REPORT OF EXAMINATION

OF THE

STILLWATER INSURANCE COMPANY

AS OF

DECEMBER 31, 2015

Filed on June 12, 2017

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Los Angeles, California
April 28, 2017

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

STILLWATER INSURANCE COMPANY

(hereinafter also referred to as the Company) at its main administrative office located at 4905 Belfort Road, Suite 110, Jacksonville, Florida 32256. The Company's statutory home office is located at 5385 Hollister Avenue, Santa Barbara, California 93111.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2012. This examination covered the period from January 1, 2013 through December 31, 2015.

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. An examination also includes identifying and evaluating significant risks that could cause an 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 is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This was a coordinated examination with participation from New York, and was conducted concurrently with the Company's wholly-owned subsidiary, Stillwater Property and Casualty Insurance Company. California served as the lead state.

COMPANY HISTORY

The Company was formerly named Anza Insurance Company (Anza). Anza was incorporated in California on April 26, 1990. In June 2001, the Company's name was changed to Fidelity National Insurance Company. Effective October 1, 2013, the Company's name was changed to Stillwater Insurance Company. In addition, on the same date, its subsidiary changed its name to Stillwater Property and Casualty Insurance Company (SPAC).

On January 31, 2014, the Company and WTJ Holdings, Inc. (WTJ), an upstream parent company, acquired a combined 50% membership interest in EU Holdings, LLC (EU) for the amount of $43.5 million. EU owns 50% membership interest in Evergreen/UNI, LLC (the Agency) which writes specialty surety bonds for Evergreen National Indemnity Company (ENIC), an affiliated Ohio domiciled insurer. The Company's portion of the investment totaled $22.5 million and was funded on February 3, 2014. This transaction was approved by the California Department of Insurance (CDI) on January 29, 2014.

On August 1, 2014, the Company purchased a 90.0% interest in ProAlliance Corporation (ProAlliance), an Ohio corporation that controls approximately 30.0% of

ENIC; which resulted in the Company effectively owning 27.0% of ENIC. A Form A filing for this transaction was approved by the Ohio Department of Insurance on July 29, 2014.

Effective August 31, 2015, WBL Partners LLC (WBL), an upstream affiliate, divested shares of WT Holdings Inc. (WT Holdings), resulting in WBL owning 8.3% of WT Holdings and no longer being a controlling entity of WT Holdings, and Mr. James D. Lackie, a controlling individual based on his ownership interest in WBL, was no longer considered an ultimate controlling person of the Company. A Form A Exemption filing for the transaction was approved by the CDI on October 14, 2015. Subsequent to this transaction, WBL remained the controlling entity until June 2016.

Dividends Paid and Received

The Company paid the following ordinary cash dividends to its immediate parent, Duval Holdings, Inc. (Duval), during the examination period:

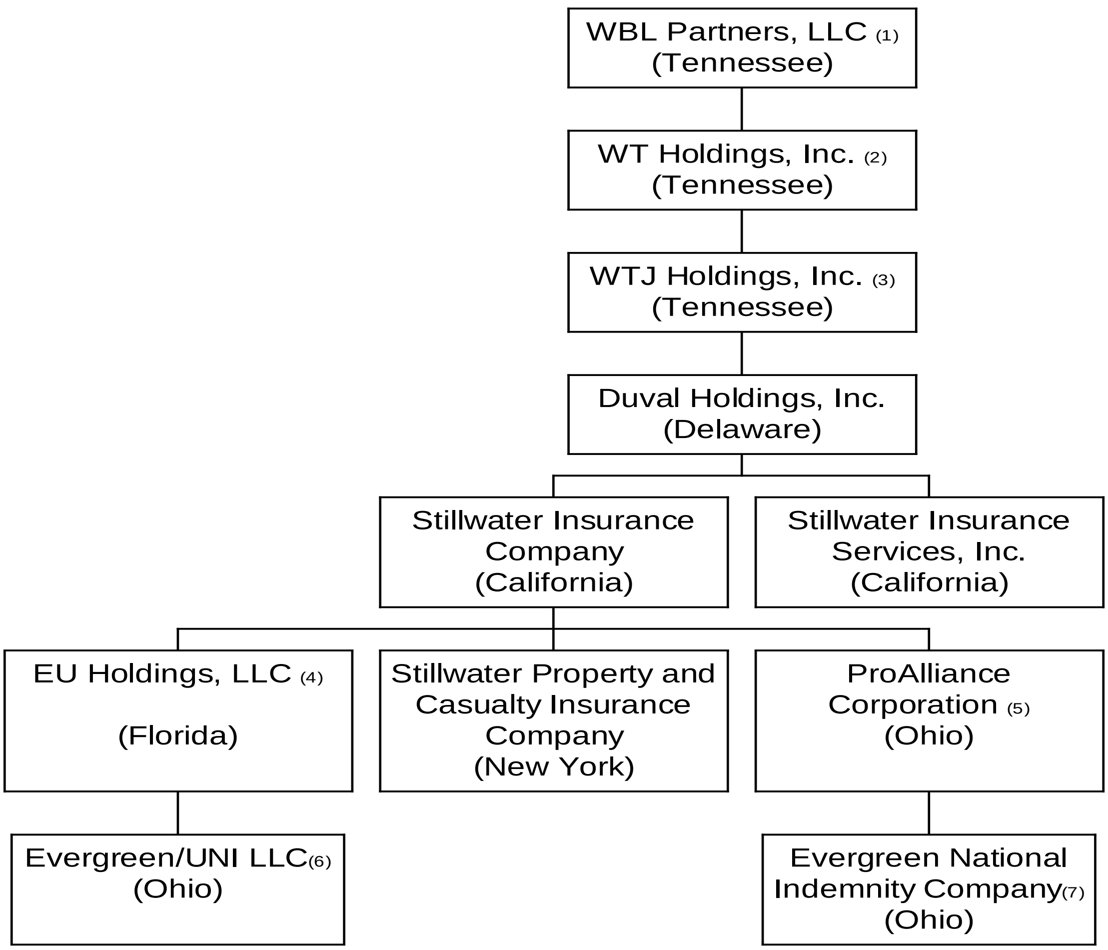
Date	Amount
06/06/2013	$7,000,000
02/20/2014	$6,500,000
06/09/2014	$5,500,000
03/26/2015	$4,000,000

The Company received cash dividends from its subsidiaries as follows:

Date	Amount	Subsidiary
06/23/2014	$5,739,000	SPAC
10/22/2014	$ 270,000	ProAlliance
05/12/2015	$ 315,000	ProAlliance
11/12/2015	$ 315,000	ProAlliance

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system, of which WBL Partners, LLC (WBL) is the ultimate controlling entity. WBL is incorporated in the state of Tennessee. The following is an abridged organizational chart that depicts the interrelationships of the companies as of December 31, 2015: (All ownership is 100% unless otherwise noted):



[1] WBL Partners, LLC, owned 10.0% of WT Holdings, Inc. and various individual investors hold the remaining 90.0% of WT Holdings, Inc.

[2] WT Holdings, Inc. owned 75% of WTJ Holdings, Inc. while Thaynes Capital Insurance, LLC, owned the remaining 25.0%.

[3] WTJ Holdings, Inc. owned 84.3% of Duval Holdings, Inc., Fidelity National Financial Ventures, LLC (owned 100.0% by Fidelity National Financial, Inc.) owned 15.0%, and the remaining 0.7% was owned by SIC management. As discussed in the Subsequent Events section of this report, effective June 16, 2016, the ownership of the Company's parent, Duval, changed.

WT Holdings, purchased the 25.0% interest of Thaynes Capital Insurance, LLC and the 15.0% interest of Fidelity National Financial Ventures, LLC, and now owns 99.3% of Duval. Additionally, WTJ was merged into WT Holdings.

(4) The Company owned 63.0% membership interest of EU Holdings, LLC. WTJ Holdings, Inc. owned 35.0% membership interest and remaining 2.0% membership interest is held by EU Holdings, LLC management.

(5) The Company owned 90.0% of ProAlliance Corporation and various individual investors owned the remaining 10.0%.

(6) EU Holdings, LLC owned 50.0% of Evergreen/UNI LLC while United Nation's Insurance Agency, Inc. owned the remaining 50.0%.

(7) ProAlliance owned approximately 30.0% of Evergreen National Indemnity Company and various investors owned the remaining 70.0%.

The ten 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, 2015:

Directors

Name and Location	Principal Business Affiliation
Mark O. Davey Jacksonville, Florida	President and Chief Executive Officer Stillwater Insurance Company
David L. Eigen[(b)] Westport, Connecticut	Managing Member Post Road Capital Management
Emmel B. Golden III Memphis, Tennessee	Executive Vice President NFC Investment, LLC
Richard B. Jennings[(a)] New York, New York	President Realty Capital International, LLC
Thomas W. Korona[(b)] Charlotte, North Carolina	Vice President SGP Land, LLC
James D. Lackie Memphis, Tennessee	President Lackie Trading, Inc.
Damon D. Navarro[(b)] Niantic, Connecticut	Manager Grove Property Fund, LLC
Charles K. Slatery Memphis, Tennessee	Chairman President

Name and Location	Principal Business Affiliation
	NFC Investments, LLC
William V. Thompson III Memphis, Tennessee	Executive Vice President NFC Investments, LLC
Henri L. Wedell Memphis, Tennessee	Retired

[a]Richard B. Jennings passed away on February 28, 2016.

[b] Effective June 6, 2016, David L. Eigen, Thomas W. Korona, and Damon D. Navarro, resigned as a result of WT Holdings, Inc. buying out Fidelity National Financial Ventures, Inc and Thaynes Capital Insurance, LLC. concurrently with WTJ Holdings Inc. merging into WT Holdings, Inc. On November 9, 2016, Blair Farinholt, John Ferguson, Patrick Kerney, and David Smith were elected to the board.

Principal Officers

Name	Title
Mark O. Davey	President and Chief Executive Officer
John M. Giorgianni	Executive Vice President and Chief Financial Officer
Deborah S. Price	Vice President and Secretary
Marc L. Crawford	Vice President, Sales and Marketing
Daniel M. Duffy	Vice President and Chief Information Officer
Julia B. Edmonston	Vice President, Controller
Kevin M. Karl	Vice President, Auto Product Development
Larry W. Mortensen	Vice President, Property Product Development
Eric W. Neely	Vice President, Commercial
Mike K. Whatley	Vice President, Chief Actuary - Ratings

Management Agreements

General Agency Agreement: On August 9, 2010, the Company entered into a general agency agreement with its affiliate, Stillwater Insurance Services, Inc. (SIS). SIS is authorized to solicit and bind policies on behalf of the Company. The Company pays SIS a commission of 25% of net written premiums and 97.5% of net written premium fees, less any cancellations. SIS produced 100% of the Company's insurance business. On January 28, 2015, an amendment to 1) reflect current names, 2) include the reimbursement of legitimate expenses paid by SIS on behalf of the Company, and 3) clarify the payment of collected premiums was approved by the California Department of Insurance (CDI). For 2013, 2014, and 2015, the Company paid SIS $26,718,746, $29,652,560, and $33,823,959, respectively.

Tax Sharing Agreement: Effective May 1, 2012, the Company entered into a tax sharing agreement with WTJ Holdings, Inc. (WTJ), (lead company in consolidated filing), Duval Holdings, Inc., SPAC (formerly Fidelity National Property and Casualty Insurance Company), and SIS. The allocation of federal income tax liability is based on the percentage that the separate federal income tax liability of each member bears to the sum of the separate federal income tax liabilities for all members. Any excess of the amount previously paid by a member over the allocated liability shall be paid by WTJ to such member. The allocation, reporting, and remittances shall be completed within 30 days after receipt of funds or credits by the consolidated group. On January 28, 2015, an amendment to reflect current name changes for the Company, SPAC, and SIS was approved by the CDI. For 2013, 2014, and 2015, the Company paid/recovered federal income taxes of ($2,118,394), $7,455,000, and $6,506,392, respectively.

Investment Advisory Services Agreement: Effective May 1, 2012, the Company entered into the agreement with an affiliate, NFC Investments, LLC (NFC). NFC provides investment advisory and/or consulting services for the Company's Investment Security Portfolio pursuant to written investment guidelines approved by the Company's board of directors. Fees are calculated as 1% of equities and 0.25% of fixed income securities held within the Investment Security Portfolio. On January 28, 2015, an amendment to reflect current name change was approved by the CDI. For 2013, 2014, and 2015, the Company paid investment fees of $666,659, $689,060, and $818,380, respectively. NFC ceased to be an affiliate after the August 31, 2015 reorganization, discussed in the Company History section of this report. NFC remains a related party through common board membership with the Company.

Corporate Records

California Insurance Code (CIC) Section 735 requires that the Company inform the board members of the receipt of the examination report. The board should be informed of the report both in the form first formally prepared by the examiners and in the form as finally settled and officially filed by the Commissioner. The board must also enter that fact in the board minutes. A review of the board minutes disclosed that, while the previously officially filed report as of December 31, 2012 was presented to the board, the first formally prepared draft by the examiners of that report was not submitted to the board. It is recommended that the Company implement procedures to ensure future compliance with CIC Section 735.

TERRITORY AND PLAN OF OPERATION

The Company's operations are conducted jointly with its subsidiary, Stillwater Property and Casualty Insurance Company (SPAC), at its administrative office in Jacksonville, Florida. As of December 31, 2015, the underwriting operations of the companies were conducted through two business units: Commercial and Personal.

Both companies generate business through a general agency agreement with Stillwater Insurance Services, Inc. (SIS), an affiliate. As previously discussed in the "Management Agreements" section, SIS performs the underwriting, policy issuance, credit and collection functions pursuant to a general agency agreement, utilizing approximately 9,000 sub-agents. The Company and SPAC are both licensed in all 50 states and the District of Columbia.

For the year ending December 31, 2015, the Company and SPAC wrote $35.4 million (29.0%) and $7.2 million (8.7%), respectively, of direct business in the state of California. Nationwide, the Company wrote $84.3 million (70.0%) and SPAC wrote $69.8 million (85.0%) in homeowners insurance business. The second largest line of direct business was allied lines with $10.0 million (8.3%) written by the Company and $3.7 million (4.5%) written by SPAC in 2015.

REINSURANCE

Assumed

Since August 25, 2003, the Company was party to a 100% quota share reinsurance agreement with its subsidiary, Stillwater Property and Casualty Insurance Company (SPAC). All lines of insurance that SPAC was authorized to write were covered under this agreement, except for flood business written through the National Flood Insurance Program (NFIP) with Federal Emergency Management Agency (FEMA). The agreement was replaced by a similar 100% Quota Share reinsurance agreement, effective February 10, 2015, to reflect current name changes. The agreement was approved by the California Department of Insurance on January 28, 2015.

Since August 1, 2005, the Company was party to a 100% Quota Share reinsurance agreement with a former subsidiary, Fidelity National Indemnity Insurance Company (FNIIC). Under the agreement, the Company assumed FNIIC's homeowners, automobile and umbrella business, other than the flood insurance business that FNIIC writes through its participation in the NFIP with FEMAgency. The agreement was replaced by a similar 100% Quota Share reinsurance agreement with FNIIC, effective November 1, 2011, as a result of the sale of FNIIC and its flood business. This agreement is in run-off.

Ceded

The Company and its subsidiary, SPAC, are parties to a 100% Quota Share reinsurance agreement with a former subsidiary, FNIIC, effective November 1, 2011. The subject line of business is excess flood insurance policies only, defined as "providing insurance coverage excess over, and under terms following the form of, any policy of flood insurance written through the National Flood Insurance Program." This agreement is in run-off.

The Company, as required by Florida statute, participates in the Florida Hurricane Catastrophe Fund, at the elected 90% participation level, which provides reimbursement to the Company under certain circumstances in the event of covered losses incurred due to a hurricane.

In addition to the ceding agreements described above, the Company's ceded reinsurance program principally consisted of multi-layer property and catastrophe excess of loss coverage with various reinsurers. The following is a summary of the principal ceded reinsurance treaties in-force as of December 31, 2015:

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Personal Umbrella Quota Share	Odyssey Reinsurance Company – 33% - authorized The TOA Reinsurance Company of America – 17% - authorized	50% of net amounts up to $5 million in any one risk	100% of $5 million in any one risk
Facultative Quota Share (Besso Ltd – Intermediary)	Lloyds Syndicate 1206 – 75% authorized Others – 25% - authorized	20%	80% of a maximum of: $4.0 million on Dwelling; $400 thousand on Other Structures; $2 million on Personal Property; $800 thousand on Loss of Use; $1.0 million on Personal Liability; $5 thousand on Medical Payments to Others
Florida Windstorm Quota Share	Allianz Risk Transfer AG - unauthorized	10%	90% of all losses covered but shall not exceed lesser of 1) $20 million or 2) the 1 in 100 year AEP modeled at the time of loss
Quota Share – Identity Fraud Expense Coverage	Virginia Surety Company, Inc. - authorized	0%	Limited to a maximum of 300,000 (contract) coverages during the term of the treaty.
Property Catastrophe Excel of Loss			
First layer	Multiple authorized and unauthorized reinsurer	$10 million	$10 million x $10 million loss/losses/one event. Reinsurers maximum liability for all occurrences $20 million per contract year

Line of Business and Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Limit
Second layer	Multiple authorized and unauthorized reinsurer	$20 million	$20 million x $20 million loss/losses/one event. Reinsurers maximum liability for all occurrences $20 million per contract year
Third layer	Multiple authorized and unauthorized reinsurer	$40 million	$45 million x $40 million loss/losses/one event. Reinsurers maximum liability for all occurrences $20 million per contract year

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, 2015. The accompanying comments to the amounts reported in the annual statements and 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, 2015

Underwriting and Investment Exhibit for the Year Ended December 31, 2015

Reconciliation of Surplus as Regards Policyholders from December 31, 2012 through December 31, 2015

Statement of Financial Condition
as of December 31, 2015

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 78,502,405	$	$ 78,502,405	
Preferred stocks	21,065,045		21,065,045	
Common stocks	149,922,030		149,922,030	
Cash and short-term investments	9,695,566		9,695,566	
Derivatives	783,750		783,750	
Other invested assets	33,075,207		33,075,207	
Investment income due and accrued	1,064,389		1,064,389	
Premiums and agents' balances in course of collection	9,837,565		9,837,565	
Premiums, agents' balances and installments booked but deferred and not yet due (including $0 earned but unbilled premiums)	1,632,343		1,632,343	
Amount recoverable from reinsurers	258,196		258,196	
Current federal and foreign income tax recoverable and interest thereon	405,254		405,254	
Net deferred tax asset	11,825,949	833,646	10,992,303	
Electronic data processing equipment and software	50,045		50,045	
Furniture and equipment	266,843	266,843	0	
Receivables from parent, subsidiaries, and affiliates	3,218		3,218	
Aggregate write-ins for other than invested assets	168,908	167,913	995	
Total assets	$ 318,556,713	$ 1,268,402	$ 317,288,311	

Liabilities, Surplus and Other Funds			
Losses and loss adjustment expenses		$ 51,242,878	(1)
Reinsurance payable on paid loss and loss adjustment expenses		3,358,788	
Commissions payable, contingent commissions and other similar charges		700,000	
Other expenses		1,298,629	
Taxes, licenses and fees		999,607	
Unearned premiums		95,707,894	
Ceded reinsurance premiums payable		(979,277)	
Funds held by company under reinsurance treaties		10,794	
Payable to parent, subsidiaries and affiliates		51,189	
Payable for securities		2,799,850	
Total liabilities		155,190,352	
Common capital stock	$ 3,250,000		
Gross paid-in and contributed surplus	61,993,825		
Unassigned funds (surplus)	96,854,134		
Surplus as regards policyholders		162,097,959	
Total liabilities, surplus and other funds		$ 317,288,311	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2015

Statement of Income

Underwriting Income		
Premiums earned		$ 181,043,622
Deductions:		
Losses and loss expenses incurred	$ 112,405,000	
Other underwriting expenses incurred	62,732,266	
Total underwriting deductions		175,137,266
Net underwriting gain		5,906,356
Investment Income		
Net investment income earned	$ 8,487,590	
Net realized capital loss	(1,782,470)	
Net investment gain		6,705,120
Other Income		
Aggregate write-ins for miscellaneous income	7,509	
Total other income		7,509
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		12,618,985
Federal and foreign income taxes incurred		5,428,065
Net income		$ 7,190,920

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2014		$ 161,840,734
Net income	$ 7,190,920	
Change in net unrealized capital losses	(4,556,890)	
Change in net deferred income tax	2,383,263	
Change in nonadmitted assets	(760,068)	
Dividends to stockholders	(4,000,000)	
Change in surplus as regards policyholders for the year		257,225
Surplus as regards policyholders, December 31, 2015		$ 162,097,959

Reconciliation of Surplus as Regards Policyholders
from December 31, 2012 through December 31, 2015

Surplus as regards policyholders, December 31, 2012			$ 137,575,518
	Gain in Surplus	Loss in Surplus	
Net income	$ 39,623,799	$	
Net unrealized capital gains	8,353,114		
Change in net deferred income tax	532,093		
Change in nonadmitted assets		986,565	
Dividends to stockholders		23,000,000	
Total gains and losses	$ 48,509,006	$ 23,986,565	
Net increase in surplus as regards policyholders			24,522,441
Surplus as regards policyholders, December 31, 2015			$ 162,097,959

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

The December 31, 2015 loss and loss adjustment expense reserves were evaluated by a Senior Casualty Actuary from the California Department of insurance. Based on the analyses performed, the Company's loss and loss adjustment expense reserves were found to be reasonably stated and have been accepted for purposes of this examination.

SUBSEQUENT EVENTS

On June 16, 2016, the ownership of the Company's parent, Duval Holdings, Inc. (Duval) changed. WT Holdings, Inc. (WT Holdings), purchased the 25% interest of Thaynes Capital Insurance, LLC (Thaynes) in WTJ Holdings, Inc. and the 15% interest of Fidelity National Financial Ventures, LLC (FNF) in Duval. Concurrently, WTJ Holdings, Inc. merged into WT Holdings, resulting in WT Holdings now owning 99.3% of Duval. As a result of the new ownership, the three board members associated with Thaynes and FNF resigned from the board of directors. Accordingly, the Company no longer belongs to the WBL Group, but instead belongs to the WT Holding Group. A Form A Exemption filing for this transaction was approved by the California Department of Insurance on June 9, 2016.

Effective January 6, 2017, EU Holdings, LLC (EU), purchased the remaining 50% interest in Evergreen UNI, LLC (the Agency). EU is a subsidiary of the Company and WT Holdings, Inc. Subsequent to the additional purchase, the Company owns 87.5% of EU.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management and Control, Corporate Records (Page 8): It is recommended that the Company implement procedures to ensure future compliance with California Insurance Code (CIC) Section 735.

Previous Report of Examination

Corporate Governance Meetings (Page 7): It was recommended that the Company maintain formal minutes for all of its board and committee meetings. The Company has complied with this recommendation.

Management Agreements – Tax Sharing Agreement (Page 8): It was recommended that the Company submit this agreement to the California Department of Insurance (CDI) for approval in accordance with CIC Section 1215.5(b)(4). The Company has complied with this recommendation.

Management Agreements – Investment Advisory Services Agreement (Page 8): It was recommended the Company submit this agreement to the CDI for approval in accordance with CIC Section 1215.5(b)(4). The Company has complied with this recommendation.

Reinsurance - Assumed (Page 10): It was recommended that the Company submit the 100% Quota Share Agreement with Stillwater Property and Casualty Insurance Company to the CDI for approval in accordance with CIC Section 1215.5(b)(3). The Company has complied with this recommendation.

Accounts and Records (Page 13): It was recommended the Company maintain its uncollected premiums and agents' balances records in a manner that will allow compliance with Statement of Statutory Accounting Principles No. 6. The Company has complied with this recommendation.

ACKNOWLEDGMENT

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

Respectfully submitted,

________/s/_____________

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

______/s/_______________

Vivien Fan, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California