

**ORGANIZATIONAL EXAMINATION**  
**OF**  
**PALMS SPECIALTY INSURANCE COMPANY, INC.**  
**AS OF**  
**JUNE 7, 2022**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION  
OF  
PALMS SPECIALTY INSURANCE COMPANY, INC.  
AS OF  
JUNE 7, 2022

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

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

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

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 16th day of June, 2022

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June 7, 2022

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

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.917, dated April 29, 2022, an Organizational Examination has been conducted of

**Palms Specialty Insurance Company, Inc.**

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

The Company's registered agent is Corporation Service Company with its registered office located at 251 Little Falls Drive, Wilmington, Delaware 19808. The Company's administrative office address is located at 700 Universe Boulevard, Mail Stop A1B, Juno Beach, Florida 33408.

The report of such examination is respectfully submitted herewith.

**SCOPE OF EXAMINATION**

This organizational examination was conducted in conjunction with the Company's application for a surplus lines Certificate of Authority in the State of Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of June 7, 2022, have been reviewed.

**HISTORY**

The Company was incorporated on February 28, 2022, under the laws of the State of Delaware and is authorized to issue fifty million (50,000,000) common shares with \$0.01 par value per share. The Company issued the following common stock certificates to Palms Portfolio Holdings, LLC (PPH), a Delaware limited liability company:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Total</u>
#1	1,000	02/28/2022	\$ 10	\$ 0	\$ 0
#2	49,999,000	05/19/2022	499,990	19,500,000	\$19,999,990
	<u>50,000,000</u>		<u>\$500,000</u>	<u>\$19,500,000</u>	<u>\$20,000,000</u>

**MANAGEMENT AND CONTROL**

Board of Directors

In accordance with its bylaws, adopted February 28, 2022, the business and affairs of the Company shall be managed by a Board of Directors (Board). The number of directors shall be fixed or changed from time to time by resolution of the Board. The directors are to be elected at the annual meeting of the Company’s stockholder and shall hold office until his successor shall be elected and qualified.

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

Elena Bueno-Gonzalez  
 Michael McKnight  
 Timothy Reed Kania

Committees of the Board of Directors

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

Officers

In accordance with its bylaws, the officers of the Company shall be a Chairman of the Board, Chief Executive Officer, President, Treasurer, Secretary, Chief Financial Officer and one or more Vice-Presidents. The Board may also elect other officers as deemed necessary, who shall hold office until their successors are elected and qualified. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Elena Bueno-Gonzalez	Chairman of the Board
vacant	Chief Executive Officer
Elena Bueno-Gonzalez	President
Joseph Balzano	Treasurer
Charlotte Anderson	Secretary
vacant	Chief Financial Officer
Michael McKnight	Vice President, Chief Actuary, Risk Management Officer
Timothy Reed Kania	Vice President, Chief Underwriting Officer

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

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective February 28, 2022.

A conflict of interest statement was completed by each of the directors and executive officers noted above. There was no disclosed conflict of interest at the present time.

**HOLDING COMPANY SYSTEM**

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

The Company is a wholly-owned subsidiary of Palms Portfolio Holdings, LLC (Delaware domestic), which is the wholly-owned subsidiary of NextEra Energy Capital Holdings, Inc. (Florida domestic), which is the wholly-owned subsidiary of NextEra Energy, Inc. (FL domestic). NextEra Energy, Inc. is the ultimate controlling entity of the Company. Management has stated that there are no holders of greater than 10% of NextEra Energy, Inc.

### **FIDELITY BOND**

The Company is covered by a financial institution bond with an aggregate liability limit of \$10,000,000 and a single loss deductible of \$1,000,000. Based on the Company's pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$1,250,000 at year-end 2022, \$1,500,000 at year-end 2023 and \$1,500,000 at year-end 20245.

### **AGREEMENTS**

#### **Affiliated**

As of the examination date, the Company is not a party to an intercompany tax allocation agreement. However, upon licensure, if the Company becomes a party to a tax allocation agreement, such a transaction will require a Form D filing with and approval by the Delaware Department of Insurance (Department).

As of the examination date, the Company is a party to an Affiliate Service Agreement with Palms Portfolio Holdings, LLC effective May 20, 2022. This agreement will require a Form D filing with and approval by the Department.

#### **Unaffiliated**

As of the examination date, the Company is a party to a custodial agreement with The Bank of New York Mellon effective May 26, 2022.

## **PLAN OF OPERATION**

The Company will focus on the following three target business segments: Specialty Property, Professional Lines and Other Specialty niche lines of business, in each case, as more fully described below. In addition, the Company will target opportunities where it can actively influence terms and conditions while benefitting from the transparency of portfolio exposures. The Company intends to distribute its insurance products through program administrator channels, existing relationship channels and brokers.

Specialty Property segments include renewable energy, utility, excess and surplus property, inland marine and builder's risk. Professional Liability includes errors and omissions coverage for various professional service firms, and management liability, including directors and officers, employment practice liability insurance, crime and fiduciary coverages for public and private companies. Other Specialty Lines includes transactional liability, other liability and specialty lines.

## **REINSURANCE**

As of the examination date, the Company is not a party to any reinsurance agreements, affiliated or unaffiliated. The Company is currently negotiating reinsurance coverage to be effective upon licensure.

## **CAPITAL AND SURPLUS REQUIREMENTS**

18 *Del. C.* §511(a) requires \$500,000 as the minimum common capital stock for a stock insurance company authorized to write multiple lines property and casualty insurance. 18 *Del. C.* §1932(a) requires \$15,000,000 as the minimum policyholder surplus for a domestic surplus lines insurer. The Delaware Domestic/Foreign Insurers Bulletin No. 45 effective October 14, 2011, requires that newly-formed Delaware domestic surplus lines insurers have \$15,000,000 as the



minimum capital and surplus. Consequently, the minimum required amounts for this examination are as follows:

Common Capital Stock	\$ 500,000
Gross Paid-in and Contributed Surplus	<u>14,500,000</u>
Capital and Surplus as Regards Policyholders	<u>\$15,000,000</u>

**FINANCIAL DATA**

The financial position of the Company as of June 7, 2022, as determined by this organizational examination, was as follows:

<u>Assets</u>		<u>Note</u>
Cash, Cash Equivalents and Short-term Investments	<u>\$20,000,000</u>	1
Total Admitted Assets	<u>\$20,000,000</u>	
<u>Liabilities, Capital and Surplus</u>		
General Expenses Due and Accrued	<u>\$ 0</u>	
Total Liabilities	<u>\$ 0</u>	
Common Capital Stock	\$ 500,000	
Gross Paid In and Contributed Surplus	19,500,000	
Unassigned Funds	<u>0</u>	
Capital and Surplus as Regards Policyholders	<u>\$20,000,000</u>	
Total Liabilities, Capital and Surplus	<u>\$20,000,000</u>	

**NOTES TO FINANCIAL STATEMENTS**

Note 1          Cash, Cash Equivalents and Short-term Investments                  \$20,000,000

The reported balance of \$20,000,000 consists of cash in an operating checking account at Bank of America, which was confirmed directly with the financial institution.

**RECOMMENDATIONS**

There were no recommendations as a result of this examination.

**CONCLUSION**

Based on the organizational examination conducted as of June 7, 2022, the financial condition of the Company is as follows:

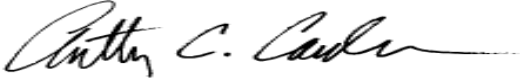
Assets	\$20,000,000
Liabilities	\$           0
Capital and Surplus as Regards Policyholders	\$20,000,000

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

Respectfully submitted,



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



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

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 22.917.

A handwritten signature in black ink, appearing to read "Andrew E. Chiodini", is written over a horizontal line.

Andrew E. Chiodini, CFE