First Protective Insurance Company
Frontline Insurance Unlimited Company

Operating Companies			
Action: Affirmed	**Type**	**Rating**	**Outlook**
First Protective Insurance Company	IFSR	BBB+	Stable
Frontline Insurance Unlimited Company	IFSR	BBB+	Stable

Methodology

Insurer & Insurance Holding Company Global Rating Methodology

ESG Global Rating Methodology

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Rating Summary:

First Protective Insurance Company (FPIC) is a property/casualty insurer focused on writing personal homeowners coverage primarily in Florida as well as four other coastal states in the Southeast. Frontline Insurance Unlimited Company (FIUC; together with FPIC, "the Company") is a property/casualty insurer focused on writing predominantly commercial multi-peril as well as allied lines primarily in Florida as well as four other coastal states in the Southeast. The ratings for both entities reflect an experienced management team with a focused strategy, a solid, well-structured reinsurance program with retention which compares favorably relative to surplus, financial flexibility through a holding company/managing general agent (MGA) structure, and strong local market presence with a well-established distribution network supportive of targeted growth under its Frontline Insurance brand. Distribution efforts will be enhanced by the launch of the Company's OpenHouse Insurance brand, a digital InsurTech platform, as well as expansion of commercial lines to FPIC.

While both companies have reported underwriting losses in three of the last five years primarily due to elevated natural catastrophe events, KBRA views near-term financial results favorably, driven by strong underwriting, pricing, and claims handling, which compare favorably to Florida peers.

Balancing these credit strengths are the Companies' moderate geographic and earnings concentration within Florida and other Southeastern coastal areas that exposes the Company to natural catastrophes and elevated event risk. The Company's business strategy makes both companies dependent on reinsurance. While favorable in relation to stated targets, risk-based capitalization and premium leverage at each company generally compare unfavorably to Florida peers.

Outlook

The Stable Outlook reflects KBRA's expectation that FPIC and FIUC will make prudent risk-based capital decisions while executing their business plans over the near-to-medium term, particularly within a developing market environment. Additionally, it is KBRA's expectation that strong fee income generated under the holding company structures will continue to support its ability to downstream capital to the operating subsidiaries as needed. Lastly, it is KBRA's expectation that operating results will strengthen, and surplus will remain supportive of the Company's overall risk profile.

Key Credit Considerations	+/−
Experienced Management Team with a Focused Strategy The Company has an experienced management team with deep market knowledge in all aspects of the personal and commercial lines' catastrophe exposed property market in Florida and as well as other niche Southeastern coastal areas. The management team continues to execute on a clearly defined business growth strategy.	+
Solid Reinsurance Program The Company's catastrophe reinsurance program provides robust coverage when viewed against projected losses from modelled historical events. The majority of the catastrophe program is placed with General Reinsurance Corp. (GenRe) though concentration risk is mitigated to an extent by the demonstrated long-term nature of the relationship and the credit quality of the reinsurer, in KBRA's opinion.	+

Financial Flexibility Through Holding Co/MGA The Company generates significant fee income within its Managing General Agent (MGA) and holding company structure, including claims adjustment, agency operations, and management fees, which allows it to support the operating companies as needed to execute on its growth strategy.	**+**
Strong Local Market Presence and Well-Established Distribution Through Agents As of year-end 2022, the Company ranked within the top 5 homeowners' writers in Florida based on 2022 direct written premium and among the top 40 homeowners' writers nationwide. The Company maintains favorable relationships with its independent agency network. The launch of its OpenHouse Insurance brand will enhance distribution efforts.	**+**
Recent Net losses Driven by Natural Catastrophes Net losses at FPIC and FIUC across 2018 through 2020 were primarily driven by hurricane losses across the same period. Tightened underwriting guidelines, revamped claims procedures, and implemented rate increases have led to recent term profitability that is favorable relative to most Florida peer companies. Further, attritional loss ratios, which are a key driver of profitability, are trending favorably at both companies.	**−/+**
Moderately Weak Risk-Adjusted Capitalization Risk based capitalization (RBC) is adequate and has trended at levels below Florida peers. However, RBC is maintained above targeted levels (300%) at each operating company.	**−**
Geographic/Earnings Concentration and Reliance on Reinsurance The Companies' strategy to operate as a provider of predominantly homeowners' insurance in catastrophe exposed geographies, namely Florida, necessitates a heavy reliance on reinsurance. Expansion efforts may diversify exposure and earnings over the medium- to long-term.	**−**
Elevated Premium Leverage Elevated gross and net premium leverage at both companies compared to Florida peers and potential for large reserve leverage changes inherent in catastrophe-exposed property insurance.	**−**
Exposure to Event Risk The Company is exposed to severe weather events and relies heavily on catastrophe modeling software to make operational decisions. Weather prediction and storm modeling are useful tools but remain an inexact science. A severe unmodelled storm could potentially result in a material loss of capital.	**−**

Rating Sensitivities	
▪ Trend of sustained underwriting profitability ▪ Favorable change in risk profile, including purchase of higher reinsurance limit, reduced retention relative to surplus, or significantly strengthened risk-adjusted capitalization ▪ Consistent trend of organic surplus growth and improved underwriting leverage ▪ Favorable execution of planned geographic expansion	**+**
▪ Deterioration in risk-adjusted capitalization and underwriting leverage, namely exposure growth which outpaces capital growth ▪ Unfavorable change in risk profile, namely inability to obtain reinsurance on acceptable terms and pricing, a decline in credit quality of the reinsurance panel, an inability to collect on reinsurance, or exceedance of reinsurance program limits ▪ Sustained material adverse reserve development	**−**

Recent Developments

Recently enacted legislative changes abolished the assignment of benefits (AOB), eliminated one-way attorney's fees and changed thresholds for roof repairs over replacements, among other things. A trend of consistent rate filings in combination with the recent legislative changes, which should serve to temper the frequency/severity of litigation, have led to an overall environment which is supportive of increased written premiums. Across the Frontline platform, gross written premium through Q2 2023 has increased significantly from the same period a year prior. Exposure (PIF) and total insured value (TIV) continue to increase. Across both entities, renewal retention remains favorably elevated, and is in excess of 90%. At FPIC, loss frequency and severity across inforce business has improved over the last five years. At FIUC, loss frequency has trended favorably and, while loss severity across the longer term has generally decreased, it has increased across the last two years.

Beginning in mid-2023, Frontline is writing admitted commercial residential multi-peril (primarily condos) through FPIC in order to leverage better pricing/return from a reinsurance and risk management perspective. The Company rolled out new a product under its OpenHouse Insurance brand in select Florida counties, which is underwritten by FPIC and FIUC. OpenHouse Insurance is a digital InsurTech brand with a highly customizable product offered primarily online, targeting owner-occupied, single-family homes.

Q2 2023 and Recent Financial Performance

FPIC

- For Q2 2023, direct written premiums totaled $566.4 million and net income totaled $2.4 million, inclusive of investment gains ($5.8 million) and a small underwriting loss ($2.8 million). Attritional loss trends continue to decline and are favorably low. Average premium per policy continues to trend upwards.
- Across the last two years ending YE 2022, cumulative net income totaled $16.3 million on cumulative underwriting gains of $8.5 million.
- Gross written premiums have averaged approximately $710.2 million annually across the last three years. Net written premiums have averaged $265.5 million. The Company's quota share utilization has largely held constant and remains unchanged in its current (2023-2024) reinsurance program.

FIUC

- For Q2 2023, direct written premiums totaled $181.1 million, and a small net loss totaled $2.6 million. Attritional loss trends continue to decline and are favorably low. Average premium per policy continues to trend upwards.
- Across the last two years ending YE 2022, cumulative net income totaled $10.2 million on cumulative underwriting gains of $12.1 million.
- Gross written premiums have averaged approximately $123.5 million annually across the last three years. Net written premiums have averaged $55.7 million.

Insurance Entity Financials

First Protective Insurance Co.						
(in thousands)	Q2 2023	2022	2021	2020	2019	2018
Gross Written Premiums (GWP)	$ 566,384	$ 898,956	$ 702,262	$ 529,271	$ 432,484	$ 414,832
Net Written Premiums (NWP)	$ (11,583)	$ 311,493	$ 234,859	$ 250,077	$ 64,559	$ 56,393
Net Underwriting Gain (Loss)	$ (2,760)	$ 4,775	$ 3,737	$ (9,555)	$ (18,148)	$ (7,449)
Net Investment Gain (Loss)	$ 5,775	$ 5,923	$ 8,051	$ 4,759	$ 5,226	$ 3,814
Net Income (Loss)	$ 2,431	$ 7,075	$ 9,202	$ (4,695)	$ (11,649)	$ (1,448)
Loss & LAE Ratio	52.8%	56.4%	57.2%	51.2%	74.2%	34.0%
Expense Ratio	49.0%	36.3%	40.7%	36.3%	51.4%	88.0%
Combined Ratio	101.8%	92.7%	97.9%	87.5%	125.5%	122.0%
GWP/PHS	9.4	7.6	6.2	6.5	5.9	6.5
NWP/PHS	(0.2)	2.7	2.1	3.1	0.9	0.9
Total Admitted Assets	$ 577,221	$ 585,573	$ 394,756	$ 308,047	$ 211,151	$ 188,374
Policyholders' Surplus (PHS)	$ 120,192	$ 117,523	$ 113,909	$ 81,978	$ 73,122	$ 64,080
Capital & Surplus Contributions	$ -	$ -	$ 20,000	$ 21,018	$ 15,000	$ -
Stockholder Dividends	$ -	$ -	$ -	$ -	$ -	$ -
NAIC RBC (ACL)	NA	305.6%	357.6%	314.0%	397.3%	266.5%

Note: Q2 2023 expense and combined ratios calculated with earned premiums in above presentation.
Source: Statutory Statements

Frontline Ins Unlimited Co.						
(in thousands)	Q2 2023	2022	2021	2020	2019	2018
Gross Written Premiums (GWP)	$ 181,061	$ 184,274	$ 115,747	$ 70,456	$ 48,100	$ 27,260
Net Written Premiums (NWP)	$ 25,938	$ 89,451	$ 46,405	$ 31,095	$ 23,456	$ 11,007
Net Underwriting Gain (Loss)	$ (3,172)	$ 9,509	$ 2,582	$ (3,930)	$ (758)	$ (2,399)
Net Investment Gain (Loss)	$ 600	$ 952	$ 1,235	$ 874	$ 754	$ 478
Net Income (Loss)	$ (2,558)	$ 7,171	$ 3,017	$ (2,577)	$ (241)	$ (1,307)
Loss & LAE Ratio	23.4%	26.2%	19.8%	33.1%	26.5%	59.1%
Expense Ratio	83.4%	41.1%	66.7%	73.9%	52.4%	63.6%
Combined Ratio	106.8%	67.3%	86.5%	107.0%	79.0%	122.7%
GWP/PHS	9.5	4.5	3.5	2.4	1.8	1.0
NWP/PHS	1.4	2.2	1.4	1.1	0.9	0.4
Total Admitted Assets	$ 177,870	$ 158,419	$ 87,703	$ 67,785	$ 54,625	$ 40,039
Policyholders' Surplus (PHS)	$ 38,178	$ 40,633	$ 32,938	$ 29,521	$ 26,453	$ 26,003
Capital & Surplus Contributions	$ -	$ -	$ -	$ 5,000	$ -	$ -
Stockholder Dividends	$ -	$ -	$ -	$ -	$ -	$ -
NAIC RBC (ACL)	NA	306.8%	308.5%	324.1%	492.6%	517.6%

Note: Q2 2023 expense and combined ratios calculated with earned premiums in above presentation.
Source: Statutory Statements

Stress Testing

The greatest risk for each statutory entity is a natural catastrophe in the form of a hurricane. The Company mitigates this risk with a reinsurance program that provides strong coverage when viewed against projected losses from historical events. The Company purchases one tower at the 1-in-130 year return period between its two statutory insurance operating companies. Total net retention of approximately $10 million is split between the two companies based on incurred losses and loss adjustment expense, translating to roughly $7 million for FPIC and $3 million for FIUC. Ceded premiums are based on exposure.

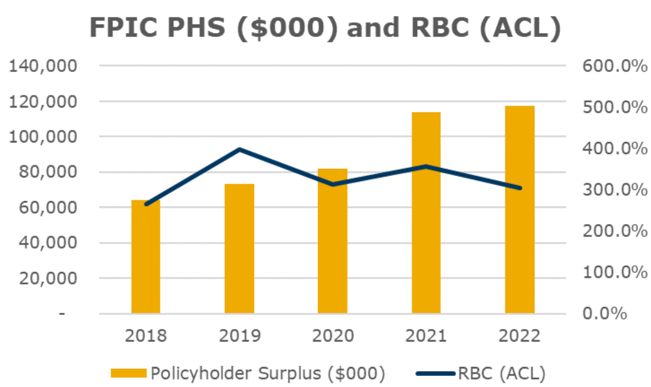
KBRA assessed multiple catastophe and investment stress test scenarios across the Companies to evaluate the potential impact of catastrophe and asset risk on their financial profiles. The results of KBRA's stress testing analysis are consistent with the current ratings.

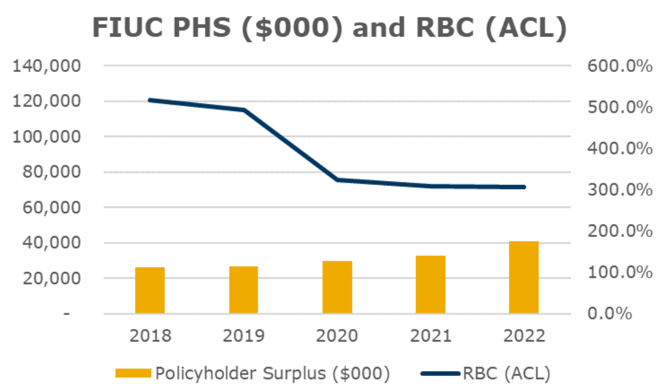
Balance Sheet Management

Quality of Capital/Underwriting Leverage

Primary factors contributing to the increase in surplus across the last five years were approximately $61 million in capital contributions – all contributions took place between 2019 and 2021 – and favorable operating results across the last two years, offset by losses driven by storm activity and unfavorable underwriting results across the three-year period ending-2020.

The Company maintains a minimum RBC target of 300% and maintains a GWP/PHS ratio of 7.0x as a target. Select balance sheet and underwriting leverage ratios reflect growth across the platform. Improved underwriting and attritional loss ratios, lower policy limits, as well as low retention in its catastrophe program relative to surplus offsets moderately weak risk-based capital and elevated premium leverage.



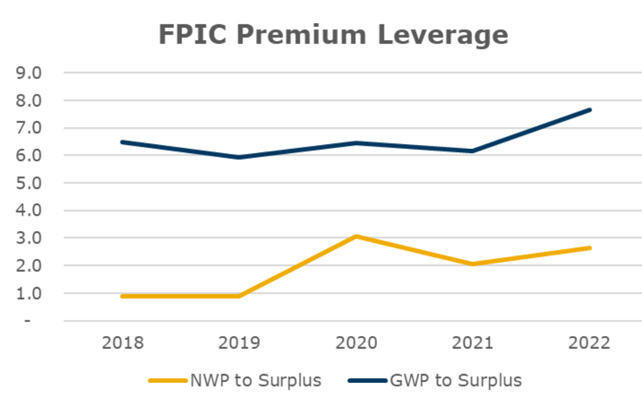


Source: Statutory Statements

FPIC

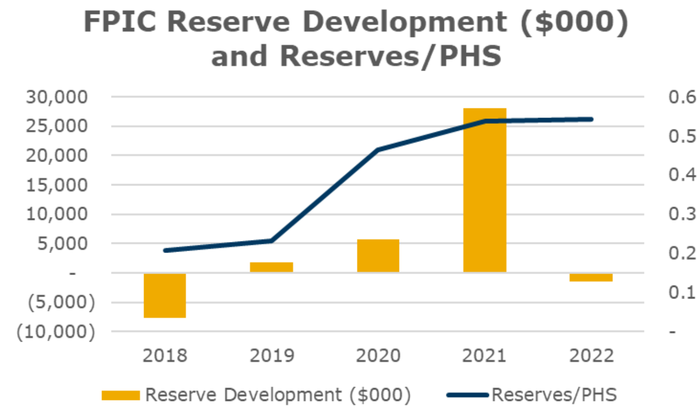
Policyholder surplus has grown at a 16.4% CAGR from end-2018 to end-2022. With $117.5 million in policyholders' surplus at end-2022, FPIC remains one of the larger companies among its peers. While there have been annual fluctuations, KBRA views risk-based capital as adequate though below the peer average.

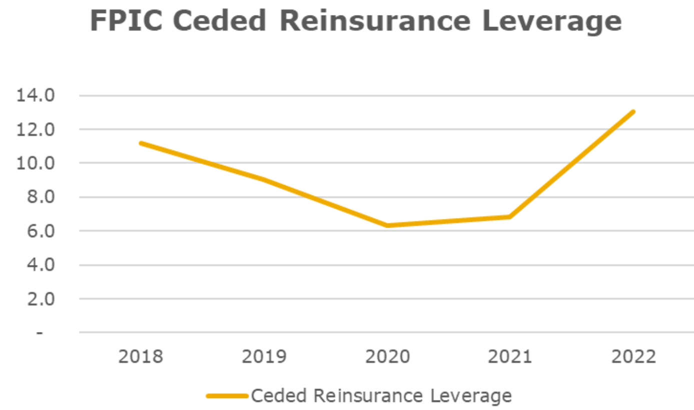
Net written premium (NWP) to policyholders' surplus has ranged between 2.1x and 3.1x over the past three years (2.7x at end-2022). Reflective of the Company's growth strategy, this ratio is somewhat elevated compared to the peer average. Across the same period, gross written premium (GWP) has ranged from 6.2x to 7.6x. In addition to rate increases, the increase in premium leverage is driven by increased policy counts.



Source: Statutory Statements

Reserves to policyholders' surplus has also risen across the last five years but at 0.5x remains in line with peers. Largely driven by catastrophe experience (Hurricanes Ian and Nicole), ceded reinsurance leverage jumped to a high 13.0x at end-2022.



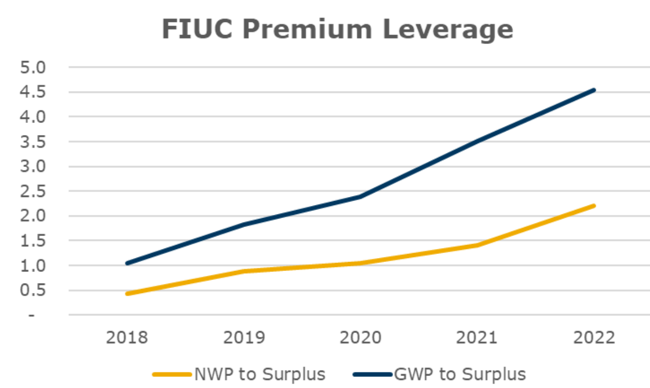


Source: Statutory Statements

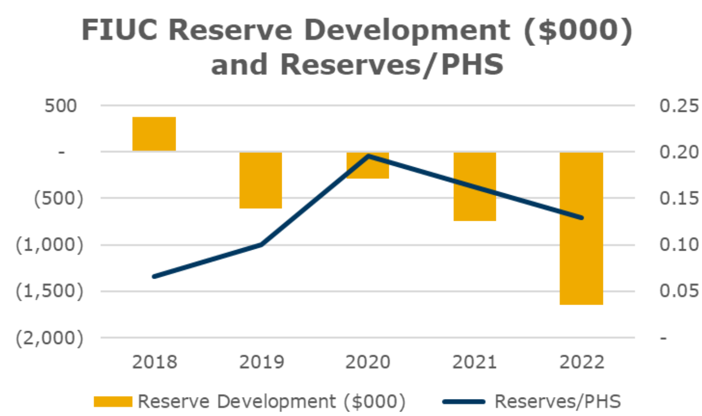
FIUC

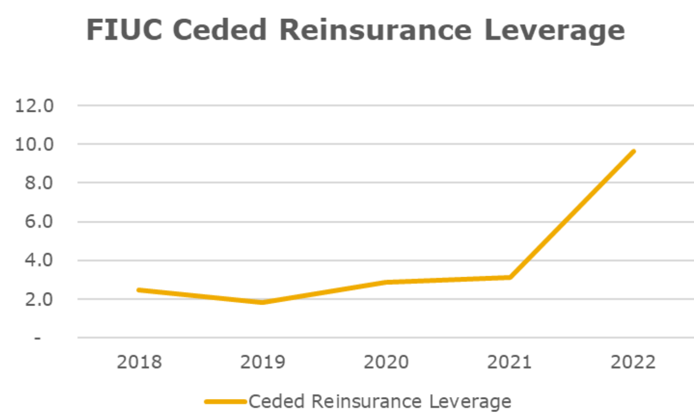
Policyholder surplus has grown at a 11.8% CAGR from end-2018 to end-2022. Primarily coinciding with increasing premiums, RBC ratios have trended downwards across the last five years to 307% at end-2022. Though at a level that generally trends significantly below peer average, KBRA views risk-based capital as adequate as catastrophe retention is low relative to surplus.

Net written premium to policyholders' surplus has risen from 0.4x to 2.2x over the last five years and is slightly elevated compared to peers. Reserves to policyholders' surplus has been well below peers, ranging from 0.1x to 0.2x from 2018 through 2022. However, ceded reinsurance leverage, which had steadily risen from YE2019 through YE2021, rose significantly from 3.1x at YE2021 to 9.6x at YE2022, well above peers.



Source: Statutory Statements





Source: Statutory Statements

Asset Quality and Investment Risk

Both companies utilize Cardinal Investment Advisors to manage their third-party investment managers. Investment managers primarily include (by asset class allocation) Raymond James Financial Services, Inc. (equities), Sage Advisory Services (fixed income), and Advisors Asset Management, Inc. (fixed income), as well as smaller allocations to a handful of additional managers. The Companies' investment strategy incorporates conservative objectives, namely the maintenance of liquidity, the preservation of capital, and the growth of surplus. In KBRA's opinion, targeted allocations across asset classes (majority of which is fixed income) remain conservative. Allocations are more diverse at FPIC, reflecting its larger invested asset base.

FPIC

FPIC has a well-diversified, high credit quality portfolio. The portfolio is relatively conservative. Below investment grade (BIG) holdings to PHS (7.4% at end-2022) has trended down, remains adequate, in KBRA's opinion, though elevated compared to peers.

The negative cash and cash equivalents position at YE 2022 was primarily driven by delayed reimbursements from the Florida Hurricane Catastrophe Fund (Florida Cat Fund); the issue was resolved but distorted year-end figures. Outside of the year-end balance, the portfolio remains highly liquid. Unaffiliated common stock to policyholders' surplus was 29.5% at YE 2022, which remains significantly elevated relative to peers. In KBRA's opinion, elevated equity leverage is offset by the generally large allocation to cash and cash equivalents.

FPIC Investment Portfolio by Asset Class ($000)

Asset Class	2020	%	2021	%	2022	%	Q2 2023	%
Bonds	102,172	40.0%	124,687	40.9%	173,403	96.1%	182,459	41.8%
Preferred Stocks	-	0.0%	288	0.1%	1,541	0.9%	1,370	0.3%
Affiliated Common Stocks	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Unaffiliated Common Stocks	26,873	10.5%	34,376	11.3%	34,657	19.2%	35,131	8.0%
Mortgages	2,808	1.1%	2,506	0.8%	2,190	1.2%	2,027	0.5%
Real Estate	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Cash & Cash Equivalents	115,147	45.1%	125,335	41.1%	(55,715)	-30.9%	196,169	44.9%
Contract Loans	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Derivatives	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Other Invested Assets	8,533	3.3%	17,598	5.8%	18,917	10.5%	19,241	4.4%
Receivables for Securities	-	0.0%	-	0.0%	5,396	3.0%	577	0.1%
Securities Lending Reinvested Collatera	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Aggregate Write-ins for Invested Asset	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Cash & Invested Assets	**255,533**	**100.0%**	**304,789**	**100.0%**	**180,389**	**100.0%**	**436,974**	**100.0%**

FPIC Fixed Income Portfolio Quality ($000)

Class	2020	%	2021	%	2022	%	Q2 2023	%
NAIC 1	86,692	84.8%	91,073	73.0%	127,428	73.4%	136,809	74.9%
NAIC 2	12,499	12.2%	21,774	17.5%	37,452	21.6%	36,475	20.0%
NAIC 3	2,981	2.9%	9,562	7.7%	8,517	4.9%	9,131	5.0%
NAIC 4	-	0.0%	1,967	1.6%	147	0.1%	225	0.1%
NAIC 5	-	0.0%	312	0.2%	-	0.0%	-	0.0%
NAIC 6	-	0.0%	-	0.0%	-	0.0%	-	0.0%
NAIC 3-6	2,981	2.9%	11,840	9.5%	8,664	5.0%	9,356	5.1%
Total	**102,172**	**100.0%**	**124,687**	**100.0%**	**173,544**	**100.0%**	**182,640**	**100.0%**

Source: Statutory Financials

FIUC

FIUC has a well-diversified, very high credit quality portfolio. The portfolio is highly conservative as there is no BIG exposure. The negative cash and cash equivalents position at YE 2022 was driven by the timing of reimbursements for Hurricane Ian. Outside of the year-end balance, the portfolio also remains very liquid as FIUC maintains a large allocation to cash or cash equivalents.

Unaffiliated common stock to policyholders' surplus exceeded 11% at end-2022, a level which is elevated compared to peers. In KBRA's opinion, elevated equity leverage is offset by the generally large allocation to cash and cash equivalents.

FIUC Investment Portfolio by Asset Class ($000)								
Asset Class	2020	%	2021	%	2022	%	Q2 2023	%
Bonds	20,684	45.8%	20,677	29.5%	20,519	110.9%	22,107	38.2%
Preferred Stocks	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Affiliated Common Stocks	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Unaffiliated Common Stocks	3,952	8.8%	5,316	7.6%	4,605	24.9%	4,811	8.3%
Mortgages	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Real Estate	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Cash & Cash Equivalents	20,481	45.4%	44,012	62.9%	(7,588)	-41.0%	30,967	53.5%
Contract Loans	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Derivatives	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Other Invested Assets	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Receivables for Securities	-	0.0%	-	0.0%	970	5.2%	-	0.0%
Securities Lending Reinvested Collateral A	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Aggregate Write-ins for Invested Assets	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Cash & Invested Assets	45,116	100%	70,005	100%	18,506	100%	57,886	100%

FIUC Fixed Income Portfolio Quality ($000)								
Class	2020	%	2021	%	2022	%	Q2 2023	%
NAIC 1	17,616	85.2%	17,125	82.8%	16,309	79.5%	18,195	82.3%
NAIC 2	3,068	14.8%	3,552	17.2%	4,210	20.5%	3,912	17.7%
NAIC 3	-	0.0%	-	0.0%	-	0.0%	-	0.0%
NAIC 4	-	0.0%	-	0.0%	-	0.0%	-	0.0%
NAIC 5	-	0.0%	-	0.0%	-	0.0%	-	0.0%
NAIC 6	-	0.0%	-	0.0%	-	0.0%	-	0.0%
NAIC 3-6	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total	20,684	100.0%	20,677	100.0%	20,519	100.0%	22,107	100.0%

Source: Statutory Financials

Financial Flexibility and Access to Capital

Each statutory insurance operating entity is part of a traditional insurance holding company structure. Access to capital has been evident over the past five years with significant capital contributions relative to surplus for each company. In addition, fees generated outside of the statutory insurance entities further enhance financial and operational flexibility. The Company has a relationship with Fifth Third Bank, which enhances their access to capital.

FPIC

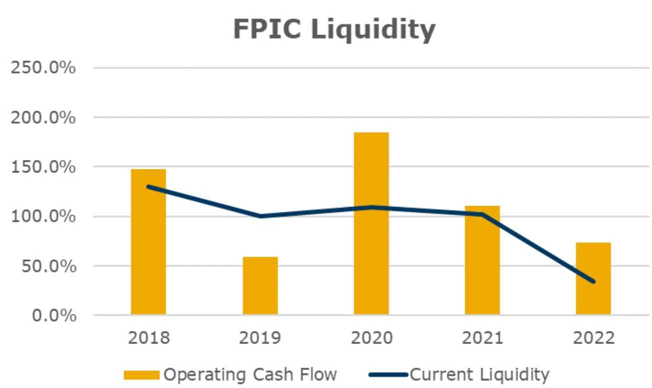
FPIC is a member of the Federal Home Loan Bank (FHLB) of Atlanta. As of June 30, 2023, FPIC has borrowing capacity of approximately $60 million, though has not accessed any advances. The Company views FHLB borrowing capacity as an option for additional/back up liquidity in the aftermath of a catastrophe event.

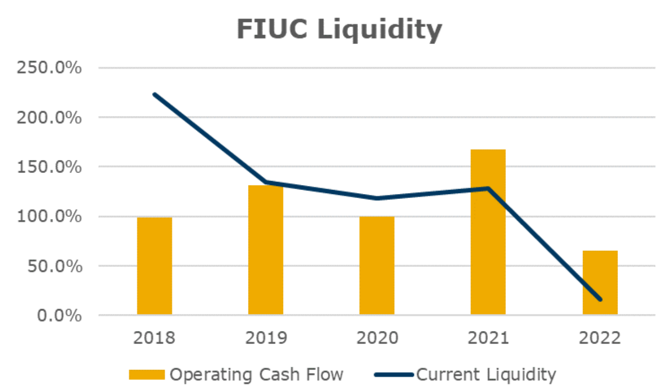
FIUC

FIUC is not a member of the FHLB system.

Liquidity and Asset/Liability Management

Historical trends reflect strong liquidity and operating cash flow metrics that are in line with peers. The impact of the delayed FHCF reimbursement at year-end distorts the balance sheet at end-2022. Though KBRA observes that both asset portfolios modified durations are longer than typical for a property writer, both companies actively manage their liquidity positions, as well as keep a significant portion of assets in cash and cash equivalents to ensure sufficient coverage for both claims and operational needs.





Source: Statutory Statements

FPIC
In the three years prior to 2022, FPIC had sound current liquidity of ratios around 100%, which compared favorably to peers, and had remained relatively unchanged despite elevated loss payments from natural catastrophes.

FIUC
In the three years prior to 2022, FIUC had sound current liquidity of ratios ranging from 118% to 134%, favorable compared to peers.

Operating Fundamentals

Drivers of Profitability

The Company's overall profitability has been impacted by recent catastrophe activity. Over the last several years, the Company has consistently increased rates on its Florida business, as well as its other in-force business. Despite the significant rate increases, a hardening Florida residential insurance market has contributed to policy retention rates which remain above 90%.

Recent underwriting enhancements or limits have been implemented pertaining to ages of roofs and structures. More recently, the average roof age has held steady at around ten years. The Company has also targeted second time home buyers, a risk profile which it views favorably. Underwriting guidelines remain dynamic as market conditions evolve. Further, all homes over five years old are physically inspected.

In response to excessive litigation trends within the Florida market, the Company has implemented a team focused on early settlements as well as established teams focused on fraud. The Company utilizes a construction cost index which is updated quarterly.

Across both companies, consistent with their growth strategy and what is seen as market opportunities, policies in force (PIF), total insured value (TIV), and premiums have consistently grown across the last three years. Across the Frontline platform, average exposure (TIV/Policies) has increased significantly since 2020 though compares favorably to the rate of growth in average premium and surplus across the same period.

Frontline Florida Rate History	
Rate Filing	**Effective Date**
HO3 & HO6 = 14.9%	10/3/2023
RAP Filing = -2.8%	1/1/2023
MH3 = 14.9%	8/26/2022
HO3 = 7.1%; HO6 = -18.2%; HO4 = 0%	5/21/2022
DP3 = 14%	8/1/2021
HO3 = 9.9%; HO4 = 0%; HO6 = 0%	1/23/2021
MH3 = 14.7%	12/1/2020
DP3 = 15%	8/15/2020
HO3 = 15%	7/31/2020
DP3 = 8.7%; HO3 = 5.7%	2/1/2020

Source: Company

FPIC						
Year	**Inforce Policy Count**	**Inforce Premium**	**TIV**	**TIV/Inforce Policy Count**	**PHS**	**PHS/TIV**
2019	164,500	$ 424,877,505	$ 100,509,304,075	610,999	$ 73,122,311	0.07%
2020	194,319	$ 518,764,270	$ 121,538,469,222	625,458	$ 81,977,632	0.07%
2021	243,055	$ 692,695,668	$ 155,486,200,742	639,716	$ 113,909,158	0.07%
17-May-23	320,216	$ 969,788,176	$ 224,444,850,881	700,917	$ 118,909,055	0.05%

FIUC						
Year	**Inforce Policy Count**	**Inforce Premium**	**TIV**	**TIV/Inforce Policy Count**	**PHS**	**PHS/TIV**
2019	110,903	$ 47,684,162	$ 7,127,214,130	64,265	$ 26,452,615	0.4%
2020	119,494	$ 69,443,871	$ 10,398,139,699	87,018	$ 29,520,705	0.3%
2021	130,893	$ 114,633,914	$ 17,946,824,893	137,111	$ 32,938,301	0.2%
17-May-23	143,296	$ 230,515,512	$ 29,162,449,820	203,512	$ 39,258,902	0.1%

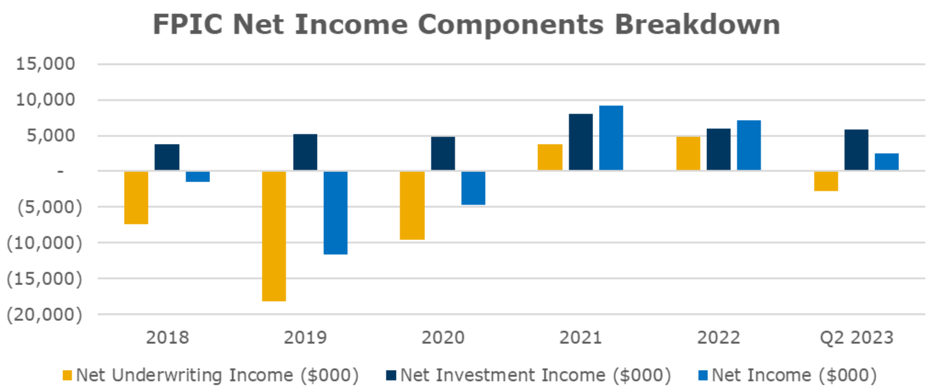
FPIC + FIUC						
Year	**Inforce Policy Count**	**Inforce Premium**	**TIV**	**TIV/Inforce Policy Count**	**PHS**	**PHS/TIV**
2019	275,403	$ 472,561,667	$ 107,636,518,205	390,833	$ 99,574,926	0.09%
2020	313,813	$ 588,208,141	$ 131,936,608,921	420,431	$ 111,498,337	0.08%
2021	373,948	$ 807,329,582	$ 173,433,025,635	463,789	$ 146,847,459	0.08%
17-May-23	463,512	$ 1,200,303,688	$ 253,607,300,701	547,143	$ 158,167,957	0.06%

Source: Frontline Insurance and Statutory Statement

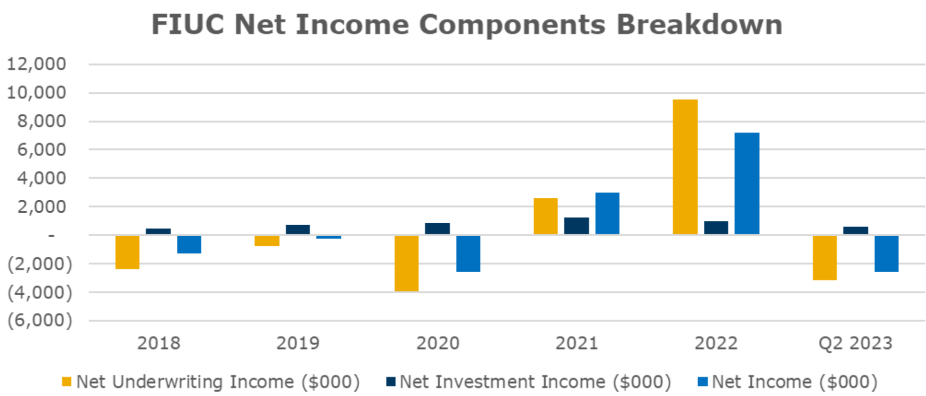
Consistency of Profitability

Consistent with peer companies exposed to natural catastrophe risk, operating results have been generally unfavorable and volatile across the last five years. AOB and the resultant litigious environment in Florida also contributed to poor underwriting performance and has further exacerbated reinsurance costs in a hardening market. Financial results across the near term have been favorable. Recent legislative changes should enhance Frontline's near-term profitability profile, though claims and litigation efforts have been points of emphasis across the last several years.

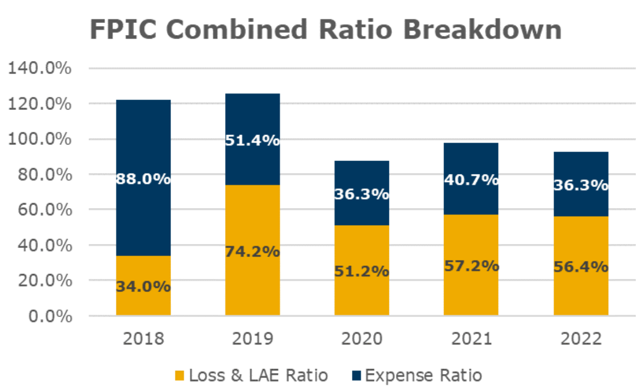
Results at both companies have trended favorable across the last three years. Results for 2021 and 2022 favorably show both underwriting and bottom-line profitability. Recent year and historical results across the past five years for the Frontline platform, despite losses, generally compare favorably to peers across the same period. Further, despite the period of underwriting losses at the operating companies, the Company has generated substantial net income at both holding companies.

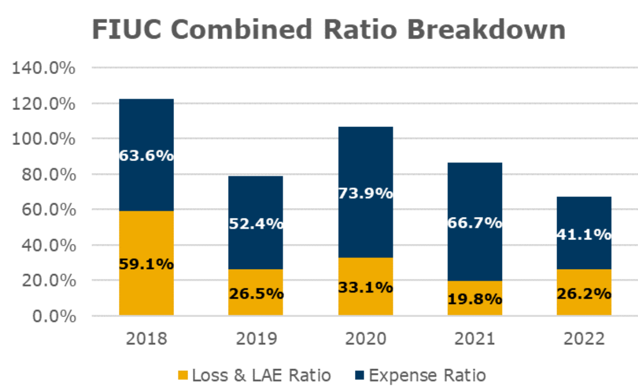


Source: Statutory Statements



Source: Statutory Statements

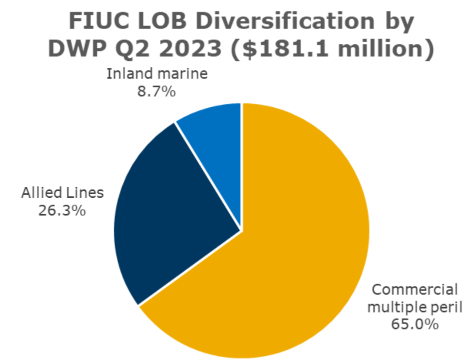


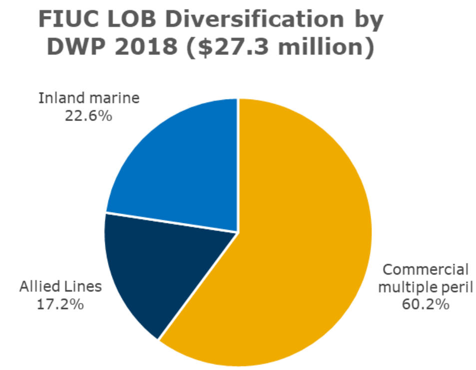


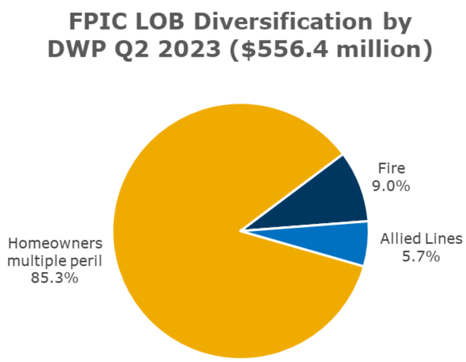
Source: Statutory Statements

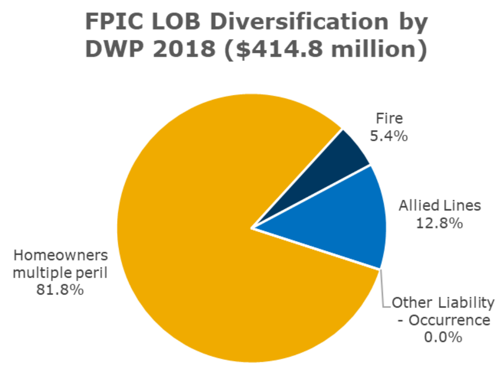
Earnings Diversification: Product/Geography

At YE 2022, the Company's business was predominantly homeowners and commercial multiple peril, with small amounts of fire, allied lines (personal and commercial), and inland marine. Commercial business has grown significantly since 2018.





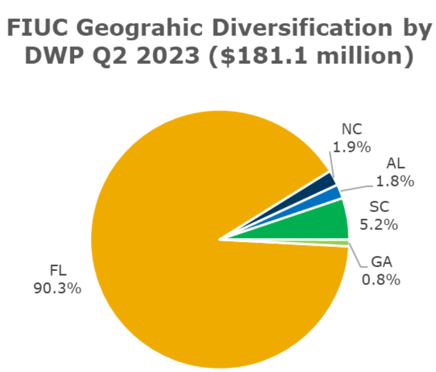


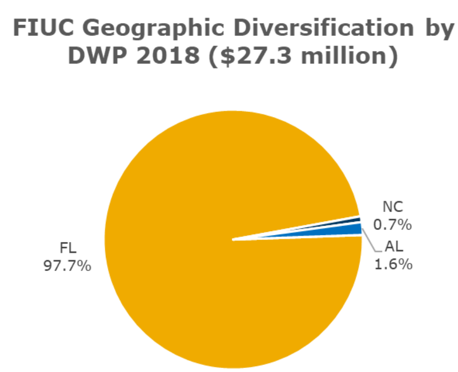


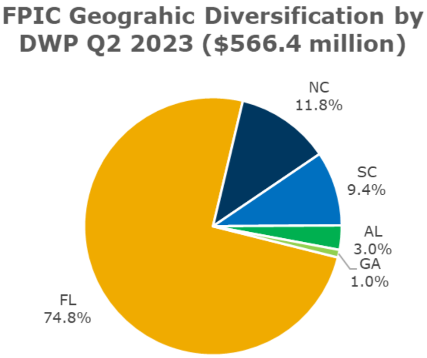
Source: Statutory Financials

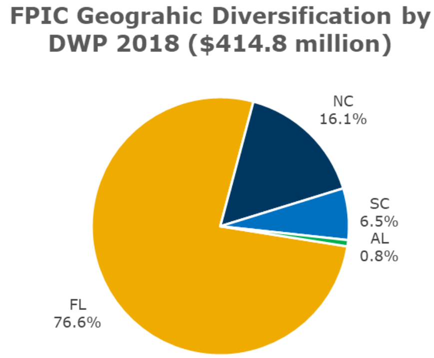
Both companies write business in five states – all around the Southeast region – with the majority in Florida. KBRA expects geographic diversification to improve slightly over the medium- to long-term as the Company continues to expand organically in states outside of Florida. In KBRA's opinion, earnings diversification is viewed unfavorably as the majority of the Company's revenues are from Florida homeowners business.

Management is taking a cautious approach to expansion but is seeking to diversify by writing a small amount of business in a non-hurricane exposed state.









Source: Statutory Financials

Exposure to Event Risk

As a predominantly Florida homeowners writer, the Company is exposed to event risk from natural catastrophes, specifically hurricanes, and other weather events. Strategically, the Company's exposure to southern Florida is minimal, though all insured risks are predominantly coastal. While KBRA views exposure to event risk unfavorably, this view is partially mitigated by its confidence in the Company's stress testing and the strength and credit quality of its reinsurance program.

Company Profile and Risk Management

Management Profile and Strategy

The Board of Directors and senior management are nearly identical at FPIC and FIUC. The Company maintains a deep and experienced leadership team with extensive exposure to the Florida personal residential and commercial insurance markets as well as an understanding of other coastal exposure. Across its operating companies, the Company targets niche property markets across the Southeast, namely Alabama, Florida, Georgia, North Carolina, and South Carolina. The Company is taking a cautious approach to expansion, as future expansion efforts entail measured growth in Colorado and Virginia – primarily non-catastrophe exposed areas. Management invests heavily in technology and the growth of the business. The organization has staffed an analytics team in Belfast, Ireland comprised of several data scientists to leverage technology and artificial intelligence efforts and support strategic business decision-making.

The Company is employing a measured growth strategy to take advantage of what it sees as advantageous market conditions within Florida. Across the last decade, employee headcount has more than quadrupled to over 450, with a significant increase in recent years driven by hires in the claims department. KBRA views management and its strategy favorably but observes that earnings remain susceptible to volatility due to the unpredictable nature of catastrophes and the regulatory and legislative operating environment within Florida. An overhaul of the claims department, including emphasis on settlements and fraud prevention, as well as tightening underwriting guidelines and policy forms have improved recent underwriting results.

Market Position

The Company is one of the largest Florida homeowners insurers, by direct written premiums, with an increasing market share. While fragmented, given the current capacity constraints within the private Florida homeowners market, the Company should be able to increase market share if management desires and do so profitably. Both statutory insurance operating entities benefit from the Company's overall brand and position.

Distribution

The Company underwrites voluntary personal and commercial insurance business through a network of independent agents. The Company seeks to be within the top three carriers with each agency.

All business is organically grown business from appointed agents. The Company actively manages its agent relationships and has been active in terminating unfavorable relationships.

Risk Management

Senior management of the Company is involved in all aspects of risk and capital management. The Company has established an Enterprise Risk Management (ERM) Policy and Procedures document and ERM Framework to address non-weather-related risks. Within its ERM Framework, Risk Governance is maintained by the Board of Directors and executive management. Additional pillars within the framework include ERM Infrastructure, including policies and procedures and a key risk matrix, Risk Management Process, including assessment, analysis, and action, and ERM Integration, including planning and compliance, among other action items within each pillar. ERM Culture/Foundation is the remaining component of the organization's ERM framework. Identified key risks include claims, data security, and underwriting. Further, the organization maintains an incident response plan, as well as a disaster recovery plan.

The Company has a dedicated catastrophe modeling team to run catastrophe models licensed from RMS that it runs monthly in-house, which KBRA views favorably. The Company formalized its ERM process to document its procedures related to filing its first ORSA report – which was driven by the current and projected level of premium writings.

Reinsurance

The Company has established long-term relationships with reinsurers and works collaboratively with them to develop a program to obtain sufficient coverage at optimal pricing. the Company has historically placed one catastrophe reinsurance program between the insurance operating companies, allocated on exposure. The overall $10 million retention is split proportionately based on incurred claims between the Companies. The program is designed to adequately cover both severe and frequent events.

While the Company's reinsurance covers are concentrated with its largest provider (GenRe), counterparty risk is mitigated to an extent by the strong credit quality of the reinsurer.

Both FPIC and FIUC also have quota share agreements with GenRe and maintain per risk excess of loss and facultative reinsurance for policies with larger TIVs. Further, FPIC and FIUC both also maintain aggregate stop loss reinsurance that covers both catastrophe and non-catastrophe ultimate net losses for accident years prior to 2022.

ESG Management

KBRA's ratings incorporate all material credit factors including those that relate to Environmental, Social and Governance (ESG) factors. KBRA captures the impact of ESG factors in the same manner as all other credit-relevant factors. KBRA does not deploy ESG scores, but instead analyzes ESG factors through the lens of how company management plans for and manages relevant ESG risks and opportunities. More information on KBRA's approach to ESG can be found here. KBRA believes stakeholder perspectives and emerging disclosure requirements will remain prominent components of (re)insurer approaches to ESG.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.

Environmental Factors

The Company provides residential property insurance in coastal and inland communities across the state of Florida as well as other select coastal areas, which are significantly exposed to climate change through natural catastrophe risk. At this time, the Company does not formally incorporate ESG considerations in its investment strategy.

Social Factors

Management expressed that they are mindful of stakeholder demands with respect to social factors, particularly diversity, equity, and inclusion initiatives. To date, stakeholders have not expressed any specific ESG preference with regard to social factors.

Governance Factors

The Company utilizes encryption and authentication, anti-virus and patches, third party tools, and training/testing, and generally other best practices. The Company also makes use of vulnerability management technologies, identity access management controls to ensure appropriate access and authority on applicable systems, phishing tools, cybersecurity awareness campaigns that are mandatory for new hires, annual employee cybersecurity training, the incorporation of cyber into its incident response plan and procedures as well as its disaster recovery plan, and advanced endpoint managed detection and response technology. The Company also leverages various external security service providers as needed. The Company maintains a cyber liability policy.

External Considerations

Both from operational and access to capital standpoints, FPIC and FIUC benefit from their respective holding companies and being part of the Company platform.

Each statutory insurance operating company maintains an MGA agreement with their respective MGA. The MGAs provide policy, commission, and claims (catastrophe and non-catastrophe) adjusting administration. Fees are earned on direct premiums and losses. The holding companies provide all other management services for their respective insurance operating company under a separate management agreement.

Transfer Risk

Both entities are domiciled in the United States (AAA/Stable), and only write business in the United States. As such, there is no currency transfer risk.