

REPORT ON EXAMINATION

OF

FCCI ADVANTAGE INSURANCE

COMPANY

SARASOTA, FLORIDA

AS OF

DECEMBER 31, 2007

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

February 19, 2009

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2007, of the financial condition and corporate affairs of:

**FCCI ADVANTAGE 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 December 20, 2006 through December 31, 2007. This was a first year examination by representatives of the Florida Office of Insurance Regulation (Office). The fieldwork commenced on June 9, 2008, and was concluded as of February 19, 2009.

This financial examination was a statutory financial examination, coordinated with the State of Tennessee, conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2007. Transactions subsequent to year-end 2007 were reviewed where relevant and deemed significant to the Company's financial condition.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

HISTORY

General

FCCI Advantage Insurance Company received a Certificate of Authority as a domestic property and casualty insurer in Florida on December 20, 2006. FCCI Advantage is wholly owned by FCCI Insurance Group, Inc., a Florida company, which is wholly owned by FCCI Insurance Company. FCCI Advantage is ultimately owned by FCCI Mutual Insurance Holding Company, a Florida Mutual Insurance Holding Company. FCCI Insurance Company was originally organized in 1959 as the Florida Construction, Commerce and Industry Self-Insurers Fund, an assessable self-insurers fund regulated by the Florida Department of Labor. In 1994, the Fund was converted into a non-assessable mutual insurance company and its name was changed to the FCCI Mutual Insurance Company.

FCCI Mutual was reorganized into a mutual insurance holding company structure, converted to a stock insurance corporation and renamed FCCI Insurance Company. This was effective on September 1, 1998. In addition, a mutual insurance holding company named FCCI Mutual Insurance Holding Company and FCCI Group, Inc., a stock holding company were formed. FCCI Mutual Insurance Holding Company owns all the shares of FCCI Group, Inc., which, in turn, wholly-owns FCCI Insurance Company.

FCCI Insurance Company owns all of the outstanding stock of FCCI Insurance Group, Inc. (FIG), a Florida stock holding corporation formerly known as FCCI Investment Group, Inc. FIG owns all the outstanding stock of:

(1) National Trust Insurance Company, a Tennessee corporation licensed to write workers' compensation and commercial property and casualty insurance policies in Florida and other states.

(2) FCCI Services, Inc., a Florida stock corporation, which provides underwriting, claims servicing and management, loss control and general administrative functions for the insurance companies in FCCI Insurance Group.

(3) FCCI Commercial Insurance Company, which is a Florida property and casualty insurer.

(4) Monroe Guaranty Insurance Company, an Indiana domiciled corporation.

(5) In addition, FIG owns eighty percent (80%) of Brierfield Insurance Company, a Mississippi domiciled property and casualty insurance company. Mississippi Insurance Managers, Inc., owns the remaining twenty percent (20%) of Brierfield Insurance Company.

(6) FCCI Advantage Insurance Company.

FIG's wholly-owned subsidiary, FCCI Services, Inc., owns all the stock of FCCI Agency, Inc., a Florida stock corporation, which offers insurance and reinsurance brokerage services to FCCI Services, Inc., and its clients, and FCCI Staffing Solutions, Inc., a Florida stock corporation.

FCCI Advantage is located in Sarasota, Florida and it began writing business in the latter part of 2007.

The Company was party to Consent Order 88624-06-CO filed December 20, 2006 with the Office regarding the application for the issuance of a Certificate of Authority. The Company was in compliance with that order.

The Company was authorized to transact the following insurance coverage in Florida on December 20, 2006:

Fire	Other Liability
Allied Lines	Commercial Auto Liability
Farm Owners Multi Peril	Commercial Auto Physical Damage
Commercial Multi Peril	Fidelity
Inland Marine	Glass
Earthquake	Burglary and Theft
	Boiler & Machinery

The articles of incorporation and the bylaws were not amended during the period covered by this examination.

Capital Stock

As of December 31, 2007, 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

Control of the Company was maintained by its parent, FCCI Insurance Group, Inc., who owned 100% of the stock issued by the Company, who in turn was 100% owned by FCCI Insurance Company, who in turn was 100% owned by FCCI Group, Inc., who in turn was 100% owned by FCCI Mutual Insurance Holding Company.

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination, as reported in the filed annual statements.

	2007	2006
Premiums Earned	0	0
Net Underwriting Gain/(Loss)	(10,726)	(7,039)
Net Income	170,405	122,384
Total Assets	5,455,952	5,195,322
Total Liabilities	173,076	72,938
Surplus As Regards Policyholders	5,282,876	5,122,384

Dividends to Stockholders

The Company did not pay stockholders a dividend in 2007.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2007, were:

Directors

Name and Location

Charles Robert Baumann
Sarasota, Florida

Robert Weld Benjamin
Sarasota, Florida

Principal Occupation

CPA, Kerkering, Barberio & Co.

Attorney, Williams, Parker, Harrison,
Dietz & Getzen

Timothy Joseph Clarke Longboat Key, Florida	Advertising Executive, Clarke Advertising & Public Relations
Robert Winthrop Flanders Sarasota, Florida	Contractor, Quality Walls Enterprises
Marvin Stephen Haber Sarasota, Florida	Retired
Gordon William Jacobs Sarasota, Florida	CEO, FCCI Mutual Insurance Holding Co.
John Thomas Stafford Sarasota, Florida	Banker, Suncoast National Bank
Roy Allan Yahraus Sarasota, Florida	Business Executive, Seacoast Supply

The Board of Directors in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
Gordon William Jacobs	President & CEO
Rupert Lee Willis	Executive Vice President & Chief Regional Officer
Craig Allan Johnson	EVP, CFO Treasurer
Debra Horner Douglas	Secretary

Following are the principal internal board committees and their members as of December 31, 2007:

Executive Committee	Audit Committee	Investment Committee
John Thomas Stafford ¹	Charles Robert Baumann ¹	Marvin Stephen Haber ¹
Gordon William Jacobs	Robert Weld Benjamin	Charles Robert Baumann
	Timothy Joseph Clarke	Robert Weld Benjamin
	Robert Winthrop Flanders	Timothy Joseph Clarke

¹ Chairman

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook.

Corporate Records

The recorded minutes of the shareholder, Board of Directors, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchases or Sales through Reinsurance

There were no acquisitions, mergers, disposals, dissolutions, or purchases or sales through reinsurance during this examination period.

Surplus Debentures

There were no surplus debentures issued by the Company.

AFFILIATED COMPANIES

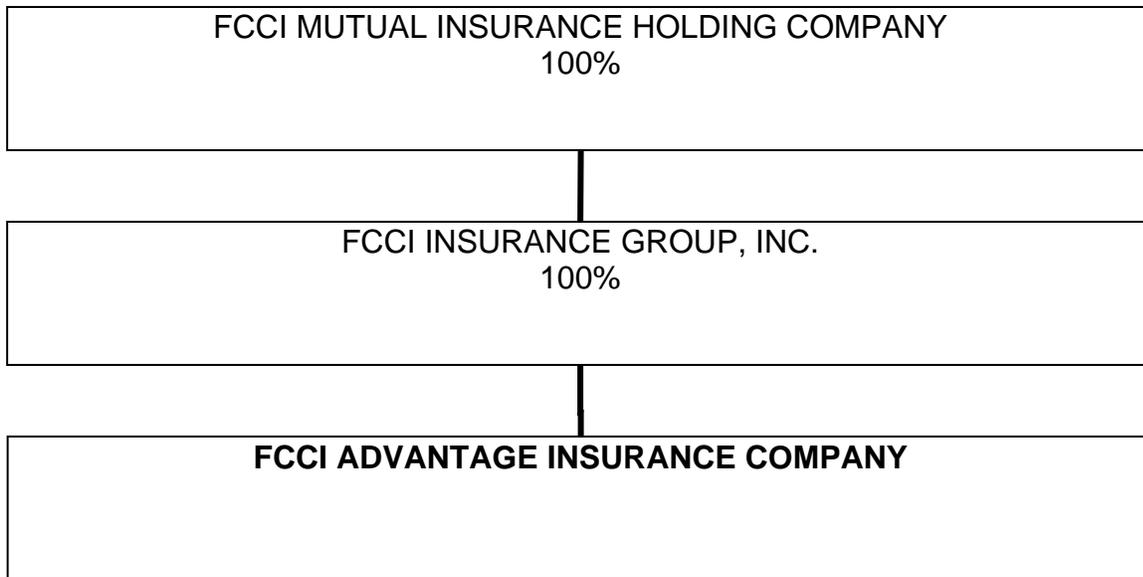
The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration

statement was filed with the State of Florida on February 21, 2008, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2007, reflecting the holding company system, is shown below. Schedule Y of the Company's 2007 annual statement provided a list of all related companies of the holding company group.

**FCCI ADVANTAGE INSURANCE COMPANY
ORGANIZATIONAL CHART**

DECEMBER 31, 2007



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

Tax Allocation Agreement

The Company, along with FCCI Insurance Company, and its affiliates filed a consolidated federal income tax return. On December 31, 2007, the method of allocation between the Company and its parent was the separate return method described in IRC Section 1552(a)(2) and Treasury Regulation 1.552-1(a)(2) on the basis of the percentage of the total tax which the tax of each member (if computed on a separate return) would bear to the total taxes for all members (if computed on separate returns).

Cost Sharing Agreement

The Company, along with its parents and affiliates, had a management/cost sharing agreement with FCCI Services, Inc., which provided insurance and general management services including, but not limited to: underwriting, premium formulation and 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 FCCI Insurance Business.

FIDELITY BOND AND OTHER INSURANCE

The Company's ultimate parent, FCCI Mutual Insurance Holding Company, maintained fidelity bond coverage, which included the Company, up to \$5,000,000 with a deductible of \$50,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC. The Company also was a named insured on a Commercial Umbrella Liability policy and other insurance policies.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no pension, stock ownership, or insurance plans as of December 31, 2007.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	Description	Par Value	Market Value
FL	USTNTS, 4.75%, 03/31/11	<u>\$ 325,000</u>	<u>\$ 340,945</u>
	TOTAL FLORIDA DEPOSITS	\$ 325,000	\$ 340,945
	TOTAL SPECIAL DEPOSITS	<u>\$325,000</u>	<u>\$340,945</u>

INSURANCE PRODUCTS

Territory

The Company was authorized to transact insurance in Florida.

Treatment of Policyholders

The Company had established procedures for handling written complaints in accordance with Section 626.9541(1)(j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(i)3a, Florida Statutes.

REINSURANCE

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

Assumed

The Company assumed no risk.

Ceded

The Company ceded risk on a quota share basis. The Company ceded 100% of written premium to an upstream parent, FCCI Insurance Company. The Company had a 100% Quota

Share Reinsurance Agreement with the same affiliate. In this agreement, the reinsurer, FCCI Insurance Company, would indemnify the Company of 100% of the Company's losses under the Company's policies.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Sarasota, Florida, where this examination was conducted.

An independent CPA audit was not performed. The Company filed an Audited Financial Statements Exemption Affidavit (OIR-DO-1431) pursuant to 624.424(8)(b), Florida Statutes, which was approved by the Office.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had a custodial agreement with The Northern Trust Company, dated March 13, 2006 and amended September 7, 2006, which complied with the terms of Rule 69O-143.042, Florida Administrative Code.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2007, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

FCCI ADVANTAGE INSURANCE COMPANY
Assets

DECEMBER 31, 2007

	Per Company	Examination Adjustments	Per Examination
Bonds	\$5,354,576		\$5,354,576
Stocks:			
Common			0
Real Estate:			
Properties			
occupied by Company			0
Other properties			0
Cash: & Short Term Investments	39,113		\$39,113
Other investments			0
Aggregate write-in for invested assets			0
Agents' Balances:			
Uncollected premium			0
Deferred premium			0
Reinsurance recoverable			0
EDP Equipment			0
Interest and dividend income due & accrued	62,263		62,263
Receivable from parents, subsidiaries and affiliates			0
Equities and deposits in pools and associations			0
Aggregate write-in for other than invested assets			0
Totals	\$5,455,952	\$0	\$5,455,952

FCCI ADVANTAGE INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2007

	Per Company	Examination Adjustments	Per Examination
Losses			\$0
Loss adjustment expenses			0
Commissions Payable	97,546		97,546
Taxes, licenses and fees	76,739		76,739
Current federal and foreign income taxes	87,897		87,897
Net deferred tax liability	9,913		9,913
Advance premiums	16,406		16,406
Ceded reinsurance premiums payable	(133,168)		(133,168)
Amounts withheld or retained by company	17,743		17,743
Aggregate write-ins for liabilities			
Total Liabilities	\$173,076		\$173,076
Common capital stock	\$100,000		\$100,000
Gross paid in and contributed surplus	4,900,000		4,900,000
Unassigned funds (surplus)	282,876		282,876
Surplus as regards policyholders	\$5,282,876		\$5,282,876
Total liabilities, surplus and other funds	\$5,455,952	\$0	\$5,455,952

FCCI ADVANTAGE INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2007

Underwriting Income

Premiums earned	
	Deductions:
Losses incurred	
Loss expenses incurred	
Other underwriting expenses incurred	10,726
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	\$10,726
Net underwriting gain or (loss)	(\$10,726)

Investment Income

Net investment income earned	\$255,047
Net realized capital gains or (losses)	
Net investment gain or (loss)	\$255,047

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$5)
Finance and service charges not included in premiums	2,597
Aggregate write-ins for miscellaneous income	
Total other income	\$2,592
Net income before dividends to policyholders and before federal & foreign income taxes	\$246,913
Dividends to policyholders	
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$246,913
Federal & foreign income taxes	76,508
Net Income	\$170,405

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$5,122,384
Net Income	\$170,405
Change in net deferred income tax	(9,913)
Change in non-admitted assets	
Change in provision for reinsurance	
Change in excess statutory over statement reserves	
Surplus adjustments: Paid in	
Aggregate write-ins for gains and losses in surplus	
Examination Adjustment	
Change in surplus as regards policyholders for the year	\$160,492
Surplus as regards policyholders, December 31 current year	\$5,282,876

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Actuarial Review

The Company was exempted by the Office for an actuarial review.

Capital and Surplus

The amount reported by the Company of \$5,282,876, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**FCCI ADVANTAGE INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2007

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2007, per Annual Statement	\$5,282,876
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No adjustments			
LIABILITIES:			
No adjustments			
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2007, Per Examination			\$5,282,876

SUMMARY OF FINDINGS

Current examination comments and corrective action

There was no item of interest and corrective action to be taken by the Company with regards to this examination.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **FCCI Advantage Insurance Company** as of December 31, 2007, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$5,282,876, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Kethessa Carpenter, CPA, Financial Examiner/Analyst Supervisor, participated in the examination.

Respectfully submitted,

Mike Young
Financial Examiner/Analyst II
Florida Office of Insurance Regulation