have \$15,000,000 as the minimum capital and surplus. The Company has met the minimum required amounts for this examination as follows:

Common Capital Stock	\$ 2,000,000
Gross Paid-in and Contributed Surplus	<u>15,000,000</u>
Capital and Surplus as Regards Policyholders	<u>\$17,000,000</u>

**FINANCIAL DATA**

The financial position of the Company as of November 14, 2024, as determined by this organizational examination, was as follows:

<u>Assets</u>		<u>Note</u>
Bonds	\$ 0	
Cash, Cash Equivalents and Short-term Investments	<u>17,000,000</u>	1
Total Admitted Assets	<u>\$17,000,000</u>	
<u>Liabilities, Capital and Surplus</u>		
General Expenses Due and Accrued	\$ 0	
Total Liabilities	<u>\$ 0</u>	
Common Capital Stock	\$ 2,000,000	
Gross Paid In and Contributed Surplus	15,000,000	
Unassigned Funds	<u>0</u>	
Capital and Surplus as Regards Policyholders	<u>\$17,000,000</u>	
Total Liabilities, Capital and Surplus	<u>\$17,000,000</u>	

**NOTES TO FINANCIAL STATEMENTS**

Note 1	Cash, Cash Equivalents and Short-term Investments	\$17,000,000
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The reported balance of \$17,000,000 consists of cash held in an operating checking account at Fifth Third Bank, which was confirmed directly with the financial institution.

**RECOMMENDATIONS**

The following recommendations are made as a result of this examination:

<u>Agreements - Affiliated</u>	Page 6
<u>Reinsurance</u>	Page 7

**Affiliated agreements and significant affiliated transactions require a Form D filing with and approval from the Department prior to becoming effective.**

**CONCLUSION**

Based on the organizational examination conducted as of November 14, 2024, the financial condition of the Company is as follows:

Assets	\$17,000,000
Liabilities	\$ 0
Capital and Surplus as Regards Policyholders	\$17,000,000

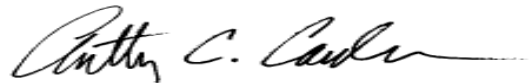
Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully submitted,



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Andrew E. Chiodini, CFE  
Examiner In-Charge  
Delaware Department of Insurance




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Anthony Cardone, CFE, CPA  
Supervising Examiner  
Delaware Department of Insurance

TFG Indemnity Insurance Company

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 24.912.

A handwritten signature in black ink, reading "Andrew E. Chiodini". The signature is written in a cursive style with a prominent initial "A".

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Andrew E. Chiodini, CFE