



**EXAMINATION REPORT
OF**

**FCCI Commercial Insurance Company
Sarasota, Florida**

NAIC Company Code: 33472

**as of
December 31, 2020**

**By
The Florida Office of Insurance Regulation**

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April 14, 2022

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 690-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

FCCI Commercial Insurance Company
6300 University Parkway
Sarasota, Florida 34240

hereinafter referred to as “the Company.” Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2016 through December 31, 2020, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 12, 2021. The fieldwork concluded as of April 14, 2022. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2011 through December 31, 2015.

The examination was a multi-state/coordinated holding company group examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, 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. The lead state for this exam was Florida, and states that participated in this exam are as follows: Indiana and Mississippi.

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 the NAIC Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings as of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company is a Florida-domiciled property and casualty insurer that was organized on February 25, 1988, as FCCI Commercial Fund. On February 18, 2000, the Company was converted to a stock property and casualty company and the name was changed to FCCI Property and Casualty Insurance Company. The Company's name was changed to FCCI Commercial Insurance Company effective on January 1, 2001. The Company is a wholly owned subsidiary of FCCI Insurance Group, Inc., which is a wholly owned subsidiary of FCCI Insurance Company, a Florida domiciled commercial property and casualty insurer. FCCI Insurance Company is wholly owned by FCCI Group, Inc., an intermediate holding company that is wholly owned by FCCI Mutual Insurance Holding Company. The Company is only licensed in the State of Florida.

Dividends

The Company declared and paid dividends to its stockholder(s) in 2020 in the amounts of \$11,700,000.

Capital Stock and Capital Contributions

As of December 31, 2020, the Company's capitalization was as follows:

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	100,000

Total common capital stock	\$100,000
Par value per share	\$1.00

There were no capital contributions during the period under examination.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Charles Robert Baumann	Sarasota, Florida	Former Shareholder, Kerkering, Barberio & Co.
Mary Lisa Carlton ^(b)	Sidell, FL	Owner Mabry Carlton Ranch, Inc.
John Joseph Cox ⁽¹⁾	Sarasota, Florida	President & Owner, Halfacre Construction Company
Robert Winthrop Flanders	Sarasota, Florida	Former Business Executive, Quality Walls L.C.
Gordon William Jacobs ^(a)	Sarasota, Florida	Former Insurance Executive
Lisa Ann Krouse	Sarasota, Florida	Former Insurance Executive, FCCI Insurance Group
Christina Dawn Welch	Sarasota, Florida	President, Chief Executive Officer, FCCI Insurance Group
James Michael Welch	Myakka City, FL	Former Insurance Agency Executive, Owner, Sporting Clays Lodge
Roy Allan Yahraus	Sarasota, Florida	Former Business Executive RNR of Sarasota, Inc.

(1) Chairperson

(a) Retired on January 2, 2022 and was replaced by Thomas Augustine Koval as Director.

(b) Resigned on January 19, 2022 as Director.

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Christina Dawn Welch	Sarasota, Florida	President, Chief Executive Officer
Christopher Samir Shoucair	Lithia, Florida	Executive Vice President, Chief Financial Officer, Treasurer and Secretary
Michelle Marie Jalbert	Bradenton, Florida	Senior Vice President, Controller and Assistant Treasurer
Ralph John LaSpina ^(a)	Sarasota, Florida	Executive Vice President, Chief Marketing and Underwriting Officer

(a) Resigned on January 4, 2022.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2020. The first person listed on the left for each committee is the chairman.

Executive Committee		
Charles Robert Baumann	John Joseph Cox	Gordon William Jacobs

Audit Committee			
Charles Robert Baumann	Mary Lisa Carlton	Roy Allan Yahraus	Gordon William Jacobs

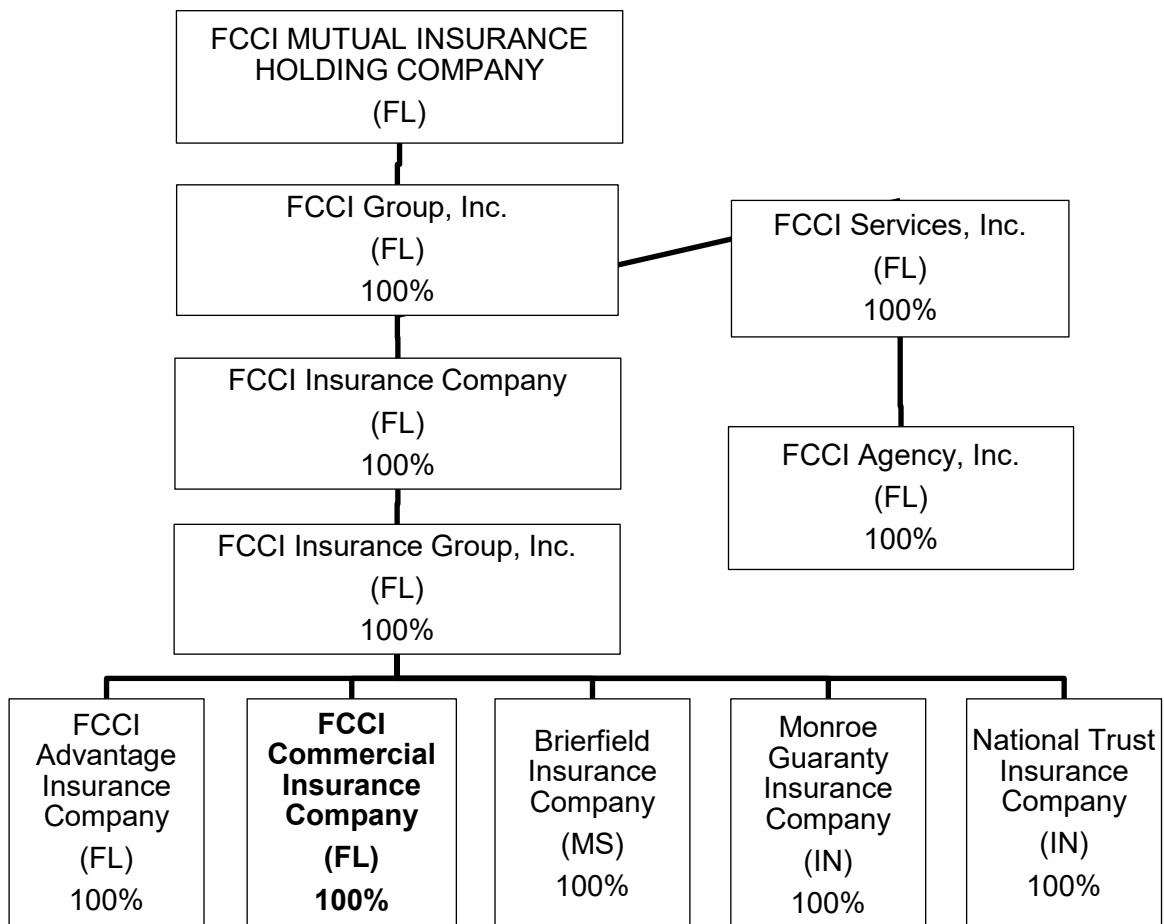
Investment Committee	
Gordon William Jacobs	Charles Robert Baumann
John Joseph Cox	Robert Winthrop Flanders

The Company also has the Budget, Claims & Reserves, Compensation, Internal Operations, Marketing & Underwriting and Nominating standing committees appointed by the Board.

Holding Company System

An organizational chart as of December 31, 2020, reflecting the holding company system, is shown below. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

FCCI Commercial Insurance Company Organizational Chart December 31, 2020



The following agreements were in effect between the Company and its affiliates:

Federal and State Income Tax Allocation Agreement

The Company, along with its parent, affiliates, and Holding Company, filed a consolidated federal income tax return. On December 31, 2020, the method of allocation between the Company and Holding Company was on a separate-entity basis as described in Internal Revenue Code Section 1552(a)(2) and Treasury Regulation 1.1552-1(a)(2), which was the percentage of tax each member would bear compared to the total tax of all members, if computed on separate returns. Each member of the group recorded an inter-company income tax receivable or payable with another member of the group. Within ninety (90) days of the remittance by Holding Company of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

Management Services Agreement

Effective January 1, 2007, the Company, along with its parent and affiliates, had a management services agreement with FCCI Services, Inc., an affiliate, which provided insurance and general management services including, but not limited to: underwriting, premium formulation, collection services, loss control, claims management, portfolio investment management, actuarial services, accounting services, internal auditing, treasury and banking services, legal services, regulatory affairs, internal operations, personnel, information systems, marketing, facilities management, tax services, reinsurance services, corporate governance, and other services related to the effective management of the Company's business. Fees incurred under this agreement during 2020, amounted to \$153,955.

Quota Share Reinsurance Agreement

The Company had a reinsurance agreement with one of its parents – FCCI Insurance Company. This is discussed in more detail in the reinsurance section.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Sarasota, Florida.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida on February 18, 2000, and is currently authorized for the following lines of business as of December 31, 2020:

- Allied Lines
- Burglary and Theft
- Commercial Auto Liability
- Farmowners Multi-Peril
- Fire
- Inland Marine
- Workers' Compensation
- Boiler and Machinery
- Commercial Auto Physical Damage
- Commercial Multi-Peril
- Fidelity
- Glass
- Other Liability

The Company ceased writing policies effective August 1, 2014. Prior to August 1, 2014, the Company wrote commercial lines of business exclusively in the State of Florida.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company has a one hundred percent (100%) quota share reinsurance agreement with FCCI Insurance Company. The agreement covers all premiums written and earned and all loss and loss adjustment expenses incurred. The agreement includes a provision for ceded commission income equal to one hundred percent (100%) of operating expenses incurred.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2020. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2020. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

FCCI Commercial Insurance Company
Assets
December 31, 2020

	Assets	Non- admitted Assets	Net Admitted Assets
Bonds	\$3,879,100	\$0	\$3,879,100
Cash and short-term investments	363,293	0	363,293
Subtotals, cash and invested assets	4,242,393	0	4,242,393
Investment income due and accrued	24,558	0	24,558
Net deferred tax asset	7,828	0	7,828
Aggregate write-in for other than invested assets	6,162	0	6,162
Total	\$4,280,941	\$0	\$4,280,941

FCCI Commercial Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2020

	Per Company
Taxes, licenses, and fees	\$40,290
Current federal and foreign income taxes	66,433
Ceded reinsurance premiums payable	(2,630,157)
Remittances and items not allocated	6,111
Aggregate write-in for liabilities	385,503
Total liabilities	(2,131,820)
Common capital stock	100,000
Gross paid-in and contributed surplus	6,078,246
Unassigned funds (surplus)	234,515
Surplus as regards policyholders	6,412,761
Totals	\$4,280,941

FCCI Commercial Insurance Company
Statement of Income
December 31, 2020

	Per Company
Underwriting Income	
Premiums earned	\$0
Deductions	
Other underwriting expenses incurred	(6,241)
Net underwriting gain (loss)	6,241
Investment Income	
Net investment income earned	132,868
Net realized capital gains or (losses)	134,047
Net investment gain or (loss)	266,915
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(11,938)
Finance and service charges not included in premiums	9
Total other income	(11,929)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	261,227
Dividends to policyholders	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	261,227
Federal & foreign income taxes incurred	30,800
Net Income	\$230,427
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$17,878,246
Net Income	230,427
Change in net deferred income taxes	4,088
Surplus adjustments: Paid in	(10,071,754)
Dividends to stockholders	(1,628,246)
Change in surplus as regards policyholders for the year	(11,465,485)
Surplus as regards policyholders, December 31, current year	\$6,412,761

**FCCI Commercial Insurance Company
Reconciliation of Capital and Surplus
December 31, 2020**

No adjustments were made to surplus regarding policyholders as a result of this examination.

Capital/Surplus Change during Examination Period			
Surplus on December 31, 2015, per Company			\$17,069,457
	Increase	Decrease	
Net Income	\$1,057,428		
Change in net deferred income tax		\$14,124	
Change in paid in surplus		\$10,071,754	
Dividends to Stockholders		\$1,628,246	
Net increase (or decrease)			(\$10,656,696)
Surplus on December 31, 2020 per Company			\$ 6,412,761

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$6,412,761, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

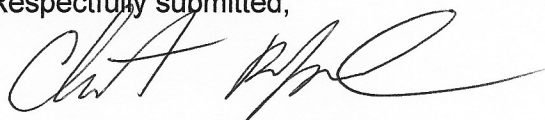
CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of FCCI Commercial Insurance Company as of December 31, 2020, consistent with the insurance laws of the State of Florida.

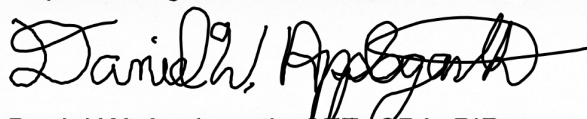
In addition to the undersigned, the following also participated in the examination

<u>Name of Participant, Credentials</u>	<u>Function</u>	<u>Organization</u>
Chad Mason	Exam Manager	The Office
John Humphries, CFE, CISA	Exam Manager	RRC
Laura Clark, CFE, CPA	Participating Examiner	RRC
Andy Bougie, CFE, CIA, CFE (Fraud)	Participating Examiner	RRC
Dave Heppen, FCAS, MAAA	Actuarial Specialist	RRC
Scott Merkord, FCAS, MAAA, CPCU	Actuarial Specialist	RRC
Jenny Jeffers, AES, CISA, CFE (Fraud)	IT Specialist	Jennan Enterprises
Joanna Latham, CPA, CFE, AES, CISA, CRISC	IT Specialist	Jennan Enterprises

Respectfully submitted,



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Director
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Daniel W. Applegarth, CFE, CPA, PIR
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Florida Office of Insurance Regulation