



Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Consolidated Financial Statements and Supplemental Information Years Ended December 31, 2018 and 2017

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



**Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries**

**Consolidated Financial Statements
and Supplemental Information
Years Ended December 31, 2018 and 2017**

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Independent Auditor's Report

Board of Directors
Florida Peninsula Holdings, LLC
Boca Raton, Florida

We have audited the accompanying consolidated financial statements of Florida Peninsula Holdings, LLC and its wholly owned subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the related consolidated statements of income and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Florida Peninsula Holdings, LLC and its wholly owned subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Atlanta, Georgia
May 14, 2019

Certified Public Accountants

Consolidated Financial Statements

**Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries**

Consolidated Balance Sheets

<i>December 31,</i>	2018	2017
Assets		
Investments, at fair value		
Cash equivalents and short-term investments	\$ -	\$ 701,633
Bonds	222,099,456	227,089,171
Preferred and common stocks	1,173,755	1,507,805
Other invested assets	12,024,770	12,480,358
Total Investments, at Fair Value	235,297,981	241,778,967
Cash	54,726,196	70,407,864
Accrued investment income	1,289,836	1,472,664
Premiums receivable	13,317,703	12,959,975
Reinsurance recoverable on paid losses	28,630,185	8,382,484
Reinsurance recoverable on unpaid losses	224,241,264	212,649,107
Prepaid reinsurance premiums	92,848,555	83,469,173
Deferred policy acquisition costs	11,870,631	9,769,573
Taxes recoverable	2,784,228	10,399,645
Deferred income tax asset, net	5,435,431	2,120,712
Goodwill	3,479,391	3,479,391
Fixed assets, net of accumulated depreciation	4,659,559	1,608,872
Other assets	2,563,053	3,303,481
Total Assets	\$ 681,144,013	\$ 661,801,908
Liabilities and Members' Equity		
Liabilities		
Reserves for losses and loss adjustment expenses	\$ 327,902,793	\$ 316,968,854
Unearned premiums	165,069,779	156,141,573
Premiums collected in advance	6,098,195	5,906,015
Reinsurance premiums payable	49,393,492	43,144,013
Funds held under reinsurance treaties	3,850,593	2,025,191
Notes payable	32,526,163	37,469,942
Other liabilities	6,876,818	6,718,963
Total Liabilities	591,717,833	568,374,551
Members' Equity		
Class A members' capital	50	50
Class B members' capital	50	50
Accumulated other comprehensive (deficit) income, net of tax	(3,339,935)	1,298,762
Retained earnings	92,766,015	92,128,495
Total Members' Equity	89,426,180	93,427,357
Total Liabilities and Members' Equity	\$ 681,144,013	\$ 661,801,908

See accompanying notes to consolidated financial statements.

**Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries**

Consolidated Statements of Income and Comprehensive Income

<i>Year ended December 31,</i>	2018	2017
Revenues		
Premiums earned	\$ 123,181,702	\$ 136,776,625
Net investment income	4,990,948	4,411,585
Net realized gain	1,450,789	4,002,549
Miscellaneous income	2,689,276	2,088,517
Total Revenues	132,312,715	147,279,276
Losses and Expenses		
Losses and loss adjustment expenses incurred	74,633,338	86,398,624
Other operating costs and expenses	37,078,020	38,857,041
Depreciation expense	522,454	490,495
Amortization expense	563,935	461,079
Interest expense	2,628,984	2,731,433
Total Losses and Expenses	115,426,731	128,938,672
Income before income tax benefit	16,885,984	18,340,604
Income tax benefit	(3,251,536)	(2,977,455)
Net Income	20,137,520	21,318,059
Other Comprehensive (Loss) Income, net of taxes:		
Change in Unrealized (loss) gain on investments, net of taxes of (\$1,209,892) and \$862,750	(3,556,118)	3,515,811
Reclassification adjustments for realized gain in net income, net of taxes of \$368,210 and \$1,545,385	(1,082,579)	(2,457,165)
Total Comprehensive Income	\$ 15,498,823	\$ 22,376,705

See accompanying notes to consolidated financial statements.

**Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries**

Consolidated Statements of Changes In Members' Equity

	Members' Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Members' Equity
Balance, December 31, 2016	\$ 100	\$ 240,116	\$ 103,310,436	\$ 103,550,652
Net income	-	-	21,318,059	21,318,059
Unrealized gain on investments, net of taxes	-	1,058,646	-	1,058,646
Member distributions	-	-	(32,500,000)	(32,500,000)
Balance, December 31, 2017	\$ 100	\$ 1,298,762	\$ 92,128,495	\$ 93,427,357
Net income			20,137,520	20,137,520
Unrealized gain on investments, net of taxes		(3,556,118)		(3,556,118)
Member distributions			(19,500,000)	(19,500,000)
Balance, December 31, 2018	\$ 100	\$ (2,257,356)	\$ 92,766,015	\$ 90,508,759

See accompanying notes to consolidated financial statements.

**Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries**

Consolidated Statements of Cash Flows

<i>Year ended December 31,</i>	2018	2017
Operating Activities		
Net income	\$ 20,137,520	\$ 21,318,059
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization on fixed assets	1,086,389	951,574
Amortization on investments	1,475,836	2,373,150
Gain on sale of investments	(1,450,788)	(4,002,549)
Loss on disposition of fixed assets	65,151	34,813
Provision for deferred income taxes	(1,736,615)	1,540,253
Change in operating assets and liabilities:		
Premiums receivable	(357,728)	1,221,828
Reinsurance recoverable on paid losses	(20,247,701)	(2,157,813)
Reinsurance recoverable on unpaid losses	(11,592,157)	(170,682,379)
Prepaid reinsurance premiums	(9,379,382)	(5,989,842)
Income tax recoverable	7,615,418	(4,353,185)
Deferred policy acquisition costs	(1,153,676)	(192,498)
Accrued investment income	182,827	99,727
Other assets	344,896	(558,254)
Reserves for losses and loss adjustment expenses	11,371,003	183,009,301
Unearned premiums	8,928,206	2,573,570
Premiums collected in advance	192,179	(43,684)
Reinsurance premiums payable	6,249,479	1,367,777
Deferred ceding commission	(947,382)	157,029
Income taxes payable	-	(135,452)
Other liabilities	1,932,876	1,707,181
Net cash provided by operating activities	12,716,351	28,238,606
Investing Activities		
Proceeds from sale and maturities of investments:		
Bonds	81,684,871	129,241,892
Stocks	914,382	1,862,655
Cash equivalents and short-term investments	700,000	1,823,281
Other invested assets	68,828	68,709
Cost of investments acquired:		
Bonds	(82,510,586)	(107,084,716)
Stocks	(618,356)	(1,056,829)
Cash equivalents and short-term investments	-	(923,047)
Cost of fixed assets acquired	(4,193,379)	(465,314)
Net cash (used in) provided by investing activities	(3,954,240)	23,466,631

**Florida Peninsula Holdings, LLC
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Consolidated Statements of Cash Flows (continued)

<i>Year ended December 31,</i>	2018	2017
Financing Activities		
Policy administration setup note payable	778,236	-
Principal payments on notes payable	(5,722,015)	(5,341,779)
Member distributions	(19,500,000)	(32,500,000)
Net cash used in financing activities	(24,443,779)	(37,841,779)
Net (Decrease) Increase in Cash	(15,681,668)	13,863,458
Cash, beginning of year	70,407,864	56,544,406
Cash, end of year	\$ 54,726,196	\$ 70,407,864
Supplemental Cash Flow Information		
Cash paid for interest	\$ 2,634,497	\$ 2,606,575

See accompanying notes to consolidated financial statements.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

1. Nature of Business and Significant Accounting Policies

Nature of Business

Florida Peninsula Holdings, LLC (FPH or the Company) is the holding company for a property and casualty insurance group domiciled in the State of Florida. FPH has four wholly owned subsidiaries: Florida Peninsula Insurance Company (FPI), Florida Peninsula Managers, LLC (FPM), The Windward Insurance Agency, LLC (Windward), and Florida Peninsula Claim Services, LLC (FPCS). FPI also has one wholly owned subsidiary, Edison Insurance Company (EIC). FPH and its consolidated subsidiaries are hereinafter collectively known as the Company.

FPM is the exclusive managing general agent (MGA) of FPI and EIC (the Insurance Companies). The Insurance Companies write all business through FPM. FPM provides policy processing for the Insurance Companies including writing, collecting and servicing the policies. The Insurance Companies pay a commission to FPM for expenses incurred. The MGA agreement is for a three-year period, with an option to renew for additional two-year periods. This agreement was last renewed September 1, 2016, and was renewed again subsequent to year end in April of 2018.

Windward is the agent of record for policies written by the Insurance Companies that do not have an agent of record on the date of the take-out pursuant to the Depopulation Plan. Additionally, they are a full service independent insurance agency that sells policies in various lines including homeowners, auto, flood, and personal umbrella.

FPCS acts as an independent adjusting firm and claims vendor for both FPI and EIC. FPCS provides field adjusting services, liability claims handling and resolution of theft claims.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which, as to the insurance subsidiaries, may vary in some respects from the statutory accounting practices which are prescribed or permitted by the Florida Office of Insurance Regulation (OIR). All intercompany accounts and transactions have been eliminated in consolidation. The significant accounting policies followed by the Company and its subsidiaries are summarized below.

Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments include demand deposits with financial institutions and other highly liquid investments with original maturities of one year or less. These investments are principally stated at cost, which approximates fair value. Cash equivalents are considered investments for cash flow purposes.

Investments

Fixed maturities and equity securities are considered at the time of purchase as available-for-sale and are reported at fair value with unrealized gains and losses, net of deferred income taxes, included as a component of other comprehensive income within members' equity.

Realized capital gains and losses on investments sold are determined using the specific identification method. Realized capital losses include write-downs for impairments considered to be other than

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Notes to Consolidated Financial Statements

temporary. The Company monitors its investment portfolio to identify investments that may be other-than-temporarily impaired. Investments that have significant unrealized losses are reviewed by management for indicators of other-than-temporary impairment.

Investment income is recognized as earned, net of related investment expenses.

Premiums

Premiums written are earned pro rata over the terms of the related policies and reinsurance contracts. Unearned premium liabilities are established for the unexpired portion of premiums written and are computed on a daily pro rata method for direct business.

Premium Receivables and Credit Procedures

Premium receivables are uncollateralized customer obligations due under full payment and installment terms requiring payment by the policy due date or installment due date. Premiums unpaid by the applicable due date are given advance notice of cancellation in accordance with each state's advance notice requirements. If premiums remain unpaid after the customer receives notice, the policy is cancelled.

Deferred Policy Acquisition Costs and Deferred Ceding Commissions

Deferred policy acquisition costs are expenses that vary with and are directly related to the successful acquisition of new and renewal business, such as commissions paid to agents and premium taxes. These costs are reduced for applicable ceding allowances and the net amount is amortized over the period during which the related premiums are earned. The Company does not include investment income in its determination of premium deficiency reserves. Additional ceding commissions are recognized over the period consistent with the amortization of the related acquisition or reinsurance costs.

Reserves for Losses and Loss Adjustment Expenses

The liability for unpaid losses and loss adjustment expenses represents the estimated undiscounted liability on all claims outstanding, plus a liability for losses incurred but not reported as of the statement date. The liability for loss adjustment expenses is established as a percentage of the various classes of loss reserves. Such liabilities are necessary estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided.

The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in current operations as they occur. The reserve for losses and loss adjustment expenses is reported gross of reinsurance amounts recoverable from other insurance companies and anticipated salvage and subrogation recovery.

Reinsurance

Reinsurance premiums and amounts recoverable for ceded losses and loss adjustment expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Prepaid reinsurance premiums represent unearned premiums ceded to other insurance companies.

Reinsurance contracts do not relieve the Company from its primary obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk with respect to the individual reinsurer that participates in its ceded programs to minimize its exposure to significant losses from reinsurer insolvencies. The Company holds collateral as deemed appropriate to secure amounts recoverable from reinsurers.

Goodwill and Intangible Assets

In business combinations, including the acquisition of a group of assets, the Company allocates the purchase price to the net tangible and intangible assets acquired based on their relative fair values. Any portion of the purchase price in excess of this amount results in goodwill. Identifiable intangible assets with a finite useful life are amortized over the period that the asset is expected to contribute directly or indirectly to the future cash flows of the Company. Intangible assets and goodwill are subject to annual impairment testing or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

Loan Costs

Loan costs are capitalized and amortized over the life of the loan. Deferred costs and amortization were immaterial as of and for the years ended December 31, 2018 and 2017.

Advertising

The Company expenses advertising costs as incurred. Advertising costs were immaterial as of and for the years ended December 31, 2018 and 2017.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets which generally range from three to seven years. The Company evaluates impairment of its property and equipment annually. Any items deemed to be impaired are charged to expense in the year in which the impairment occurs.

Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under that method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and the tax basis of assets and liabilities, and are measured using the enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred tax assets are recorded net of valuation allowances, as deemed appropriate.

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Notes to Consolidated Financial Statements

Uncertain Tax Positions

The Company follows the guidance of ASC 740-10-05, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has evaluated all significant tax positions and determined that there are no situations where it is more likely than not that a position taken will not be upheld. Therefore, the Company has no liability recorded for uncertainty in income taxes. The Company's policy is to classify interest and penalties related to unrecognized tax positions in income before income tax expense (benefit). As of December 31, 2018 and 2017, the Company has no accrued interest or penalties related to unrecognized tax positions.

Other Comprehensive Income

Accumulated other comprehensive income is included within members' equity in the accompanying balance sheets and consists of changes in members' equity resulting from non-owner sources. Accumulated other comprehensive income as reported in the accompanying consolidated balance sheets represents unrealized gains and losses on available-for-sale securities, net of applicable income taxes.

Subsequent Events

The Company has evaluated all subsequent events through May 14, 2019, which is the date these financial statements were available to be issued.

Concentration of Risk

In 2018 and 2017, the Insurance Companies wrote homeowners' coverage in the State of Florida. The Insurance Companies' business could be impacted by negative effects of economic and political forces in Florida, continuing price pressure on new and renewal business, the ability to effectively manage expenses, market competition, and federal and state legislation or governmental regulations of insurance companies.

The Insurance Companies insure an area that is exposed to damage from hurricanes, tornadoes, hail and severe thunderstorms. The Insurance Companies purchase reinsurance to cover greater than the 1:100 year Probable Maximum Loss from a loss by a hurricane as prescribed by Florida statute. However, a severe storm, depending on its path, could result in losses to the Insurance Companies exceeding its reinsurance protection and could have a material adverse effect on the financial condition and results of operations of the Company.

Following are the most significant risks facing property-casualty insurers:

Legal regulatory risk is the risk that changes in the legal or regulatory environment in which an insurer operates will change and create additional loss costs or expense not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those currently recorded in the financial statements. As the Company only writes its insurance business in Florida, these risks might have a more significant impact on the Company than on a more geographically diversified insurance company.

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Credit risk is the risk that issuers of securities owned by the Company will default, or other parties, including reinsurers that owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy and by contracting with reinsurance companies that meet certain rating criteria and other qualifications. The Company also obtains letters of credit or other collateral from their reinsurers as deemed appropriate.

Interest rate risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments. The Company mitigates this risk by attempting to match the maturity schedule of its investments with the expected payout of its liabilities. To the extent that liabilities come due more quickly than investments mature, the Company would have to sell investments prior to maturity and recognize a gain or loss.

Reclassification

Certain reclassifications have been made in the 2018 financial statements to conform to the classifications in the 2017 financial statements. Such reclassifications had no impact on previously reported net income or retained earnings.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining the carrying value of investments, liabilities for loss and loss adjustment expenses and related reinsurance recoveries, and deferred acquisition costs. Although the estimates are considered reasonable, actual results could differ from those estimates.

Recently Issued Accounting Standards

Revenue Recognition - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This amendment defers the effective date of the previously issued ASU 2014-09 until the interim and annual reporting periods beginning after December 15, 2018 for non-public entities. Insurance contracts are not within the scope of ASU 2014-09; therefore, this standard would not apply to the Company's Insurance Underwriting segment. The Company does not expect to have a material impact of the adoption of ASU 2014-09 on its consolidated financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities - In January 2016, the FASB issued ASU 2016-01 that will change how entities measure certain equity investments and present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. It does not change the guidance for classifying and measuring investments in debt securities. Under the new guidance, entities will have to measure many equity investments at fair value and recognize any changes in fair value in net income unless the

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Notes to Consolidated Financial Statements

investments qualify for the new practicability exception. This includes investments in partnerships, unincorporated joint ventures and limited liability companies that do not result in consolidation and are not accounted for under the equity method. Entities will no longer be able to recognize unrealized holding gains and losses on equity securities they classify today as AFS in AOCI. Entities also will no longer be able to use the cost method of accounting for equity securities that do not have readily determinable fair values. The guidance is effective for private business entities for fiscal years beginning after December 15, 2018. The impact on the Company is expected to be immaterial.

Leases - In February 2016, the FASB issued ASU 2016-02 to improve the financial reporting of leasing transactions. Under current guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This update will require the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use asset in the statement of comprehensive income and the repayment of the principal portion of the lease liability will be classified as a financing activity while the interest component will be included in the operating section of the statement of cash flows. ASU 2016-02 is effective for annual and interim reporting periods beginning after December 15, 2019. Early adoption is permitted. Upon adoption, leases will be recognized and measured at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its consolidated financial statements.

Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment - In January 2017, the FASB issued ASU 2017-04. The provisions of this update simplify the subsequent measurement of goodwill by eliminating Step 2 from the quantitative analysis. For private entities, this guidance is effective for years beginning after December 15, 2021, including interim periods within those years. Early adoption is permitted. The Company has goodwill associated with one of the insurance subsidiaries and is subject to annual goodwill impairment testing. The adoption of this ASU is not expected to have an impact on the consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This ASU requires reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. The amount of the reclassification is the difference between the historical 35% corporate income tax rate and the newly enacted 21% corporate income tax rate. Because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws of rates be included in income from continuing operations is not affected. This ASU is effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of ASU 2018-02 on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* which addresses diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows. This guidance will require a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. Transfers between cash and cash equivalents and restricted cash and restricted cash equivalents will no longer be presented on the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2018, for non-public business

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Notes to Consolidated Financial Statements

entities, with early adoption permitted. The guidance will be adopted on a retrospective basis. As this guidance relates solely to financial statement disclosures, the adoption of ASU 2016-18, will not impact the Company's results of operations, financial condition and liquidity.

2. Investments

The amortized cost, gross unrealized gains and losses, and estimated fair value of investments in fixed maturities and preferred and common stocks are as follows:

<i>December 31, 2018</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds				
U.S. government	\$ 40,351,460	\$ 226,348	\$ (811,851)	\$ 39,765,957
States and political subdivisions	14,138,797	52,824	(270,097)	13,921,524
Corporate	100,508,741	707,942	(2,856,490)	98,360,193
Mortgage-Backed Securities				
U.S. government	15,750,682	26,045	(481,842)	15,294,885
Corporate securities	\$ 55,457,036	\$ 57,786	\$ (757,925)	\$ 54,756,897
Total Bonds	\$ 226,206,716	\$ 1,070,945	\$ (5,178,205)	\$ 222,099,456
Preferred and Common Stocks	\$ 1,195,825	\$ 4,744	\$ (26,814)	\$ 1,173,755
Other Invested Assets	\$ 12,371,634	\$ -	\$ (346,864)	\$ 12,024,770

<i>December 31, 2017</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Bonds				
U.S. government	\$ 33,278,273	\$ 3,254	\$ (717,671)	\$ 32,563,856
States and political subdivisions	27,120,676	364,710	(221,337)	27,264,049
Corporate	99,516,451	3,173,476	(465,643)	102,224,284
Mortgage-Backed Securities				
U.S. government	16,545,966	39,986	(239,291)	16,346,661
Commercial	48,972,809	88,524	(371,012)	48,690,321
Total Bonds	\$ 225,434,175	\$ 3,669,950	\$ (2,014,954)	\$ 227,089,171
Preferred and Common Stocks	\$ 1,461,455	\$ 46,887	\$ (537)	\$ 1,507,805
Other Invested Assets	\$ 12,440,462	\$ 39,896	\$ -	\$ 12,480,358
Cash Equivalents and Short-Term Investments	\$ 702,269	\$ -	\$ (636)	\$ 701,633

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Notes to Consolidated Financial Statements

The amortized cost and estimated fair value of bonds at December 31, 2018, by contractual maturities, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Due one year or less	\$ 12,177,697	\$ 12,109,237
Due after one year through five years	70,933,448	70,353,318
Due over five years through ten years	61,791,463	59,953,380
Due after ten years	10,096,390	9,631,740
Subtotal	154,998,998	152,047,675
Mortgage and asset backed securities	71,207,718	70,051,781
Total	\$ 226,206,716	\$ 222,099,456

Prepayment assumptions for mortgage-backed/asset-backed securities and collateralized mortgage obligations were generated using the purchase prepayment model. The purchase prepayment model uses a number of factors to estimate prepayment activity, including the time of year (seasonality), current levels of interest rates (refinancing incentives), economic activity (including housing turnover) and term and age of the underlying collateral (burnout, seasoning).

Proceeds from sales and maturities of investments in bonds during 2018 and 2017 and the related gross realized gains and losses on those sales were as follows:

<i>Years ended December 31,</i>	2018	2017
Proceeds	\$ 81,684,871	\$ 129,241,892
Gross gains	2,403,802	4,833,535
Gross losses	(953,014)	(823,291)

The following tables are an analysis of the fair values and gross unrealized losses aggregated by category and length of time that the securities have been in the unrealized loss position.

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Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

	Less Than 12 Months			12 Months or Greater		
	Estimated Fair Value	Unrealized Losses	# of Issuers	Estimated Fair Value	Unrealized Losses	# of Issuers
<i>December 31, 2018</i>						
U.S government	\$ 3,086,314	\$ (7,490)	2	\$ 22,008,991	\$ (804,361)	5
State and political subdivisions	3,382,288	(30,564)	6	7,918,083	(239,533)	15
Corporate bonds	56,141,245	(2,107,988)	154	22,640,925	(748,503)	82
Mortgage-backed securities	21,195,535	(291,380)	55	38,401,271	(948,388)	90
Preferred and common stocks	801,655	(26,814)	2	-	-	-
Other invested assets	12,024,770	(346,863)	1	-	-	
Total	\$ 96,631,807	\$ (2,811,099)	220	\$ 90,969,270	\$ (2,740,785)	192

	Less Than 12 Months			12 Months or Greater		
	Estimated Fair Value	Unrealized Losses	# of Issuers	Estimated Fair Value	Unrealized Losses	# of Issuers
<i>December 31, 2017</i>						
U.S government	\$ 11,271,802	\$ (130,751)	4	\$ 15,577,412	\$ (586,920)	5
State and political subdivisions	5,303,908	(49,271)	11	7,631,104	(172,066)	10
Corporate bonds	32,790,330	(283,198)	116	5,485,164	(182,445)	27
Mortgage-backed securities	32,350,801	(246,787)	74	17,707,481	(363,516)	34
Preferred and common stocks	67,844	(537)	1	-	-	-
Total	\$ 81,784,685	\$ (710,544)	206	\$ 46,401,161	\$ (1,304,947)	76

Through the Company's comprehensive evaluation, management concluded that the unrealized losses at December 31, 2018 and 2017 were caused by interest rate and temporary market fluctuations. At December 31, 2018 and 2017, the aggregate of unrealized losses related to securities rated below investment grade was not material. Based on the Company's impairment review process, the decline in value of these investments is not considered to be other-than-temporary.

There were no other-than-temporary write-downs in 2018 or 2017.

The Company has no securities with an other-than-temporary impairment wherein the Company has (a) an intent to sell or (b) an inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

The Company is required to maintain a certain amount of investments on deposit with the OIR of the State of Florida and the Department of Insurance of South Carolina. At December 31, 2018 and 2017, the approximate statement value of these investments was \$836,798 and \$829,275, respectively. As such, these items are not available for current use unless replaced by an investment with a similar value.

Other Investments

Other Invested Assets represents the Company's investment in the Eaton Vance Institutional Senior Loan Fund (the "Fund") which constitutes a portfolio of assets invested consisting of at least 80% of Senior Loans of U.S. or non-U.S. business entities. Senior Loans typically are of below investment grade quality and have below investment grade credit ratings. As of December 31, 2018, and 2017, the Company owned 1,380,571 shares with a market value of \$12,024,770 and \$12,480,358, respectively.

Fair Value Measurements

The Company has categorized its recurring basis financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs used to measure fair value may fall into different levels in the fair value hierarchy. The level within which the fair value measurement in its entirety falls have been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company has identified and disclosed its financial assets in a fair value hierarchy, which consists of the following three levels:

Level 1 - inputs utilize quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Actively traded is defined as securities that have traded within the past seven business days. Examples include a listed equity or fixed income security traded on an exchange.

Level 2 - inputs utilize indirect observable inputs including prices for similar assets and market corroborated inputs. Examples would include asset-backed and mortgage-backed securities similar to other asset-backed and mortgage-backed securities observed in the market.

Level 3 - inputs are unobservable but are significant to the fair value measurement for the asset, and include situations where there is little, if any, market activity for the asset. These inputs reflect management's own assumptions about the assumptions a market participant would use, including assumptions about risk. Examples would include a private placement with minimal liquidity or a complex derivative.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

The following tables present the Company's fair value hierarchy:

<i>December 31, 2018</i>	Level 1	Level 2	Level 3	Total
Bonds				
U.S. government	\$ 39,765,957	\$ -	\$ -	\$ 39,765,957
States and political subdivisions	-	13,921,524	-	13,921,524
Corporate bonds	-	98,360,193	-	98,360,193
Mortgage-Backed Securities				
U.S. government	15,294,885	-	-	15,294,885
Corporate securities	-	54,756,897	-	54,756,897
Total Bonds	\$ 55,060,842	\$ 167,038,614	\$ -	\$ 222,099,456
Preferred and Common Stocks	\$ -	\$ 1,173,755	\$ -	\$ 1,173,755
Other Invested Assets	\$ -	\$ 12,024,770	\$ -	\$ 12,024,770
<hr/>				
<i>December 31, 2017</i>	Level 1	Level 2	Level 3	Total
Bonds				
U.S. government	\$ 32,563,856	\$ -	\$ -	\$ 32,563,856
States and political subdivisions	-	27,264,049	-	27,264,049
Corporate bonds	-	102,224,284	-	102,224,284
Mortgage-Backed Securities				
U.S. government	16,346,661	-	-	16,346,661
Commercial	-	48,690,321	-	48,690,321
Total Bonds	\$ 48,910,517	\$ 178,178,654	\$ -	\$ 227,089,171
Preferred and Common Stocks	\$ -	\$ -	\$ -	\$ -
Other Invested Assets	\$ -	\$ 12,480,358	\$ -	\$ 12,480,358
Cash Equivalents and Short-Term Investments	\$ -	\$ 701,633	\$ -	\$ 701,633

Corporate securities include convertible preferred stocks (level 2). There were no transfers into or out of Level 2 or Level 3 investments or changes in fair value measurement approach in 2018.

The other financial instruments carried at fair value are cash, receivables and payables. The carrying value of these financial instruments approximates fair value due to their short-term nature.

The fair value of the Company's notes payable approximates the carrying value based on the current rates offered to the Company for debt of similar maturities and interest rates.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

The details of investment income, net of investment expenses, are as follows:

<i>Years ended December 31,</i>	2018	2017
Bonds	\$ 5,189,175	\$ 4,848,363
Preferred and common stocks	59,941	81,013
Other invested assets	553,877	480,174
Cash and cash equivalents	180,453	12,728
Gross investment income	5,983,446	5,422,278
Investment expenses	(992,498)	(1,010,693)
Net investment income	\$ 4,990,948	\$ 4,411,585

3. Reinsurance

Certain premiums and losses are ceded to other insurance companies through various excess of loss reinsurance agreements. The ceded reinsurance agreements are intended to provide the Company with the ability to maintain its exposure to losses within its capital resources. The treaties are effective June 1, 2018 to May 31, 2019. On November 1, 2014, the Company entered into a quota share agreement ceding 40% of its net liability to a group of unaffiliated reinsurers. The quota share was effective through November 1, 2017 unless otherwise commuted.

Effective November 1, 2017, the treaty expired, the Company elected not to reassume the ceded unearned premium in force at the time. As such, the reinsurance hereunder on business in force at the effective time and date of termination or expiration shall remain in full force and effect until expiration, cancellation or next premium anniversary of such business, whichever occurs first, but in no event beyond 18 months following the effective date of termination or expiration.

Also, effective November 1, 2017 the company entered into a quota share agreement ceding 40% of its net liability to a group of unaffiliated reinsurers. The agreement is comprised of reinsurers participating in a one-year and two-year duration with expirations November 1, 2018 and 2019, respectively.

Additionally, effective November 1, 2018 the Company renewed the 1-year quota share agreement ceding 40% of its net liability, for policies written on or after November 1, 2018, to a group of unaffiliated reinsurers. The agreement is comprised of reinsurers participating in a 1-year and 2-year duration with an expiration of November 1, 2019.

These reinsurance agreements do not relieve the Company from its primary obligation to policyholders, as it remains liable to its policyholders to the extent that any reinsurer does not meet its obligations for reinsurance ceded to it under reinsurance contracts.

Therefore, the Company is subject to credit risk with respect to the obligations of its reinsurers, and any failure on the part of these reinsurers could have a material adverse effect on the Company's business, financial condition and results of operations.

To minimize the Company's exposure to losses from catastrophes, primarily hurricanes, the Company has entered into various catastrophe excess of loss agreements, in addition to its mandatory participation in the Florida Hurricane Catastrophe Fund (FHCF).

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

The Company's catastrophe reinsurance is intended to provide the following coverage in the event of a named hurricane for those policies assumed by the Company in connection with the Company's Takeout Premiums with Citizens, including renewals of these policies, and to direct policies written during the term of the contract.

For the treaty period June 1, 2018 through May 31, 2019, the primary catastrophe excess of loss reinsurance agreement has the following retention and limits:

	Coverage	In Excess of	Participation
Underlying Layer	\$ 10,000,000	\$ 15,000,000	100%
1st Layer	55,000,000	25,000,000	100
2nd Layer	115,000,000	80,000,000	100
3rd Layer	55,000,000	195,000,000	100
4th Layer	45,400,000	250,000,000	100

Additionally, on June 1, 2018, the Company purchased two 100% excess of loss top and drop contracts that provide \$31,000,000 in excess of \$25,000,000 and \$25,000,000 in excess of \$25,000,000 for coverage of aggregate direct losses incurred for the period.

For the treaty period June 1, 2017 through May 31, 2018, the primary catastrophe excess of loss reinsurance agreement has the following retention and limits:

	Coverage	In Excess of	Participation
1st Layer	\$ 45,000,000	\$ 25,000,000	100%
2nd Layer	98,000,000	70,000,000	100
3rd Layer	48,000,000	168,000,000	100

Additionally, on June 1, 2017, the Company purchased two 100% excess of loss top and drop contracts that provide \$31,000,000 in excess of \$25,000,000 and \$25,000,000 in excess of \$25,000,000 for coverage of aggregate direct losses incurred for the period.

In 2017, the Company maintained a reduced coverage option in the FHCF from 90% to 45% and chose to place the other 45% in the private market. The ultimate net loss for each of the above layers will include any recoveries from the FHCF or so deemed. The FHCF provides catastrophe coverage for named hurricanes up to a maximum limit of 45% of the amount of ultimate losses in the layer as determined by a premium formula. The Company's projected maximum payout from the FHCF is \$290,558,979 and \$296,338,493, with retention of \$200,327,650 and \$195,998,487 for the years ended December 31, 2018 and 2017 catastrophe periods, respectively. The privately placed FHCF, which provides coverage for both FPI and its wholly owned subsidiary, EIC, has a liability limit of \$291,849,509, with retention of \$282,384,657.

In 2018 and 2017, the Company entered into a reinstatement premium protection arrangement in respect of the Company's multi-layer catastrophe excess of loss contracts as described above.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

The effects of reinsurance on premiums written and earned are as follows:

	2018		2017	
	<i>Written</i>	<i>Earned</i>	<i>Written</i>	<i>Earned</i>
Direct and assumed premiums	\$ 323,597,402	\$ 314,669,196	\$ 308,488,090	\$ 305,914,519
Ceded premiums	(200,866,876)	(191,487,494)	(175,127,736)	(169,137,894)
Net premiums	\$ 122,730,526	\$ 123,181,702	\$ 133,360,354	\$ 136,776,625

The Company had ceded losses and loss adjustment expenses of \$248,877,424 and \$362,497,274 in 2018 and 2017, respectively. On October 7, 2018 Hurricane Michael made landfall in Florida. The Company has booked an estimated gross loss of \$150 million with a retention of \$9 million. On September 10, 2017 Hurricane Irma made landfall in Florida. The Company has booked an estimated gross loss of \$350 million with a retention of \$9 million. The significant increases in ceded loss and loss adjustment expenses are largely attributed to losses incurred by Hurricane Irma.

4. Fixed Assets

Fixed assets as of December 31, 2018 and 2017 are summarized as follows:

<i>December 31,</i>	2018	2017
Leasehold improvements	\$ 556,743	\$ 499,893
Furniture and fixtures	769,877	682,258
Policy admin and BPO setup	3,265,593	-
Website development	541,229	426,499
EDP equipment and software	2,492,479	2,262,273
	7,625,921	3,870,923
Less accumulated depreciation and amortization	(2,966,362)	(2,262,051)
Fixed assets, net	\$ 4,659,559	\$ 1,608,872

Depreciation and amortization expenses for the years ended December 31, 2018 and 2017 were \$1,086,389 and \$951,574, respectively.

5. Income Taxes

The insurance companies file a consolidated 1120PC federal income tax return as C corporations. FPH, FPM, FPCS and WIA are limited liability companies and any taxable income is taxed to the members at their personal level.

Total income tax expense is comprised of the following:

<i>Years ended December 31,</i>	2018	2017
Current income tax benefit	\$ (1,438,439)	\$ (4,448,849)
Change in deferred income tax (benefit) expense	(1,736,615)	1,540,253
Prior year over accrual of income tax	(76,482)	(68,859)
Total income tax benefit	\$ (3,251,536)	\$ (2,977,455)

**Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries**

Notes to Consolidated Financial Statements

The components of the Insurance Companies' net deferred income tax assets and deferred tax liabilities are as follows:

<i>December 31,</i>	2018	2017
Total of all deferred tax assets	\$ 9,142,367	\$ 5,360,948
Total of all deferred tax liabilities	(3,706,936)	(3,240,236)
Net deferred income tax asset	\$ 5,435,431	\$ 2,120,712

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

<i>December 31,</i>	2018	2017
Deferred Tax Assets		
Discounting of unpaid losses	\$ 1,586,882	\$ 1,132,070
Unearned premiums reserve	3,666,599	3,689,506
Net operating losses	2,138,514	-
Unrealized loss	1,136,259	73,730
Other	614,113	465,642
Total Deferred Tax Assets	9,142,367	5,360,948
Deferred Tax Liabilities		
Unrealized gain	-	515,575
Deferred acquisition costs	3,013,300	2,479,958
Other	693,636	244,703
Total Deferred Tax Liabilities	3,706,936	3,240,236
Net Deferred Income Tax Asset	\$ 5,435,431	\$ 2,120,712

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Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

The Company's actual income tax rates, expressed as a percent of net income before income tax expense, vary from statutory federal income tax rates due to the following:

<i>Year ended December 31,</i>	2018		2017	
	Amount	Rate	Amount	Rate
Income before taxes	\$ 16,885,985		\$ 28,340,604	
Members' income taxed at personal level	(26,507,520)		(39,497,699)	
Insurance companies loss before taxes	(9,621,535)		(11,157,095)	
Income tax benefit at statutory rate	(2,020,522)	21%	(3,904,983)	35%
Deferred re-measurement	-	0%	1,110,266	-10%
Meals and entertainment	-	0%	1,240	0%
State income tax expense (benefit)	555,708	-6%	(630,413)	6%
Other	(1,692,266)	18%	515,294	-5%
True-up related to prior years	(94,455)	1%	(68,859)	1%
Income tax expense	\$ (3,251,535)	34%	\$ (2,977,455)	27%

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the Tax Act). The Tax Act makes broad and significantly complex changes to the U.S. corporate income tax system, including, but not limited to reducing the U.S. federal corporate income tax rate from 35% to 21%. The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which temporary differences are expected to be recovered or paid. Accordingly, the Company's deferred tax assets and liabilities were re-measured to reflect the reduction in the U.S. federal corporate tax rate from 35% to 21%, resulting in a decrease to net deferred tax assets of \$1,110,266.

The FASB and NAIC have announced they will follow Staff Accounting Bulletin No. 118 (SAB 118), which allows companies to recognize the cumulative impact of the income tax effects triggered by the enactment of the Tax Reform Act over a period of up to 12 months in the reporting period in which the adjustment is identified. The Company did not apply SAB 118 effective December 22, 2017, since no adjustment to the measurement of its net deferred tax balance was needed during the preparation of its 2018 tax return.

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**Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries**

Notes to Consolidated Financial Statements

6. Loss and Loss Adjustment Expenses

Activity in the reserve for loss and loss adjustment expenses is summarized as follows:

<i>December 31,</i>	2018	2017
Balances at January 1	\$ 316,968,853	\$ 134,377,777
Less reinsurance recoverables	(212,649,107)	(41,966,728)
Net Balances at January 1	104,319,746	92,411,049
Incurred Related to		
Current year	84,720,194	83,411,309
Prior years	(10,086,856)	2,987,315
Total Incurred	74,633,338	86,398,624
Paid Related to		
Current year	41,709,348	34,476,276
Prior years	33,582,207	40,013,650
Total Incurred	75,291,555	74,489,926
Net balances at December 31	103,661,529	104,319,747
Less reinsurance recoverables	224,241,264	212,649,107
Balances at December 31	\$ 327,902,793	\$ 316,968,854

As a result of changes in estimates of insured events in prior years, the provision of losses and loss adjustment expenses decreased by \$10,086,856 and increased by \$2,987,315 in 2018 and 2017, respectively. Typically, increases or decreases of this nature occur as the result of claim settlements during the current year, and additional information received regarding individual claims causing changes from the original estimates of the cost of these claims. Recent loss development trends are also taken into account in evaluating the overall adequacy of unpaid losses and loss adjustment expenses.

Short-Duration Insurance Contracts

The following is information about incurred and paid claims development as of December 31, 2018, net of reinsurance, as well as cumulative claim frequency and the total of incurred but not reported liabilities plus expected development on reported claims included within the net incurred claims amounts.

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Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

Homeowners' insurance (in thousands):

Accident Year	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										As of December 31, 2018		
	For the Years Ended December 31,										Incurred but Not Reported Liabilities, Net of Reinsurance	Cumulative Number of Reported Claims	
	2009	2010	2011	2012	unaudited		2014	2015	2016	2017			2018
Prior	\$ 7,520	\$ 11,660	\$ 14,242	\$ 15,727	\$ 16,205	\$ 16,535	\$ 16,704	\$ 16,772	\$ 16,689	\$ 16,702	\$ 16,702	\$ 0	-
2009	53,149	65,560	65,979	69,427	70,498	70,858	71,225	71,454	71,612	71,617	71,617	88	6,417
2010	-	57,620	59,513	62,894	63,085	63,396	65,348	65,943	68,071	68,056	68,056	324	5,533
2011	-	-	38,749	38,635	39,466	40,235	42,550	44,232	45,703	45,725	45,725	683	4,776
2012	-	-	-	41,312	40,806	39,979	33,288	32,545	34,683	33,977	33,977	83	6,014
2013	-	-	-	-	47,675	45,910	42,456	41,189	36,698	36,385	36,385	1,730	6,278
2014	-	-	-	-	-	48,238	47,320	47,229	37,024	36,944	36,944	3,322	6,343
2015	-	-	-	-	-	-	44,523	46,821	55,461	56,163	56,163	5,154	6,202
2016	-	-	-	-	-	-	-	65,378	72,431	72,802	72,802	12,129	9,885
2017	-	-	-	-	-	-	-	-	81,377	81,107	81,107	22,351	31,388
2018	-	-	-	-	-	-	-	-	-	84,144	84,144	31,929	9,070
	Total										\$ 603,620		

Homeowners' insurance (in thousands):

Accident Year	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance										
	For the Years Ended December 31,										
	2009	2010	2011	2012	unaudited		2014	2015	2016	2017	2018
Prior	\$ -	\$ 6,990	\$ 11,984	\$ 14,316	\$ 15,059	\$ 15,820	\$ 16,368	\$ 16,735	\$ 16,735	\$ 16,686	\$ 16,702
2009	25,960	50,915	59,459	66,195	68,712	70,310	70,828	71,401	71,401	71,472	71,469
2010	-	22,056	40,739	52,499	58,176	61,683	63,794	65,493	65,493	66,977	67,302
2011	-	-	14,023	20,267	30,215	35,946	41,057	43,605	43,605	44,858	44,974
2012	-	-	-	(8,494)	11,180	22,372	27,564	31,342	31,342	33,116	33,689
2013	-	-	-	-	16,734	14,516	23,670	29,772	29,772	32,294	33,876
2014	-	-	-	-	-	(6,850)	12,459	23,938	23,938	30,116	32,345
2015	-	-	-	-	-	-	18,449	34,601	34,601	44,267	49,080
2016	-	-	-	-	-	-	-	31,552	31,552	50,952	58,212
2017	-	-	-	-	-	-	-	-	-	35,843	54,239
2018	-	-	-	-	-	-	-	-	-	-	44,750
	Total										\$ 506,638
	All outstanding liabilities for 2008, net of reinsurance										-
	Liabilities for claims and claim adjustment expenses, net of reinsurance										\$ 103,631

Year 2012 and 2014 - negative amounts resulted from the commutation of reinsurance agreements

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

The following is supplementary information about average historical claims duration as of December 31, 2018:

Years	Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance									
	1	2	3	4	5	6	7	8	9	10
Homeowners' Insurance	29.02%	61.05%	78.61%	88.83%	94.57%	97.68%	99.04%	99.81%	100.00%	100.00%

The reconciliation of the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses in the consolidated statements of income and comprehensive income is as follows:

December 31, 2018 (In thousands)

Net Outstanding Liabilities	
Homeowners' insurance	\$ 103,631
Other short-duration insurance lines	31
Liabilities for Unpaid Claims and Claim Adjustment Expenses, net of Reinsurance	
	103,662
Reinsurance Recoverable on Unpaid Claims	
Homeowners' insurance	224,241
Total Reinsurance Recoverable on Unpaid Claims	
	224,241
Total Gross Liability for Unpaid Claims and Claim Adjustment Expense	
	\$ 327,903

7. Deferred Policy Acquisition Costs

Deferred policy acquisition costs consist of amounts paid for commissions, premium taxes, and certain management fees to the servicing companies net of ceding commissions received from the reinsurers. The policy acquisition costs net of ceding commissions that the Company has capitalized and is amortizing over the effective periods of the related policies are as follows:

<i>December 31,</i>	2018	2017
Deferred policy acquisition costs at beginning of year	\$ 9,769,573	\$ 9,734,104
Net policy acquisition costs capitalized	52,179,390	48,788,510
Net policy acquisition costs amortized	(50,078,332)	(48,753,041)
Net Deferred Policy Acquisition Costs at End of Year	\$ 11,870,631	\$ 9,769,573
Gross deferred policy acquisition costs	\$ 15,970,290	\$ 14,816,614
Less deferred ceding commission	(4,099,659)	(5,047,041)
Net Deferred Policy Acquisition Costs	\$ 11,870,631	\$ 9,769,573

Amortization of deferred policy acquisition costs, net of related ceding commissions, of \$50,078,332 and \$48,753,041 for the years ended December 31, 2018 and 2017, respectively, is included in other operating costs and expenses on the consolidated statements of income.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

8. Members' Equity

FPH has Class A, Class B and Class C members. The members participate in distributions from FPH in relation to their membership interest, as described in the membership agreement.

Dividend Restrictions and Minimum Capital Requirements for Property and Casualty Insurers

Under Florida law, insurance companies may pay dividends only out of available and accumulated surplus funds derived from realized net operating profits on their business and net realized capital gains, subject to approval of the Florida OIR. No dividends were paid in 2018.

The Insurance Subsidiaries may pay approximately the following amount of dividends without regulatory approval in 2019:

Florida Peninsula Insurance Company	\$ 9,794,762
Edison Insurance Company	\$ 2,105,000

As of December 31, 2018 and 2017, FPI's statutory capital and surplus was \$97,947,617 and \$108,929,964, respectively, which exceeded the minimum required surplus as regulated by Florida Statute Section 624.408 that requires the Insurance Companies to maintain a minimum level of surplus of not less than the greater of 10% of their total liabilities or \$4,000,000. FPI reported statutory net loss of \$(5,256,989) and net income of \$(4,096,086) for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, EIC's statutory capital and surplus was \$21,050,000. EIC reported statutory net loss of \$(3,854,383) and net income of \$(2,244,190) for the years ended December 31, 2018 and 2017, respectively.

Per the consent order issued by the OIR (Case #108190-09-CO) on December 31, 2009, item #15 states that FPI shall maintain no less than \$4,000,000 in surplus for EIC at December 31, 2009. It further states that the \$4,000,000 level may be maintained so long as EIC does not write any new business without approval from the OIR. Effective September 18, 2014, the OIR issued a consent order (Case #160267-14-CO) allowing EIC to resume writing new residential property insurance policies in the State of Florida. During 2014, FPI contributed, in the form of a surplus note, \$16,000,000 of surplus into EIC as item #7 of the consent order allows. Both FPI and EIC maintain surplus as regards to policyholders as required by Section 624.408, Florida Statutes.

Risk-Based Capital

FPI and EIC are required to comply with the NAIC risk-based capital (RBC) requirements. RBC is a method of measuring the amount of capital appropriate for an insurance company to support its overall business operations in light of its size and risk profile. At December 31, 2018 and 2017, FPI's and EIC's total adjusted capital exceeds the risk-based capital company action level.

9. Goodwill

Goodwill was \$3,479,391 as of December 31, 2018 and 2017. The Company recorded this goodwill as a result of the acquisition of Edison Insurance Group in 2010.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

Goodwill is assessed for impairment on an annual basis and at any other time if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting segment below its carrying amount. Any potential impairment is identified by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting segment exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the reporting segment exceeds its fair value, a more detailed goodwill impairment assessment must be undertaken. A goodwill impairment charge is recognized to the extent that, at the reporting unit level, the carrying value of goodwill exceeds the implied fair value.

The Company assessed goodwill associated with its reporting units for recoverability at December 31, 2018 and 2017. Based on the assessment performed, the Company concluded that goodwill was recoverable at December 31, 2018 and 2017.

10. Limited Liability Company

Because FPH, FPCS, FPM and Windward are limited liability companies, no member, manager, agent or employee of the companies shall be personally liable for the debts, obligations or liabilities of the companies, whether arising in contract, tort or otherwise, or for the acts of omissions of any other member, director, manager, agent or employee of the companies, unless the individual has signed a specific personal guarantee. The duration of FPH, FPCS, FPM and Windward is perpetual.

11. Commitments and Contingencies

FPM entered into a Master Business Process Outsourcing Services Agreement with Computer Sciences Corporation (“CSC”) effective January 1, 2008 for a period of six years from the date of live processing, whereby the Company grants authority to CSC to provide insurance office support, computer software programming and data processing services. An addendum effective March 28, 2013 extended the contract for six additional years through July 31, 2020. FPM incurred expenses of \$8,868,906 and \$11,565,919 as of December 31, 2018 and 2017, respectively, under this agreement.

FPM entered into a Master Services Agreement with WNS North American Inc (“WNS”) November 10, 2017 for a period of six years, whereby the Company grants authority to WNS to provide insurance office support and data processing services. FPM incurred expenses of \$1,633,394 and \$0 as of December 31, 2018 and 2017, respectively.

The Company is subject to assessments by a Florida guaranty fund and residual market pool. The activities of these entities include collecting funds from solvent insurance companies to cover losses resulting from the insolvency or rehabilitation of other insurance companies, or deficits generated by the state residual market pools such as Citizens.

The Company’s policy is to recognize its obligation for assessments when the Company has information available to reasonably estimate its liability. Guaranty fund assessments generally are available for recoupment from policyholders and, as such, amounts assessed are recorded as a recoverable asset. During 2018 and 2017, the Company did not receive any guaranty fund assessments nor were any related amounts payable at December 31, 2018 or 2017.

**Florida Peninsula Holdings, LLC
and Its Wholly Owned Subsidiaries**

Notes to Consolidated Financial Statements

12. Notes Payable

Notes payable are summarized as follows:

	2018	2017
Note payable to Twelve Capital AG, payable in monthly principal payments plus interest at a variable rate of LIBOR plus 7% per annum (but in no event greater than 10%) beginning May 15, 2014 (effectively 8.336% at December 31, 2017) and the remaining balance due in full on May 15, 2024. Interest expense in 2018 and 2017 was \$1,569,793 and \$1,573,296, respectively.	\$ 16,099,332	\$ 18,257,617
Note payable to Transatlantic Reinsurance Company, payable in monthly principal payments plus interest at a fixed rate of 8% per annum, beginning June 15, 2014 and the remaining balance due in full on May 15, 2024. Interest expense in 2018 and 2017 was \$821,287 and \$925,715, respectively.	9,582,418	10,940,266
Note payable to WNS, payable in monthly principal payments plus interest at a fixed rate of 4% per annum, beginning March 1, 2018 and the balance due in full on January 1, 2021. Interest expense in 2018 was \$7,450.	778,237	-
Surplus note payable to the State Board of Administration of Florida, payable quarterly, with interest at a rate equivalent to the 10-year U.S. Treasury Bond rate (effectively 2.33% at December 31, 2017), with the remaining balance due in full on September 30, 2021. Payments made during the first 11 quarters of the note will represent interest-only payments. Interest expense in 2018 and 2017 was \$208,094 and \$232,421, respectively.	6,066,176	8,272,059
	\$ 32,526,163	\$ 37,469,942

The following are maturities of notes payable for each of the next five years and thereafter:

<i>Year ending December 31,</i>	<i>Amount</i>
2019	\$ 6,377,155
2020	6,741,456
2021	6,263,296
2022	4,974,539
2023	5,434,446
Thereafter	2,735,270
Total	\$ 32,526,163

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Notes to Consolidated Financial Statements

The Company's debt agreements with Transatlantic Reinsurance Company and Twelve Capital AG contains certain restrictions and covenants, as follows, with which the Company was in compliance of December 31, 2018:

- (i) The Company must maintain a combined Debt to Capital Ratio no greater than 50%.
- (ii) The Company must maintain Debt Service Coverage Ratio of no less than 200%.

13. Leases

The Company is party to various lease agreements with unrelated parties. The minimum future rental payments under these leases at December 31, 2018 were as follows:

<i>Year ending December 31,</i>	<i>Amount</i>
2019	\$ 499,357
2020	837,438
2021	858,480
2022	762,576
2023	586,362
Thereafter	1,152,948
Total	\$ 4,697,161

The Company incurred rent expense, including charges for operating expenses and taxes, of \$1,088,337 and \$842,054 for the years ended December 31, 2018 and 2017, respectively.

14. Retirement Plan

The Company has a retirement savings 401(k) plan in which substantially all employees may participate. The Company matches employees' contributions up to a maximum of 4% of the employees' contributions and also can elect to make discretionary contributions. The Company made contributions to the plan of \$423,606 and \$361,476 for the years ended December 31, 2018 and 2017, respectively.

Supplemental Information



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Independent Auditor's Report on Supplementary Information

Our audits of the consolidated financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

Atlanta, Georgia
May 14, 2019

Certified Public Accountants

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Consolidating Balance Sheet Year Ended December 31, 2018

	Florida Peninsula Holdings, LLC	Florida Peninsula Managers, LLC	Florida Peninsula Claim Services, LLC	Windward Insurance Agency, LLC	Florida Peninsula Insurance Company	Edison Insurance Company	Intercompany Elimination	Consolidated
Assets								
Investments, at fair value								
Investments in subsidiaries	\$ 49,000,000	\$ -	\$ -	\$ -	\$5,571,005	\$ -	\$ (54,571,005)	\$ -
Cash equivalents and short-term investments	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	185,178,328	36,921,128	-	222,099,456
Preferred and common stocks	-	-	-	-	1,173,755	-	-	1,173,755
Other invested assets	-	-	-	-	28,024,770	-	(16,000,000)	12,024,770
Total investments, at fair value	49,000,000	-	-	-	219,947,858	36,921,128	(70,571,005)	235,297,981
Cash	161,012	5,270,709	1,606,918	69,082	36,522,510	11,095,965	-	54,726,196
Accrued investment income	-	-	-	-	1,099,745	190,091	-	1,289,836
Premiums receivable	-	-	-	-	9,701,534	3,616,169	-	13,317,703
Reinsurance recoverable on paid losses	-	-	-	-	10,825,665	17,804,520	-	28,630,185
Reinsurance recoverable on unpaid losses	-	-	-	-	140,401,378	83,839,886	-	224,241,264
Prepaid reinsurance premiums	-	-	-	-	67,469,636	25,378,919	-	92,848,555
Deferred policy acquisition costs	-	-	-	-	8,420,655	3,449,976	-	11,870,631
Taxes recoverable	-	-	-	-	2,179,748	604,480	-	2,784,228
Deferred income tax asset, net	-	-	-	-	3,990,415	1,445,016	-	5,435,431
Goodwill	2,604,391	-	-	-	875,000	-	-	3,479,391
Intercompany receivable	5,699,861	5,310,200	-	-	-	11,647,034	(22,657,095)	-
Fixed assets, net of depreciation	-	4,659,559	-	-	-	-	-	4,659,559
Other assets	56,234	1,335,337	1,206,509	35,016	994,904	133,856	(1,198,803)	2,563,053
Total Assets	\$ 57,521,498	\$ 16,575,805	\$ 2,813,427	\$ 104,098	\$ 502,429,048	\$ 196,127,040	\$ (94,426,903)	\$ 681,144,013
Liabilities and Members' Equity								
Liabilities								
Reserves for losses and loss adjustment expenses	\$ -	\$ -	\$ -	\$ -	\$ 222,598,954	\$ 106,488,807	\$ (1,184,968)	\$ 327,902,793
Unearned premiums	-	-	-	-	114,228,069	50,841,710	-	165,069,779
Premiums collected in advance	-	-	-	-	4,420,848	1,677,347	-	6,098,195
Reinsurance premiums payable	-	-	-	-	38,169,216	11,224,276	-	49,393,492
Funds held under reinsurance treaties	-	-	-	-	3,850,593	-	-	3,850,593
Notes payable	25,681,750	778,236	-	-	6,066,177	16,000,000	(16,000,000)	32,526,163
Intercompany payable	-	5,699,861	28,061	386,744	14,759,420	1,783,009	(22,657,095)	-
Other liabilities	162,109	5,844,732	95,566	13,242	204,092	570,913	(13,836)	6,876,818
Total Liabilities	25,843,859	12,322,829	123,627	399,986	404,297,369	188,586,062	(39,855,899)	591,717,833
Members' Equity								
Class A members' capital	50	-	-	-	2,000,000	3,500,000	(5,500,000)	50
Class B members' capital	50	-	-	-	47,000,000	24,841,503	(71,841,503)	50
Accumulated other comprehensive income (loss), net of tax	-	-	-	-	(10,355,703)	(279,733)	7,295,501	(3,339,935)
Retained earnings	31,677,539	4,252,975	2,689,800	(295,888)	59,487,383	(20,520,791)	15,474,997	92,766,015
Total Members' Equity	31,677,639	4,252,975	2,689,800	(295,888)	98,131,680	7,540,979	(54,571,005)	89,426,180
Total Liabilities and Members' Equity	\$ 57,521,498	\$ 16,575,804	\$ 2,813,427	\$ 104,098	\$ 502,429,049	\$ 196,127,041	\$ (94,426,904)	\$ 681,144,013

See accompanying independent auditor's report on supplemental information.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Consolidating Balance Sheet Year Ended December 31, 2017

	<i>Florida Peninsula Holdings, LLC</i>	<i>Florida Peninsula Managers, LLC</i>	<i>Florida Peninsula Claim Services, LLC</i>	<i>Windward Insurance Agency, LLC</i>	<i>Florida Peninsula Insurance Company</i>	<i>Edison Insurance Company</i>	<i>Intercompany Elimination</i>	<i>Consolidated</i>
Assets								
Investments, at fair value								
Investments in subsidiaries	\$ 49,000,000	\$ -	\$ -	\$ -	\$ 5,571,004	\$ -	\$ (54,571,004)	\$ -
Cash equivalents and short-term investments	-	-	-	-	701,633	-	-	701,633
Bonds	-	-	-	-	190,670,056	36,419,115	-	227,089,171
Preferred and common stocks	-	-	-	-	1,507,805	-	-	1,507,805
Other invested assets	-	-	-	-	28,480,358	-	(16,000,000)	12,480,358
Total investments, at fair value	49,000,000	-	-	-	226,930,856	36,419,115	(70,571,004)	241,778,967
Cash	169,603	3,081,442	2,185,924	36,309	48,607,743	16,326,843	-	70,407,864
Accrued investment income	-	-	-	-	1,273,125	199,539	-	1,472,664
Premiums receivable	-	-	-	-	10,302,605	2,657,370	-	12,959,975
Reinsurance recoverable on paid losses	-	-	-	-	6,375,227	2,007,257	-	8,382,484
Reinsurance recoverable on unpaid losses	-	-	-	-	163,204,422	49,444,685	-	212,649,107
Prepaid reinsurance premiums	-	-	-	-	65,045,122	18,424,051	-	83,469,173
Funds held	-	-	-	-	-	-	-	-
Deferred policy acquisition costs	-	-	-	-	11,544,476	3,272,138	-	14,816,614
Taxes recoverable	-	-	-	-	9,507,952	891,693	-	10,399,645
Deferred income tax asset, net	-	-	-	-	1,571,224	549,488	-	2,120,712
Goodwill	2,604,391	-	-	-	875,000	-	-	3,479,391
Intercompany receivable	5,699,862	3,994,347	924,000	-	-	6,067,115	(16,685,324)	-
Fixed assets, net of depreciation	-	1,608,619	253	-	-	-	-	1,608,872
Other assets	66,615	1,832,713	707,483	29,274	1,242,093	112,446	(687,143)	3,303,481
Total Assets	\$ 57,540,471	\$ 10,517,121	\$ 3,817,660	\$ 65,583	\$ 546,479,845	\$ 136,371,740	\$ (87,943,471)	\$ 666,848,949
Liabilities and Members' Equity								
Liabilities								
Reserves for losses and loss adjustment expenses	\$ -	\$ -	\$ -	\$ -	\$ 253,908,862	\$ 63,691,189	\$ (631,197)	\$ 316,968,854
Unearned premiums	-	-	-	-	119,067,166	37,074,407	-	156,141,573
Premiums collected in advance	-	-	-	-	4,711,864	1,194,151	-	5,906,015
Reinsurance premiums payable	-	-	-	-	34,748,723	8,395,290	-	43,144,013
Funds held under reinsurance treaties	-	-	-	-	2,025,191	-	-	2,025,191
Deferred ceding commission	-	-	-	-	3,932,440	1,114,601	-	5,047,041
Notes payable	29,197,883	-	-	-	8,272,059	16,000,000	(16,000,000)	37,469,942
Intercompany payable	-	5,699,861	43,145	190,329	9,183,481	1,568,507	(16,685,323)	-
Other liabilities	167,621	5,141,495	174,949	8,545	841,340	440,959	(55,946)	6,718,963
Total Liabilities	29,365,504	10,841,356	218,094	198,874	436,691,126	129,479,104	(33,372,466)	573,421,592
Members' Equity								
Class A members' capital	50	-	-	-	2,000,000	3,500,000	(5,500,000)	50
Class B members' capital	50	-	-	-	47,000,000	21,366,002	(68,366,002)	50
Accumulated other comprehensive income (loss), net of tax	-	-	-	-	(2,304,514)	(216,724)	3,820,000	1,298,762
Retained earnings	28,174,867	(324,235)	3,599,566	(133,291)	63,093,233	(17,756,642)	15,474,997	92,128,495
Total Members' Equity	28,174,967	(324,235)	3,599,566	(133,291)	109,788,719	6,892,636	(54,571,005)	93,427,357
Total Liabilities and Members' Equity	\$ 57,540,471	\$ 10,517,121	\$ 3,817,660	\$ 65,583	\$ 546,479,845	\$ 136,371,740	\$ (87,943,471)	\$ 666,848,949

See accompanying independent auditor's report on supplemental information.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries

Consolidating Statement of Income and Comprehensive Income (Lender Requested Format) Year Ended December 31, 2018

	<i>Florida Peninsula Holdings, LLC</i>	<i>Florida Peninsula Managers, LLC</i>	<i>Florida Peninsula Claim Services, LLC</i>	<i>Windward Insurance Agency, LLC</i>	<i>Florida Peninsula Insurance Company</i>	<i>Edison Insurance Company</i>	<i>Intercompany Elimination</i>	<i>Consolidated</i>
Revenues								
Premiums earned	\$ -	\$ -	\$ -	\$ -	\$ 86,372,972	\$ 36,808,730	\$ -	\$ 123,181,702
Net investment income	-	-	-	-	4,290,118	700,830	-	4,990,948
Net realized gain (loss)	-	-	-	-	1,487,601	(36,812)	-	1,450,789
Commission income	-	94,254,920	-	-	-	-	(94,254,920)	-
Miscellaneous income	-	3,099,033	6,365,800	363,453	2,061,412	512,180	(9,712,602)	2,689,276
Total Revenues	-	97,353,953	6,365,800	363,453	94,212,103	37,984,928	(103,967,522)	132,312,715
Losses and Expenses								
Losses and loss adjustment expenses incurred	-	-	-	-	64,272,787	32,541,016	(22,180,465)	74,633,338
Other operating costs and expenses	8,592	69,258,454	4,275,312	526,050	35,059,049	9,737,620	(81,787,057)	37,078,020
Total Losses and Expenses	8,592	69,258,454	4,275,312	526,050	99,331,836	42,278,636	(103,967,522)	111,711,358
EBITDA (Earnings before interest, tax, depreciation and amortization)								
	(8,592)	28,095,499	2,090,488	(162,597)	(5,119,733)	(4,293,708)	-	20,601,357
Depreciation	-	522,200	254	-	-	-	-	522,454
Amortization expense	10,382	553,553	-	-	-	-	-	563,935
Interest expense	2,391,080	29,810	-	-	208,094	-	-	2,628,984
Income before income tax expense (benefit)	(2,410,054)	26,989,936	2,090,234	(162,597)	(5,327,827)	(4,293,708)	-	16,885,984
Income tax benefit	-	-	-	-	(1,721,976)	(1,529,560)	-	(3,251,536)
Net Income (Loss)	(2,410,054)	26,989,936	2,090,234	(162,597)	(3,605,851)	(2,764,148)	-	20,137,520
Comprehensive Income								
Unrealized gain (loss) on appreciation (depreciation) of investments, net of taxes	-	-	-	-	(4,575,688)	(63,009)	-	(4,638,697)
Total Comprehensive Income (Loss)	\$ (2,410,054)	\$ 26,989,936	\$ 2,090,234	\$ (162,597)	\$ (8,181,539)	\$ (2,827,157)	\$ -	\$ 15,498,823

See accompanying independent auditor's report on supplemental information.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries
Consolidating Statement of Income and Comprehensive Income (Lender Requested Format)
Year Ended December 31, 2017

	<i>Florida Peninsula Holdings, LLC</i>	<i>Florida Peninsula Managers, LLC</i>	<i>Florida Peninsula Claim Services, LLC</i>	<i>Windward Insurance Agency, LLC</i>	<i>Florida Peninsula Insurance Company</i>	<i>Edison Insurance Company</i>	<i>Intercompany Elimination</i>	<i>Consolidated</i>
Revenues								
Premiums earned	\$ -	\$ -	\$ -	\$ -	\$ 106,359,386	\$ 30,417,239	\$ -	\$ 136,776,625
Net investment income	-	40	-	-	3,968,929	442,616	-	4,411,585
Net realized gain (loss)	-	-	-	-	4,030,372	(27,823)	-	4,002,549
Commission income	-	91,638,712	-	-	-	-	(91,638,712)	-
Miscellaneous income	10,000,000	2,953,131	10,825,870	277,680	1,688,135	315,608	(23,971,907)	2,088,517
Total Revenues	10,000,000	94,591,883	10,825,870	277,680	116,046,822	31,147,640	(115,610,619)	147,279,276
Losses and Expenses								
Losses and loss adjustment expenses incurred	-	-	-	-	86,274,033	26,022,258	(25,897,667)	86,398,624
Other operating costs and expenses	8,609	65,060,781	7,271,559	406,199	38,207,435	7,615,410	(79,712,952)	38,857,041
Total Losses and Expenses	8,609	65,060,781	7,271,559	406,199	124,481,468	33,637,668	(105,610,619)	125,255,665
EBITDA (Earnings before interest, tax, depreciation and amortization)								
	9,991,391	29,531,102	3,554,311	(128,519)	(8,434,646)	(2,490,028)	(10,000,000)	22,023,611
Depreciation	-	489,282	1,213	-	-	-	-	490,495
Amortization expense	10,382	450,697	-	-	-	-	-	461,079
Interest expense	2,499,013	-	-	-	232,420	-	-	2,731,433
Income before income tax expense (benefit)	7,481,996	28,591,123	3,553,098	(128,519)	(8,667,066)	(2,490,028)	(10,000,000)	18,340,604
Income tax benefit	-	-	-	-	(2,291,629)	(685,826)	-	(2,977,455)
Net Income (Loss)	7,481,996	28,591,123	3,553,098	(128,519)	(6,375,437)	(1,804,202)	(10,000,000)	21,318,059
Comprehensive Income								
Unrealized gain (loss) on appreciation (depreciation) of investments, net of taxes	-	-	-	-	1,174,494	(115,848)	-	1,058,646
Total Comprehensive Income (Loss)	\$ 7,481,996	\$ 28,591,123	\$ 3,553,098	\$ (128,519)	\$ (5,200,943)	\$ (1,920,050)	\$ (10,000,000)	\$ 22,376,705

See accompanying independent auditor's report on supplemental information.

Florida Peninsula Holdings, LLC and Its Wholly Owned Subsidiaries
Statements of Income and Comprehensive Income (Lender Requested Format)
Year Ended December 31, 2018

<i>Year ended December 31,</i>	2018	2017
Revenues		
Premiums earned	\$ 123,181,702	\$ 136,776,625
Net investment income	4,990,948	4,411,585
Net realized gain	1,450,789	4,002,549
Miscellaneous income	2,689,276	2,088,517
Total Revenues	132,312,715	147,279,276
Losses and Expenses		
Losses and loss adjustment expenses incurred	74,633,338	86,398,624
Other operating costs and expenses	37,078,020	38,857,041
Total Losses and Expenses	111,711,358	125,255,665
EBITDA (Earnings before interest, tax, depreciation and amortization)	20,601,357	22,023,611
Depreciation	522,454	490,495
Amortization expense	563,935	461,079
Interest expense	2,628,984	2,731,433
Income before income tax benefit	16,885,984	18,340,604
Current income tax benefit	(1,514,921)	(4,517,708)
Deferred income tax (benefit) expense	(1,736,615)	1,540,253
Income tax benefit	(3,251,536)	(2,977,455)
Net Income	20,137,520	21,318,059
Other Comprehensive Income		
Unrealized (loss) gain on investments, net of taxes of \$(1,578,104) and \$290,844	(4,638,697)	1,058,646
Total Comprehensive Income	\$ 15,498,823	\$ 22,376,705

See accompanying independent auditor's report on supplemental information.