

REPORT NOTES

Our Reports are prepared using information taken directly from financial statements filed with the Florida Department of Insurance. If statement data does not meet the guidelines presented below, a "NOTE" is printed on the report. The purpose of "NOTES" is to provide the reader with an automatic application of the guidelines. An explanation of each Notes and corresponding guidelines are listed below.

The presence of "NOTES" on a Report does not mean a company is in financial trouble. Notes only indicate items that should be carefully examined. Nevertheless, the more "NOTES" the closer the company should be examined.

<u>NOTES</u>	<u>GUIDELINES</u>
NOTE 1	<u>AGENT'S BALANCES</u> Balance should not exceed of 40% of surplus (line 12).
NOTE 2	<u>LARGE CHANGES IN ASSETS OR LIABILITIES</u> Large increase (25%) or decrease (25%) on a quarterly basis.
NOTE 4	<u>PREMIUMS TO SURPLUS RATIOS</u> GROSS PREMIUM TO SURPLUS RATIO (10 TO 1 LIMIT) NET PREMIUM TO SURPLUS RATIO (4 TO 1 LIMIT) Florida Statutes prohibit Written Premiums to exceed these two ratios. Ratios are calculated (line 38) using department of insurance weight factors (.90 for property and 1.25 for casualty) and annualized against current surplus to project the year end ratios. Companies that exceed these ratios can be forced to stop writing new business.
NOTE 5	<u>LARGE CHANGES IN PREMIUMS WRITTEN</u> Large is considered to be increase or decreases of 25% or more in Premiums Written (line 13). Premiums are annualized and compared against prior year end figures. Quarterly figures are cumulative.
NOTE 6	<u>LARGE CHANGES IN CEDED REINSURANCE</u> Changes of 25% or more in Ceded Reinsurance (line 15). Ceded Reinsurance is annualized and compared against prior year end figures.
NOTE 7	<u>LOSSES</u> Continual losses under Underwriting Income (line 22).
NOTE 8	<u>OPERATING PERCENTAGES</u> If the total percentages (line 35) are greater than 100.00%, the company is losing money from operations; however, Investment income, Income Tax Adjustments and Other Adjustments may modify the effect of this concept. The percentages on lines 32 through 35 are determined by dividing earned premiums (line 17) into Losses Incurred (line 18), Loss Adjustment Expenses (line 19), and Underwriting Expenses (line 20).
NOTE 9	<u>NET INCOME/LOSS</u> Net Income or Loss are shown on line 25. Losses are an important indicator of future solvency, and a history of continued losses can be an indicator of a serious problem.
NOTE 10	<u>ADJUSTMENTS TO SURPLUS</u> Adjustments to Surplus, lines 26 to 30, are other key areas for review. <u>Unrealized Gains Line 26:</u> Usually reflects market value over book value of stock and bonds owned by the company. <u>Non-Admitted Assets Line 27:</u> Changes often reflects a write off or write down in Agent's Balances. <u>Paid in Surplus (line 29):</u> Reflects additional funds contributed to the company by owners.