REPORT OF EXAMINATION
OF THE
RESPONSE INDEMNITY COMPANY OF CALIFORNIA
AS OF
DECEMBER 31, 2014

Filed on April 29, 2016

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Los Angeles, California
March 4, 2016

Honorable Dave Jones
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

RESPONSE INDEMNITY COMPANY OF CALIFORNIA

(hereinafter also referred to as the Company) at its main administrative office located at 10151 Deerwood Park Boulevard, Building 100, Suite 500, Jacksonville, Florida 32256. The Company's statutory home office is located at 435 North Pacific Coast Highway, Suite 200, Redondo Beach, California 90277.

SCOPE OF EXAMINATION

We have performed our single-state examination of the Company. The previous examination of the Company was as of December 31, 2009. This examination covered the period from January 1, 2010 through December 31, 2014.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. The examination also included identifying and evaluating significant risks that could cause the insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination, an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

COMPANY HISTORY

The Company was incorporated on August 28, 1997 under the laws of the state of California, and commenced private passenger automobile insurance business on May 7, 1999. At that time, the Company was a wholly-owned subsidiary of Direct Response Corporation (DRC), a Delaware incorporated insurance holding company.

On February 13, 2009, Trinity Universal Insurance Company (Trinity), a Texas insurance company acquired DRC, and its subsidiaries in a cash transaction. Trinity is a wholly-owned subsidiary of Unitrin, Inc., a Delaware company.

On February 1, 2013, the Company was acquired by a Delaware corporation, LOTS Intermediate Company (LOTS Intermediate), which is a wholly-owned subsidiary of Fortegra Financial Corporation (Fortegra), a Delaware corporation publicly traded on the New York Stock Exchange. At the time of the acquisition by Fortegra, the Company had

no policies in-force and all remaining claim liabilities for previously issued policies were fully reinsured, as the Company had been in run-off since 2011.

Effective August 15, 2013, the Company requested and was granted approval to amend its Certificate of Authority to include fire, marine, and disability lines of business. In April 2014, the Company resumed writing business of private passenger non-standard automobile and credit related property products.

On December 4, 2014, Fortegra and its subsidiaries were acquired by Tiptree Operating Company, LLC, a Delaware corporation, and is ultimately controlled by Tiptree Financial, Inc., (Tiptree), a Maryland domiciled, diversified holding company, which is traded on the NASDAQ. After the acquisition, Fortegra was no longer publicly traded on the New York Stock Exchange.

Capitalization

The Company is authorized to issue 500,000 shares of its common stock with a par value of $50 per share. As of December 31, 2014, there were 52,000 shares outstanding and issued to its parent, LOTS Intermediate.

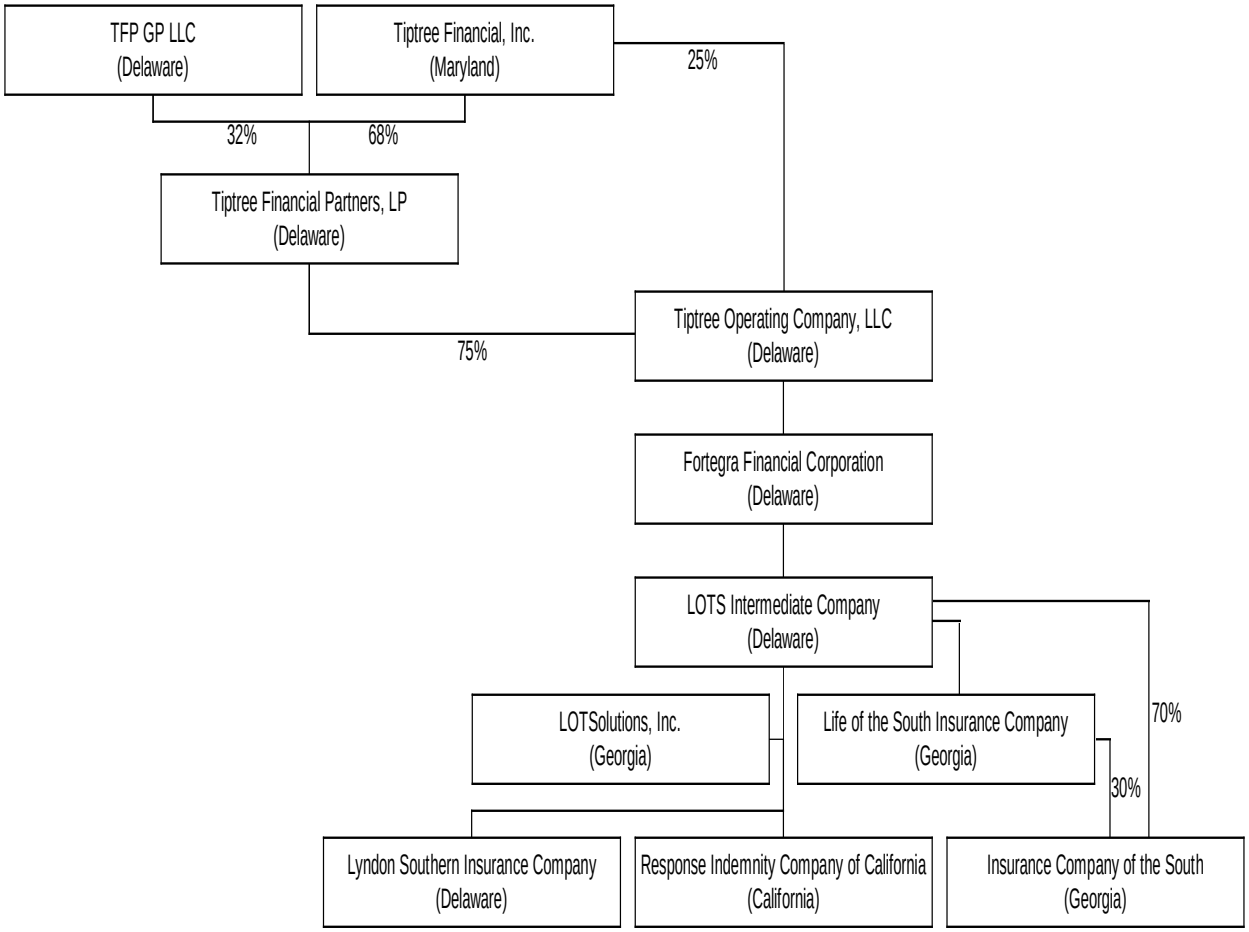
Dividends

The following dividend activity transpired prior to the February 1, 2013, acquisition of the Company by LOTS Intermediate, when the Company was a member of its former holding company system: The Company declared an ordinary dividend, an extraordinary dividend, and an extraordinary distribution during 2012 to be paid to its former parent, DRC, totaling $2.8 million. The ordinary dividend consisted of $384,747 in cash and $294,638 in securities, including accrued interest on securities for a total payment of $679,385 and was distributed on December 3, 2012. The extraordinary dividend consisted of $14,266 in cash, and the extraordinary distribution consisted of

$2,106,349 in cash, and was made on December 4, 2012. The California Department of Insurance (CDI) approved the transaction on November 16, 2012.

MANAGEMENT AND CONTROL

The Company is a member of a diversified holding company system of which Tiptree Financial, Inc. (Tiptree) is the ultimate controlling entity. Following is an abridged organizational chart that depicts the interrelationship of the companies as of December 31, 2014: (All ownership is 100% unless otherwise noted)



The four members of the Board of Directors, who are elected annually, manage the business and affairs of the Company. Following are members of the Board and principal officers of the Company serving at December 31, 2014:

Directors

Name and Location	Principal Business Affiliation
William D. Bullard Jacksonville, Florida	Executive Vice President, Automobile Fortegra Financial Corporation
Richard S. Kahlbaugh Ponte Vedra Beach, Florida	Chairman President and Chief Executive Officer Fortegra Financial Corporation
Joseph R. McCaw II Ponte Verda Beach, Florida	Executive Vice President, Credit and Warranty Fortegra Financial Corporation
Michael Vrban Ponte Verda Beach, Florida	Senior Vice President, Financial Operations Fortegra Financial Corporation

Principal Officers

Name	Title
Richard S. Kahlbaugh	Chairman and President
Christopher D. Romaine	Chief Operating Officer and Secretary
Michael Vrban	Senior Vice President and Treasurer

Management Agreements

General Service Agreement: Since 2009, the Company was party to a General Service Agreement with Unitrin Services Company (USC), an affiliate. Under the terms of this agreement, USC provided the Company the services related to its investments, tax administration, financial reporting, legal, and cash management. In return, the Company paid USC for services provided based on the premiums plus net investment income of the Company as a percentage of all affiliates of the USC and actual cost on

certain services. All expenses were charged on actual incurred or closely estimated basis. The California Department of Insurance (CDI) approved this agreement on September 25, 2009. This agreement was terminated when Fortegra Financial Corporation (Fortegra) acquired the Company in 2013. Since the Company had been in run-off since 2011, the amounts paid by the Company under the terms of this agreement were immaterial.

General Service Agreement: Since 2010, the Company was party to a General Service Agreement with Merastar Insurance Company (Merastar), an affiliate. Under the terms of the agreement, Merastar provided the Company with services such as marketing, underwriting, clam adjusting, reinsurance reporting, facilities, supplies, staffing, and accounting. The compensation was limited to actual cost without a profit factor built into cost. Shared or indirect expenses were apportioned to the Company based on cost studies and usage metrics of services provided. Direct expenses were charged on actual incurred basis. The CDI approved the agreement on March 11, 2010. This agreement was terminated when the Company was acquired by Fortegra in 2013. Since the Company had been in run-off since 2011, the amounts paid by the Company under the terms of this agreement were immaterial.

Computer Services Agreement: Since 2009, the Company was party to a Computer Services Agreement with USC, an affiliate. Under the terms of the agreement, USC provided the Company with computer data processing. In addition, USC provided the Company with consulting services, including purchase, implementation and maintenance of hardware and software. Shared or indirect expenses were apportioned to the Company based on cost studies and usage metrics of services provided. Direct expenses were charged on an actual incurred basis. The CDI approved the agreement on September 25, 2009. The agreement was terminated when Fortegra acquired the Company in 2013. Since the Company had been in run-off since 2011, the amounts paid by the Company under the terms of this agreement were immaterial.

Information Technology Services Agreement: Since 2009, the Company was party to an Information Technology Services Agreement with Unitrin Direct Property & Casualty Company (UDPC), an affiliate. Under the terms of the agreement, UDPC provided information technology services, such as information technology application and consulting services. The compensation was limited to actual cost. Shared or indirect expenses were apportioned to Company based on cost studies and usage metrics of service provided. Direct expenses were charged on an actual incurred basis. The CDI approved this agreement on December 10, 2009. This agreement was terminated in 2013 when the Company was acquired by Fortegra. Since the Company had been in run-off since 2011, the amounts paid by the Company under the terms of this agreement were immaterial.

Federal Income Tax Agreement: Since 2010, the Company was party to a Federal Income Tax Agreement with Unitrin, Inc., its then ultimate parent, and its subsidiaries. The tax liability was allocated as if the Company were filing a separate return. During 2010, 2011, and 2012, federal income taxes paid by the Company totaled $135,490, $0, and $0, respectively. The agreement was approved by the CDI on April 20, 2010. This agreement was terminated as Fortegra acquired the Company in 2013.

Tax Sharing Agreement: Effective July 1, 2013, the Company entered into a Tax Sharing Agreement with Fortegra and other affiliates. Under the terms of this agreement, allocation is based upon separate return calculations with current credit for net operating losses and other items utilized in the consolidated tax return. Fortegra is the party primarily responsible for filing and making all tax payments on behalf of the Company and its affiliates. During 2013 and 2014, federal income taxes paid by the Company totaled $0 and $94,509. The agreement was approved by the CDI on May 29, 2013.

Administrative Service Agreement: Effective February 1, 2013, an Administrative Service Agreement was executed between the Company and LOTSolutions Inc. (Solutions), an affiliate. Under the terms of the agreement, Solutions provides

administrative services relating to the production and distribution of policies including but not limited to, marketing, underwriting, policyholder services, premium collection, reinsurance, and claims handling to the Company. Reimbursements for services provided occur within fifteen days of quarter end and are based on actual costs and expenses incurred. Any indirect or shared expenses are allocated in accordance with the Statements of Statutory Accounting Principles No. 70. During 2013 and 2014, no payments were made by the Company to Solutions, as the Company had just commenced writing business after being in run-off since 2011, and it was determined that no allocation of expenses was necessary. The agreement was approved by the CDI on July 1, 2013.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2014, the Company was licensed to transact private passenger non-standard automobile business and credit property insurance business in California only. In 2014, the Company wrote $8.3 million in direct premiums.

Prior to the acquisition by LOTS Intermediate Company (LOTS), the Company was in run-off since 2011. Upon acquisition by LOTS, the Company resumed writing private passenger non-standard automobile liability and began writing credit property insurance in April 2014.

The Company uses third party administrators to solicit, underwrite, and handle claims for its automobile line of business.

REINSURANCE

Assumed

The Company has no assumed reinsurance.

Ceded

On April 1, 2014, the Company entered into a Non-Standard Automobile Quota Share Reinsurance Agreement with Church Mutual Insurance Company (CMIC), domiciled in Wisconsin and Employers Mutual Casualty Company (EMCC), domiciled in Iowa. Under the terms of the agreement, the Company cedes 80% of its non-standard automobile business to CMIC and EMCC equally. Liabilities reinsured are not to exceed $1.0 million each occurrence or $1.5 million for all occurrences.

On December 1, 2014, the Company entered into a Credit Property Quota Share Reinsurance Agreement with London Life International Reinsurance Corporation (LLIRC), domiciled in Bermuda. Under the terms of the agreement, the Company cedes 90% of its credit property business to LLIRC.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments to the amounts reported in the annual statements should be considered an integral part of the financial statements. There were no examination adjustments made to surplus as a result of the examination.

Statement of Financial Condition as of December 31, 2014

Underwriting and Investment Exhibit for the Year Ended December 31, 2014

Reconciliation of Surplus as Regards Policyholders from December 31, 2009 through December 31, 2014

Statement of Financial Condition
as of December 31, 2014

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 6,010,332	$	$ 6,010,332	
Cash and short-term investments	529,299		529,299	
Investment income due and accrued	53,994		53,994	
Premiums and agents' balances in course of collection	159,006		159,006	
Premiums, agents' balances and installments booked but deferred and not yet due (including $11,974,363 earned but unbilled premiums)	1,012,304		1,012,304	
Net deferred tax asset	227,550	91,875	135,675	
Aggregate write-ins for other than invested assets	1,000	1,000		
Total assets	$ 7,993,485	$ 92,875	$ 7,900,610	
Liabilities, Surplus and Other Funds				
Losses and loss adjustment expenses			$ 399,860	(1)
Commissions payable, contingent commissions and other similar charges			47,532	
Other expenses			113,997	
Taxes, licenses and fees			238,542	
Current federal and foreign income taxes			89,786	
Unearned premiums			511,506	
Ceded reinsurance premiums payable			741,463	
Funds held by company under reinsurance treaties			809,843	
Payable to parent, subsidiaries and affiliates			455,739	
Aggregate write-ins for liabilities			640	
Total liabilities			3,408,908	
Common capital stock		$ 2,600,000		
Gross paid-in and contributed surplus		3,500,200		
Unassigned funds (surplus)		(1,608,498)		
Surplus as regards policyholders			4,491,702	
Total liabilities, surplus and other funds			$ 7,900,610	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2014

Statement of Income

Underwriting Income		
Premiums earned		$ 1,654,474
Deductions:		
Losses and loss expenses incurred	$ 878,762	
Other underwriting expenses incurred	678,167	
Total underwriting deductions		1,556,929
Net underwriting gain		97,545
Investment Income		
Net investment income earned	$ 89,949	
Net realized capital gain	321	
Net investment gain		90,270
Other Income		
Aggregate write-ins for miscellaneous income	28,082	
Total other income		28,082
Net income, after capital gains tax and before federal income taxes		215,897
Federal income taxes incurred		94,338
Net income		$ 121,559

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2013		$ 4,335,608
Net income	$ 121,559	
Change in net unrealized capital losses	(242)	
Change in net deferred income tax	28,776	
Change in nonadmitted assets	6,001	
Change in surplus as regards policyholders for the year		156,094
Surplus as regards policyholders, December 31, 2014		$ 4,491,702

Reconciliation of Surplus as Regards Policyholders from December 31, 2009 through December 31, 2014

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2009			$ 6,535,378
Net income	$ 600,367	$	
Net unrealized capital gains	15,457		
Change in net deferred income tax	222,315		
Change in nonadmitted assets		92,858	
Dividends to stockholders		2,800,000	
Aggregate write-ins for gains and losses in surplus	11,043		
Total gains and losses	$ 849,182	$ 2,892,858	
Net decrease in surplus as regards policyholders			(2,043,676)
Surplus as regards policyholders, December 31, 2014			$ 4,491,702

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

Based on the analysis by a Senior Casualty Actuary for the California Department of Insurance, the Company's loss and loss adjustment expense reserves as of December 31, 2014 were found to be reasonably stated and have been accepted for the purposes of this examination.

SUBSEQUENT EVENTS

Effective January 1, 2015, the Company entered into an Intercompany Pooling Agreement with its affiliates, Lyndon Southern Insurance Company (Lyndon), domiciled in Delaware, and Insurance Company of the South (ICOTS), domiciled in Georgia. Under the terms of the agreement, the Company and ICOTS cede 100% of direct and assumed business net of other reinsurance to Lyndon. The cessions from the Company and ICOTS are combined with Lyndon's business, resulting in the pooled balance to be allocated to each company in the pool. The following table illustrates each participant's pooled shared:

Company	State of Domicile	Pooling Share
Lyndon Southern Insurance Company	DE	72.84%
Insurance Company of the South	GA	24.82%
Response Indemnity Company of California	CA	2.34%
Pool Total		100.00%

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

Accounts and Records – Taxes, Licenses and Fees (Page 7): It was recommended that the Company implement the appropriate procedures to ensure the correct filing in order to comply with California Insurance Code (CIC) Section 1872.8. The Company is now in compliance with CIC Section 1872.8.

Comments on Financial Statement Items – Bonds (Page 12): It was recommended that the Company draft a new custodial agreement to remedy the deficiencies and submit it to the California Department of Insurance in accordance with CIC Section 1104.9. The Company is now in compliance with CIC Section 1104.9.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and parent's employees during the course of this examination.

Respectfully submitted,

___/S/_____

Anjanette Briggs, CFE
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California

____/S/_____

Edward W. Aros, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California