



**EXAMINATION REPORT  
OF**

**FCCI Insurance Company  
Sarasota, Florida**

**NAIC Company Code: 10178**

**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 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 a result of this examination.

### Previous Examination Findings

There were no significant findings in the previous examination.

## COMPANY HISTORY

### General

The Company was organized in Florida on April 1, 1959, as Florida Construction Commerce & Industry Self-Insurers Fund and converted in 1994 to FCCI Mutual Insurance Company. FCCI Mutual Insurance Company was converted in 1998 to FCCI Insurance Company, a stock Company, which is wholly owned by FCCI Group, Inc.

### Dividends

The Company declared and paid dividends to its parent, FCCI Group, Inc., in 2016 in the amount of \$7,000,000.

### Capital Stock and Capital Contributions

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

Number of authorized class A common capital shares	10,000,000
Number of class A common capital shares issued and outstanding	5,000,000
Number of authorized class B common capital shares	500,000,000
Number of class B common capital shares issued and outstanding	0
Number of authorized preferred stock shares	10,000,000
Number of preferred stock shares issued and outstanding	0
Total common capital stock issued	\$5,000,000
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 <sup>(b)</sup>	Sidell, FL	Owner Mabry Carlton Ranch, Inc.
John Joseph Cox <sup>(1)</sup>	Sarasota, Florida	President & Owner, Halfacre Construction Company
Robert Winthrop Flanders	Sarasota, Florida	Former Business Executive, Quality Walls L.C.
Gordon William Jacobs <sup>(a)</sup>	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:

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
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 <sup>(a)</sup>	Sarasota, Florida	Executive Vice President, Chief Marketing and Underwriting Officer

<sup>(a)</sup>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.

<b>Executive Committee</b>		
Charles Robert Baumann	John Joseph Cox	Gordon William Jacobs

<b>Audit Committee</b>			
Charles Robert Baumann	Mary Lisa Carlton	Roy Allan Yahraus	Gordon William Jacobs

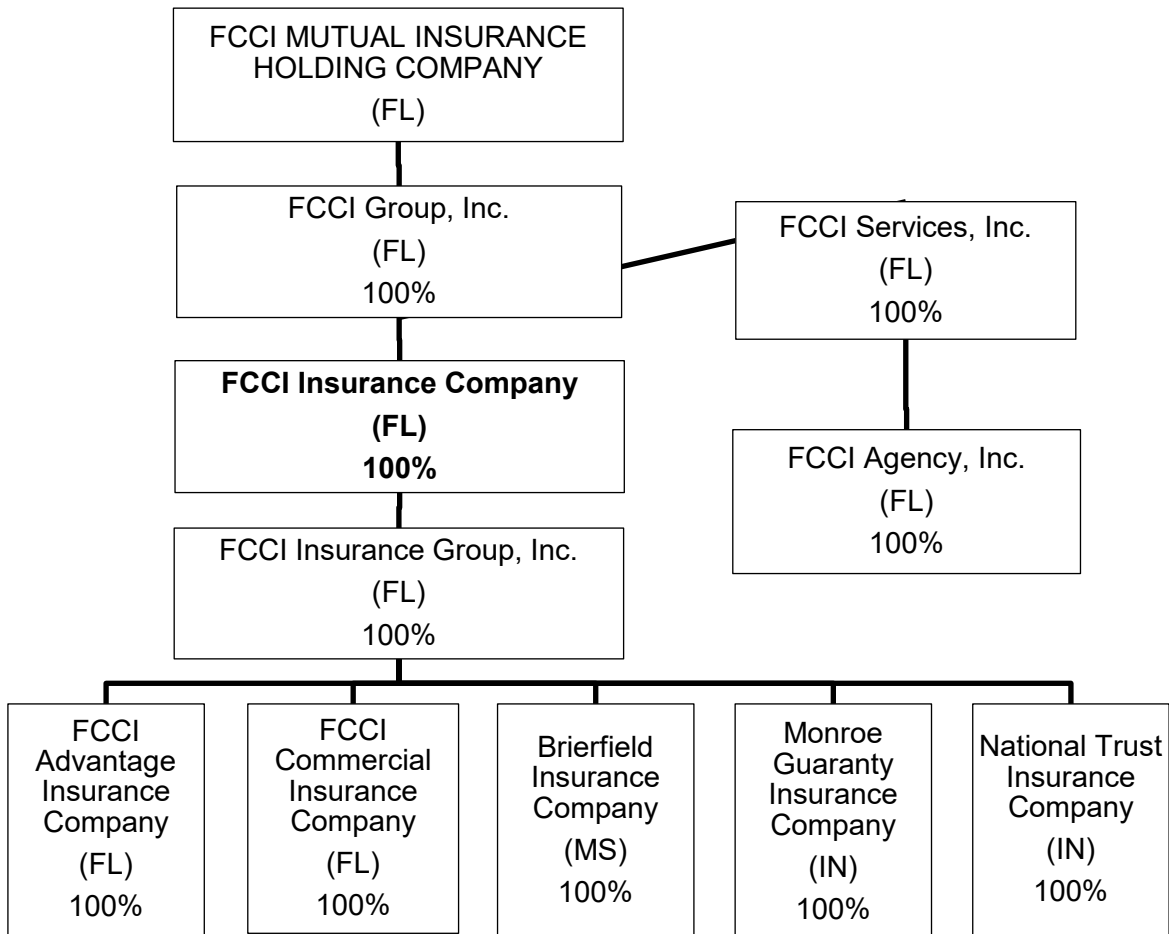
<b>Investment Committee</b>	
Gordon William Jacobs	Charles Robert Baumann
John Joseph Cox	Robert Winthrop Flanders

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 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 \$105,042,493.

### **Quota Share and Loss Portfolio Transfer Reinsurance Agreements**

The Company provides reinsurance to five indirectly owned subsidiaries, Monroe Guaranty insurance Company, National Trust Insurance Company, FCCI Commercial Insurance Company, FCCI Advantage Insurance Company and Brierfield Insurance Company, under various quota share assumption reinsurance and loss portfolio transfer agreements. The Company reinsures 100% of the exposures in excess of the subsidiaries' retention. The quota share reinsurance agreements include a provision for assumed commission equal to 100% of the subsidiaries' operating expenses incurred.

## **Capital Maintenance Agreement**

Effective June 15, 2009, the Company entered into a capital maintenance agreement with affiliates Brierfield Insurance Company and Monroe Guaranty Insurance Company. The agreements require the Company to maintain specified capital levels in both companies as a condition of their ability to write workers' compensation coverage under the Longshore and Harbor Workers' Compensation Act and its extensions, the Department of Labor, Office of Workers' Compensation Programs, and the Division of Longshore and Harbor Workers' Compensation.

## **Operating Agreement of FCCI Tax Credit, LLC**

Effective November 23, 2010, the Company entered into an operating agreement to form FCCI Tax Credit, LLC with affiliates Monroe Guaranty Insurance Company and National Trust Insurance Company. The purpose of FCCI Tax Credit, LLC is to invest in low-income housing property in order to obtain low-income housing tax credits in the state of Georgia.

Effective December 20, 2012, the membership in FCCI Tax Credit, LLC was amended so that the Company owns sixty-two percent (62%), Monroe Guaranty Insurance Company owns sixteen percent (16%), and National Trust Insurance Company owns twenty-two percent (22%).

Effective June 22, 2015, the Operating Agreement of FCCI Tax Credit, LLC was amended to conform to changes in Florida law regarding limited liability companies in accordance with Section 10.1. The amendment is not anticipated to have any financial impact on any of the companies. The agreement will be in effect until amended or terminated by the parties or until FCCI Tax Credit, LLC is dissolved.

Effective December 31, 2020, FCCI Tax Credit, LLC was dissolved, and the aforementioned agreements are no longer in effect.

## **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 in the following states:

- Alabama
- Colorado
- Florida
- Indiana
- Kentucky
- Michigan
- Montana
- North Carolina
- Oklahoma
- South Dakota
- Utah
- Wisconsin
- Arizona
- Delaware
- Georgia
- Iowa
- Louisiana
- Mississippi
- Nebraska
- North Dakota
- Pennsylvania
- Tennessee
- Virginia
- Wyoming
- Arkansas
- District of Columbia
- Illinois
- Kansas
- Maryland
- Missouri
- New Mexico
- Ohio
- South Carolina
- Texas
- West Virginia

The Company was authorized to transact insurance in Florida on November 16, 1994, and is currently authorized for the following lines of business as of December 31, 2020:

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

The Company primarily writes property and casualty commercial lines, workers' compensation and commercial auto policies in the states where it is licensed or eligible. The highest concentrations of written premiums were in Florida (\$233,417,018), Texas (\$57,082,448) and Georgia (\$32,781,981).

## **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 provided reinsurance to five (5) indirectly owned subsidiaries - Monroe Guaranty Insurance Company, National Trust Insurance Company, FCCI Commercial Insurance Company, FCCI Advantage Insurance Company, and Brierfield Insurance Company - under various quota share and loss portfolio transfer reinsurance contracts. The Company reinsured one hundred percent (100%) of the exposures. The quota share reinsurance contracts included a provision for assumed commission equal to one hundred percent (100%) of the subsidiaries' operating expenses incurred. The Company also assumed business from mandatory pools in states where it was licensed.

### **Reinsurance Ceded**

The Company limits its insurance exposure through the following practices:

- (a) The purchase of excess of loss and quota share reinsurance agreements for workers' compensation, property (per risk), umbrella, property catastrophe, and surety.
- (b) The use of facultative reinsurance for large property (per risk) business.
- (c) The use of various quota-share reinsurance agreements for contractor/manufacturers errors and omissions, equipment breakdown, employment practices, and cyber risk and data compromise.

## **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 Insurance Company**  
**Assets**  
**December 31, 2020**

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$1,386,754,565	\$0	\$1,386,754,565
Stocks			
Common stocks	521,660,201	0	521,660,201
Real Estate			
Properties occupied by the company	25,834,207	0	25,834,207
Cash and short-term investments	53,685,687	0	53,685,687
Receivables for securities	3,436,313	0	3,436,313
Subtotals, cash and invested assets	1,991,370,973	0	1,991,370,973
Investment income due and accrued	8,343,277	0	8,343,277
Premiums and considerations			
Uncollected premiums and agents' balances	49,728,949	9,915,791	39,813,158
Deferred premiums, agents' balances and installments	272,745,240	1,276,318	271,468,922
Accrued retrospective premiums	5,925,715	429,926	5,495,789
Reinsurance			
Amounts recoverable from reinsurers	7,444,833	0	7,444,833
Funds held by or deposited with reinsured companies	66,766	0	66,766
Net deferred tax asset	20,541,407	0	20,541,407
Receivable from parent, subsidiaries and affiliates	364,104	0	364,104
Aggregate write-in for other than invested assets	51,879	0	51,879
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	2,356,583,143	11,622,035	2,344,961,108
Total	\$2,356,583,143	\$11,622,035	\$2,344,961,108

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

	Per Company
Losses	\$769,260,115
Reinsurance payable on paid losses and loss adjustment expenses	5,942,534
Loss adjustment expenses	229,640,530
Commissions payable, contingent commissions and other similar charges	13,203,379
Other expenses	26,712,044
Taxes, licenses and fees	3,657,416
Current federal and foreign income taxes	683,215
Borrowed money and interest thereon	131,936,508
Unearned premiums	392,800,783
Advance premiums	905,246
Ceded reinsurance premiums payable	7,378,171
Amounts withheld or retained by company for account of others	2,209,031
Provision for reinsurance	3,541
Payable to parent, subsidiaries and affiliates	24,629,165
Payable for securities	5,979,697
Aggregate write-in for liabilities	2,494,910
<b>Total liabilities</b>	<b>1,617,436,285</b>
Common capital stock	5,000,000
Gross paid-in and contributed surplus	1,000,000
Unassigned funds (surplus)	721,524,823
Surplus as regards policyholders	727,524,823
<b>Totals</b>	<b>\$2,344,961,108</b>

**FCCI Insurance Company  
Statement of Income  
December 31, 2020**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$831,121,362
<b>Deductions</b>	
Losses Incurred	443,431,392
Loss adjustment expenses incurred	109,670,077
Other underwriting expenses incurred	271,006,629
Total Underwriting deductions	824,108,098
Net underwriting gain (loss)	7,013,264
<b>Investment Income</b>	
Net investment income earned	51,776,527
Net realized capital gains or (losses)	(2,584)
Net investment gain or (loss)	51,773,943
<b>Other Income</b>	
Net gain or (loss) from agents' or premium balances charged off	(397,208)
Finance and service charges not included in premiums	891,165
Aggregate write-ins for miscellaneous income	51,836
Total other income	545,793
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	59,333,000
Dividends to policyholders	7,594,398
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	51,738,602
Federal & foreign income taxes incurred	11,798,728
Net Income	\$39,939,874

	Per Company
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	\$673,218,382
Net Income	39,939,874
Change in net unrealized capital gains or losses less capital gains tax	13,005,348
Change in net deferred income taxes	2,406,005
Change in non-admitted assets	(1,041,245)
Change in provision for reinsurance	(3,541)
Change in surplus as regards policyholders for the year	54,306,441
Surplus as regards policyholders, December 31, current year	\$727,524,823

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

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

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2015, per Company			\$581,132,434
	Increase	Decrease	
Net Income	\$101,090,103		
Change in net unrealized capital gain (loss)	\$57,443,923		
Change in net deferred income tax		\$7,486,868	
Change in non-admitted assets	\$1,348,769		
Change in provision for reinsurance		\$3,538	
Change in paid in surplus	\$1,000,000		
Dividends to stockholders		\$7,000,000	
Net increase (or decrease)			
Surplus at December 31, 2020 per Company			\$727,524,823

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$727,524,823, exceeded the minimum of \$100,000,000 required by Section 624.408, Florida Statutes.

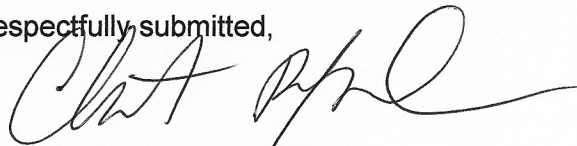
## CONCLUSION

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

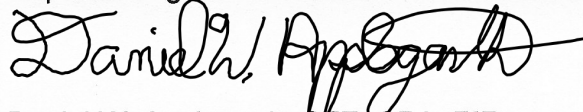
In addition to the undersigned, the following also participated in the examination

<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	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,



Christopher Rushford, CFE  
Director  
Risk & Regulatory Consulting, LLC  
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR  
Chief Financial Examiner  
Property & Casualty Financial Oversight  
Florida Office of Insurance Regulation