

**REPORT ON EXAMINATION**

**OF**

**FD INSURANCE COMPANY  
(f/k/a FLORIDA DOCTORS INSURANCE  
COMPANY)**

**JACKSONVILLE, FLORIDA**

**AS OF**

**DECEMBER 31, 2013**

**BY THE**

**FLORIDA OFFICE OF INSURANCE REGULATION**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL</b> .....	<b>-</b>
<b>SCOPE OF EXAMINATION</b> .....	<b>1</b>
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	<b>2</b>
CURRENT EXAM FINDINGS.....	2
PRIOR EXAM FINDINGS.....	3
<b>SUBSEQUENT EVENTS</b> .....	<b>6</b>
<b>HISTORY</b> .....	<b>6</b>
GENERAL .....	6
DIVIDENDS TO STOCKHOLDERS.....	7
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	7
SURPLUS NOTES .....	7
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS, AND PURCHASE OR SALES THROUGH REINSURANCE .....	7
<b>CORPORATE RECORDS</b> .....	<b>8</b>
CONFLICT OF INTEREST.....	8
<b>MANAGEMENT AND CONTROL</b> .....	<b>8</b>
MANAGEMENT .....	8
AFFILIATED COMPANIES .....	10
ORGANIZATIONAL CHART.....	11
MANAGING GENERAL AGENT AGREEMENT.....	12
AFFILIATED CUSTODIAL AGREEMENT.....	12
<b>FIDELITY BOND AND OTHER INSURANCE</b> .....	<b>13</b>
<b>PENSION, STOCK OWNERSHIP AND INSURANCE PLANS</b> .....	<b>13</b>
<b>TERRITORY AND PLAN OF OPERATIONS</b> .....	<b>14</b>
TREATMENT OF POLICYHOLDERS .....	14
<b>COMPANY GROWTH</b> .....	<b>14</b>
PROFITABILITY OF COMPANY .....	15
<b>LOSS EXPERIENCE</b> .....	<b>15</b>
<b>REINSURANCE</b> .....	<b>15</b>
ASSUMED .....	16
CEDED .....	16
<b>ACCOUNTS AND RECORDS</b> .....	<b>17</b>
CUSTODIAL AGREEMENT .....	17
AUDITOR AGREEMENT.....	17
REINSURANCE INTERMEDIARY AGREEMENT .....	18

<b>INFORMATION TECHNOLOGY REPORT .....</b>	<b>18</b>
<b>STATUTORY DEPOSITS .....</b>	<b>18</b>
<b>FINANCIAL STATEMENTS PER EXAMINATION.....</b>	<b>19</b>
ASSETS.....	20
LIABILITIES, SURPLUS AND OTHER FUNDS .....	21
STATEMENT OF INCOME .....	22
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS.....	23
<b>COMMENTS ON FINANCIAL STATEMENTS.....</b>	<b>24</b>
LIABILITIES .....	24
CAPITAL AND SURPLUS .....	24
<b>SUMMARY OF RECOMMENDATIONS.....</b>	<b>25</b>
<b>CONCLUSION.....</b>	<b>26</b>

August 29, 2014

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, Rule 69O-138.005, Florida Administrative Code, 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, 2013, of the financial condition and corporate affairs of:

**FLORIDA DOCTORS INSURANCE COMPANY  
4651 SALISBURY ROAD, SUITE 410  
JACKSONVILLE, FLORIDA 32256**

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, 2009, through December 31, 2013. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2008. This examination commenced with planning at the Office on April 21, 2014, to April 25, 2014. The fieldwork commenced on April 28, 2014, and concluded as of August 29, 2014.

This financial examination was a statutory financial examination 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.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Exam Findings**

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

### **Change among Company Principal Management**

The Company did not provide written notification to the Office for all changes among the principal officers. This was not in compliance with Section 628.261, Florida Statutes.

### **Custodial Affiliate**

The Company did not identify all affiliates and affiliated agreements within the Holding Company Registration Statements filed with the Office, concerning one of its investment custodians, Investors' Security Trust Company. This was not in compliance with Rule 69O-143.046, Florida Administrative Code. The Company did not notify the Office in writing of its intention to enter into a custodial arrangement with an affiliated custodian. This was not in compliance with Rule 69O-143.047, Florida Administrative Code.

### **Custodial Agreement**

The Company has a custodial agreement with Investors' Security Trust Company, dated November 1, 2005, amended January 30, 2007. The agreement did not contain all of the required provisions of Rule 69O-143.042(2)(j), Florida Administrative Code. This is a repeat finding from the prior 2008 examination and has not been resolved.

### **Prior Exam Findings**

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2008, along with resulting action taken by the Company in connection therewith.

### **Custodial Agreement**

The Company had a custodial agreement with Investors' Security Trust Company, dated November 1, 2005, amended January 30, 2007. The agreement did not contain all of the required provisions of Rule 69O-143.042(2), (j) and (o), Florida Administrative Code. Finding: The Company did not amend the custodial agreement to comply with Rule 69O-143.042 (2)(j), Florida Administrative Code. See current Summary of Findings.

### **Cash**

Cash and Cash Equivalents reported as \$11,941,083, were reduced by \$5,807 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Premiums Receivable**

Uncollected premiums reported as \$6,282,973 were increased by \$3,256 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Reinsurance Recoverable**

Reinsurance recoverable reported as \$78,318 was increased by \$502,308 to record CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Funds deposited with reinsurers**

Funds deposited with reinsurers reported as of \$1,690,815 were decreased by \$969,002 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Deferred Tax Asset**

Deferred tax asset reported as \$943,518 was reduced by \$3,110 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Receivable from Parent, Subsidiaries, and Affiliate**

Receivable from Parent, Subsidiaries, and Affiliate reported as \$505 was reduced by \$500 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Other Expenses**

The amount reported by the Company of \$92,750 was decreased by \$7,874 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Federal Income Tax**

Federal income tax was reported as \$473,550 was decreased by \$58,068 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Payables due to related parties**

Payables due to related parties reported as \$1,697 was increased by \$263,225 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

**Aggregate write-ins for liabilities (Retroactive reinsurance reserve)**

Aggregate write-ins for liabilities reported as \$6,954,007 was increased by \$38,138 to record the CPA's adjustment carried to the 2008 audited financial statements. Resolution: The Company booked the adjustments in the subsequent accounting period.

## **SUBSEQUENT EVENTS**

The Company has changed its name to FD Insurance Company as of August 22, 2014. The Company has obtained a Certificate of Authority for FD Insurance Company as of August 29, 2014.

## **HISTORY**

### **General**

The Company was incorporated in Florida on October 28, 2005, and commenced business on November 3, 2005, as Florida Doctors Insurance Company.

The Company was party to Consent Order 113002-10-CO, filed December 2, 2010, regarding the custodial agreement provisions with Investors' Security Trust Company and the CPA's adjustments for: Reinsurance Recoverable, Funds Deposited with Reinsurers, Federal Income Tax, Aggregate write-ins for Liabilities. The Company was in compliance with the Consent Order, with the exception of compliance with custodial agreement provision Rule 69O-143.042 (2)(j), Florida Administrative Code.

The Company was authorized to transact medical malpractice and other liability insurance coverage in Florida on November 3, 2005 and September 29, 2008, respectively, and continued to be authorized in the lines of business as of December 31, 2013.

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

## **Dividends to Stockholders**

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2009 in the amount of \$1,750,000. Additionally, return of capital payments in the amounts of \$1,000,000 and \$275,000 were made to the Company's shareholders in 2012 and 2011, respectively.

## **Capital Stock and Capital Contributions**

As of December 31, 2013, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$10,000,000
Par value per share	\$10.00

Control of the Company was maintained by its parent, Florida Doctors Holding Company, who owned 100% of the stock issued by the Company. The parent contributed \$15,135,871 in cash to the Company during 2009.

## **Surplus Notes**

The Company did not have any surplus notes during the period of this examination.

## **Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales through Reinsurance**

Effective December 29, 2009, the Company purchased Physicians Preferred Insurance Company, a domestic medical professional liability insurance company writing business only in the State of Florida. Concurrent with this transaction, the Company also purchased Physicians Preferred Insurance Managers, the managing general agency for Physicians Preferred Insurance Company.

## **CORPORATE RECORDS**

The recorded minutes of the Shareholder(s), Board of Directors (Board) 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 compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code including the authorization of investments as required by Section 625.304, Florida Statutes.

### **Conflict of Interest**

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

## **MANAGEMENT AND CONTROL**

### **Management**

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, 2013, were:

#### **Directors**

<b>Name and Location</b>	<b>Principal Occupation</b>
Elizabeth Proctor Kagan Fort Myers, Florida	Attorney
Jose Ramon Foradada Tampa, Florida	Doctor

Wayne Isaacson  
Fort Myers, Florida

Doctor

Charles Hamilton Knox  
Fort Myers, Florida

Certified Public Accountant

William Richard Russell  
Ponte Vedra Beach, Florida

CEO, Florida Doctors Insurance Company

In accordance with the Company's Bylaws, the Board appointed the following senior officers:

### Senior Officers

<b>Name</b>	<b>Title</b>
William Richard Russell	President, CEO
Mark Cecil Shealy	Senior Vice President, COO
Kellie Nicole Sorenson	Senior Vice President, General Counsel
Bradly Erik Taman	CFO

The Company did not provide written notification to the Office for all changes among the principal officers. This was not in compliance with Section 628.261, Florida Statutes.

The Company's Board appointed several internal committees. Following were the principal internal board committees and their members as of December 31, 2013:

#### **IT/Operations Steering Committee**

Mark Cecil Shealy<sup>1</sup>  
Bradly Erik Taman  
Christopher Lynn Campbell

#### **Audit Committee**

Charles Hamilton Knox<sup>1</sup>  
Jose Ramon Foradada  
Wayne Isaacson

#### **Budget/Finance/ Investment Committee**

Charles Hamilton Knox<sup>1</sup>  
Jose Ramon Foradada  
Wayne Isaacson

#### **Physicians Advisory Committee**

John Steven Dunn<sup>1</sup>  
Steven Zellner  
John Joseph McGetrick  
Rex Elliott Stubbs, Jr.

<sup>1</sup> Chairman

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

### **Affiliated Companies**

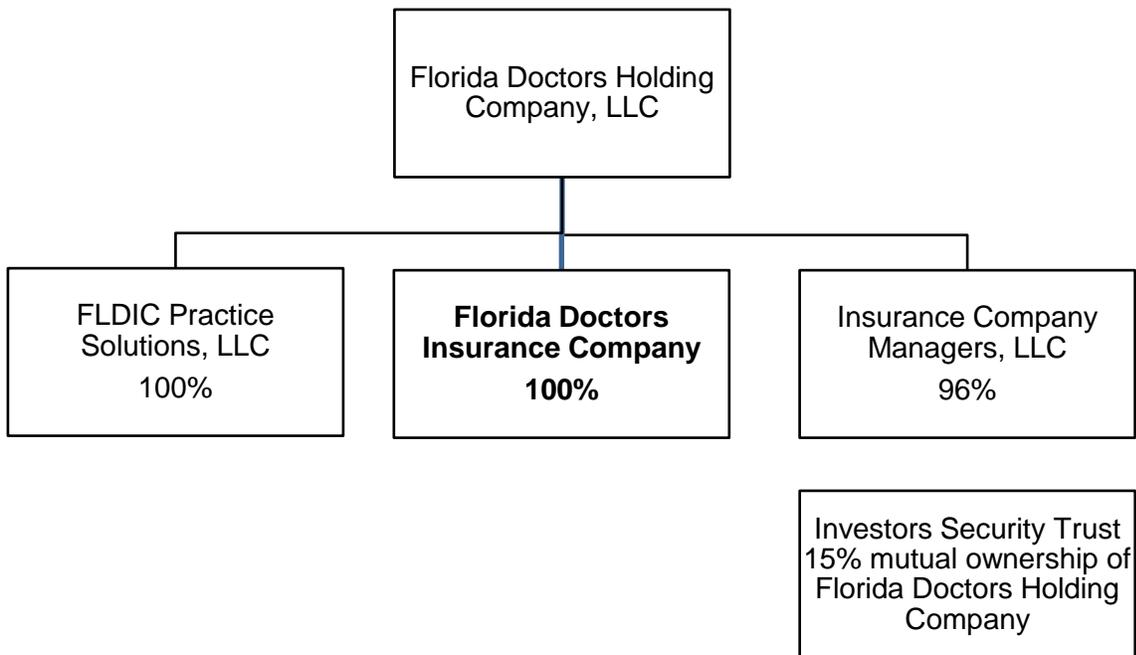
The most recent holding company registration statement was filed with the Office on March 5, 2014, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

However, the holding company registration statements filed did not identify all affiliates and affiliated agreements within the Holding Company Registration Statements. This was not in compliance with Rule 69O-143.046, Florida Administrative Code. Additionally, the Company did not notify the Office in writing of its intention to enter into a custodial arrangement with an affiliated custodian, Investors' Security Trust Company. This was not in compliance with Rule 69O-143.047, Florida Administrative Code.

A simplified organizational chart as of December 31, 2013, reflecting the holding company system, is shown below. Schedule Y of the Company's 2013 annual statement provided a list of all related companies of the holding company group, with the exception of Investors' Security Trust Company.

**FLORIDA DOCTORS INSURANCE COMPANY  
ORGANIZATIONAL CHART**

**DECEMBER 31, 2013**



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

### **Managing General Agency Agreement**

The Company entered into a Managing General Agency Agreement with its affiliate, Insurance Company Managers, LLC (Agency) on December 29, 2009. The Agency was affiliated by common management and ownership. The agreement continues in force for a term of ten years and will automatically renew for successive ten-year periods, unless otherwise terminated within the guidelines of the agreement. Agency fees were based on 30% of direct written premium, less premium returns. Underwriting guidelines and claims administration services were included in the agreement. No additional fees were paid for claim administration services. Commissions incurred under this agreement during 2013 amounted to \$8,659,839. The agreement did not contain a settlement provision relevant to the MGA fee as required by SSAP No. 25. **Subsequent Event:** The Company amended the MGA agreement on December 12, 2014 to include the required settlement provisions in compliance with SSAP No. 25 (7). The amended agreement was submitted electronically to the Office via REFS on December 16, 2014.

### **Affiliated Custodial Agreement**

The Company entered into a Custodial Agreement with Investors' Security Trust Company on November 1, 2005, amended January 30, 2007. The agreement was for brokerage custodial services of the Company's investments. Fees incurred under this agreement during 2013 amounted to \$92,216. The custodial agreement with Investors' Security Trust Company did not contain all of the required provisions of Rule 69O-143.042(2)(j), Florida Administrative Code. A national bank, state bank or trust company shall secure and maintain insurance protection in an

adequate amount covering the bank's or trust company's duties and activities as custodian for the insurer's assets, and shall state in the custody agreement that protection is in compliance with the requirements of the custodian's banking regulator. A broker/dealer shall secure and maintain insurance protection for each insurance company's custodied securities in excess of that provided by the Securities Investor Protection Corporation in an amount equal to or greater than the market value of each respective insurance company's custodied securities.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained fidelity bond coverage up to \$500,000 with a deductible of \$10,000, which reached the suggested minimum as recommended by the NAIC.

The Company also maintained Directors and Officers (D&O) liability insurance and Employment Practices Liability coverage with limits of \$1,000,000 and deductibles ranging from \$0 to \$50,000 as well as Fiduciary and Professional Liability coverage with limits of \$1,000,000 and \$2,000,000, respectively and deductibles ranging from \$5,000 to \$50,000.

### **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

During the exam period, the Company sponsored a defined contribution plan covering substantially all employees. The plan allowed employees to contribute a percentage of their salary to the plan. On December 29, 2009, the Company entered into a Managing General Agency Agreement in which the Agency assumed the obligation for salary and employee benefit expenses. At December 31, 2013, the Company had no employees and, therefore, had no pension, stock ownership or insurance plans.

## **TERRITORY AND PLAN OF OPERATIONS**

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

### **Treatment of Policyholders**

The Company 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.

## **COMPANY GROWTH**

The Company commenced business on November 3, 2005, as Florida Doctors Insurance Company. The Company only operates in the State of Florida. In late 2009, the Company acquired Physicians Preferred Insurance Company and its managing general agency Physicians Preferred Insurance Managers. This acquisition resulted in a significant increase in the Company's earned premiums and invested assets in 2010. The Company's decrease in earned premiums since 2010 was primarily the result of the highly competitive environment in the medical malpractice market with new competitors entering the market during the examination period. Surplus showed consistent growth during the exam period from investment returns and other income.

## 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.

	2013	2012	2011	2010	2009
Premiums Earned	26,139,706	23,263,653	30,483,817	33,879,937	18,179,301
Net Underwriting Gain/(Loss)	804,094	(884,327)	(1,903,353)	(5,774,860)	(935,647)
Net Income	1,436,712	2,428,367	1,326,162	4,135,068	(501,934)
Total Assets	85,990,683	87,295,402	87,659,676	90,461,727	85,962,020
Total Liabilities	63,332,888	66,489,078	69,070,190	72,995,994	71,393,020
Surplus As Regards Policyholders	22,657,795	20,806,324	18,589,486	17,465,733	14,568,999

## LOSS EXPERIENCE

The Company has not experienced significant changes to their loss development. The Company's current level ultimate net loss ratio increased slightly over the period under review, ending at 72.5%.

## 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.

**Assumed**

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

**Ceded**

As of December 31, 2013, the Company's ceded reinsurance program consisted of Excess of Loss and Awards Made reinsurance provided by agreements with various commercial reinsurers through reinsurance intermediary, Axiom Re, LP. The Awards Made coverage provides supplementary coverage for both Florida Doctors Insurance Company, assumed Physicians Preferred Insurance Company, and assumed Florida Healthcare Providers Insurance.

The Company's Awards Made reinsurance agreement provided coverage of up to \$5,000,000 in excess of \$1,000,000 on a per loss, per occurrence basis. There were no ceded losses during the year ended December 31, 2013, to the Awards Made coverage.

The Company's Excess of Loss coverage, Extra Contractual Obligations and Excess of Limits Liability, and General Liability as respects to Healthcare Facilities coverage's as of December 31, 2013, each had an ultimate net loss of \$800,000 per loss, per occurrence and had a retention limit of \$200,000 per loss, per occurrence. The Clash Coverage had an ultimate net loss of \$1,000,000 per loss, per occurrence and a retention limit of \$400,000 per loss, per occurrence.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

## **ACCOUNTS AND RECORDS**

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

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's accounting records were prepared using QuickBooks to support general ledger activity, cash collections, and payables. RIGS, an internal developed system, was used for processing underwriting. Microsoft Excel was used for processing claims.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained custodial agreements with Wells Fargo Capital Management and Merrill Lynch executed on February 10, 2011 and August 29, 2011, respectively. The agreements were in compliance with Rule 69O-143.042, Florida Administrative Code.

### **Auditor Agreement**

The Company's statutory basis financial statements were audited annually by a CPA firm for the years 2009, 2010, 2011, 2012 and 2013. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

## Reinsurance Intermediary Agreement

The Company maintained an agreement with reinsurance intermediary Axiom RE, LP which was executed on November 1, 2005. The reinsurance intermediary agreement met the requirements of Section 626.7492(4)(5), Florida Statutes.

## INFORMATION TECHNOLOGY REPORT

David Mills, CISA, CGEIT, CRISC, MCSE, IT Consulting Partner of Carr, Riggs, & Ingram, LLC, performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

## 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	Cash	\$ 750,000	\$ 750,000
FL	Interest	<u>140,777</u>	<u>140,777</u>
TOTAL FLORIDA DEPOSITS		<u>890,777</u>	<u>890,777</u>

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2013, 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."

**FLORIDA DOCTORS INSURANCE COMPANY**

**Assets**

**DECEMBER 31, 2013**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$59,836,583		\$59,836,583
Stocks:			
Common	5,063,162		5,063,162
Real Estate:			
Properties			
held for the production of income	475,000		475,000
Cash and Short-Term Investments	7,181,212		7,181,212
Other invested assets (Schedule BA)	255,000		255,000
Receivables for Securities	889,683		889,683
Investment Income due and accrued	483,352		483,352
Agents' Balances:			
Uncollected premium	153,322		153,322
Deferred premium	6,773,019		6,773,019
Reinsurance recoverable	1,091,446		1,091,446
Federal and Foreign income tax recoverable	707,886		707,886
Net Deferred Tax Asset	2,538,433		2,538,433
Aggregate write-in for other than invested assets	542,584		542,584
	<hr/>		<hr/>
Totals	\$85,990,683	\$0	\$85,990,683
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**FLORIDA DOCTORS INSURANCE COMPANY**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2013**

	Per Company	Examination Adjustments	Per Examination
Losses	\$30,312,490		\$30,312,490
Loss adjustment expenses	13,240,720		13,240,720
Other expenses	43,542		43,542
Unearned premium	13,737,630		13,737,630
Advance Premiums	1,539,971		1,539,971
Ceded Reinsurance premiums payable	1,208,459		1,208,459
Amounts withheld	4,026		4,026
Payable to parent, subsidiaries and affiliates	203,093		203,093
Aggregate write-ins for liabilities	3,042,957		3,042,957
<b>Total Liabilities</b>	<b>\$63,332,888</b>		<b>\$63,332,888</b>
Common capital stock	\$10,000,000		\$10,000,000
Gross paid in and contributed surplus	11,958,014		11,958,014
Unassigned funds (surplus)	699,781		699,781
<b>Surplus as regards policyholders</b>	<b>\$22,657,795</b>	<b>\$0</b>	<b>\$22,657,795</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$85,990,683</b>	<b>\$0</b>	<b>\$85,990,683</b>

**FLORIDA DOCTORS INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2013**

**Underwriting Income**

Premiums earned		\$26,139,706
	<b>Deductions:</b>	
Losses incurred		\$12,620,790
Loss expenses incurred		3,482,956
Other underwriting expenses incurred		9,231,867
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$25,335,612
Net underwriting gain or (loss)		\$804,094

**Investment Income**

Net investment income earned		\$1,099,036
Net realized capital gains or (losses)		(6,863)
Net investment gain or (loss)		\$1,092,173

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		(\$8,094)
Finance and service charges not included in premiums		18,438
Aggregate write-ins for miscellaneous income		(121,663)
Total other income		(\$111,320)
Net income before dividends to policyholders and before federal & foreign income taxes		\$1,784,947
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$1,784,947
Federal & foreign income taxes		348,235
Net Income		\$1,436,712

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$20,806,324
Net Income		\$1,436,712
Net unrealized capital gains or losses		459,062
Change in net deferred income tax		(224,224)
Change in non-admitted assets		179,921
Change in provision for reinsurance		0
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		\$1,851,471
Surplus as regards policyholders, December 31 current year		\$22,657,795

A comparative analysis of changes in surplus is shown below.

**FLORIDA DOCTORS INSURANCE COMPANY  
Comparative Analysis of Changes in Surplus**

**DECEMBER 31, 2013**

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, 2013, per Annual Statement	\$22,657,795
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No Adjustment			
LIABILITIES:			
No Adjustment			
Net Change in Surplus:			0
Surplus as Regards Policyholders December 31, 2013, Per Examination			\$22,657,795

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

**Losses and Loss Adjustment Expenses** \$43,553,210

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2013, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Chris Burkhalter, FCAS, MAAA of Bickerstaff, Whatley, Ryan & Burkhalter Consulting Actuaries reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

### Capital and Surplus

The amount of capital and surplus reported by the Company of \$22,657,795, exceeded the minimum of \$6,308,223 required by Section 624.408(e), Florida Statutes.

## **SUMMARY OF RECOMMENDATIONS**

### **Change among Company Principal Management**

We recommend that the Company appropriately notify the Office for all changes among the principal officers in accordance with Section 628.261, Florida Statutes.

### **Custodial Affiliate**

We recommend that the Company appropriately identify all affiliates and affiliated agreements within the Holding Company Registration Statements filed with the Office in accordance with Rule 69O-143.046, Florida Administrative Code. We also recommend the Company notify the Office in writing prior to entering into certain investment transactions with affiliates in accordance with Rule 69O-143.047, Florida Administrative Code.

### **Custodial Agreement**

We recommend that the Company amend the custodial agreement with Investors' Security Trust Company in order to comply with Rule 69O-143.042 (2)(j), Florida Administrative Code.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Florida Doctors Insurance Company** as of December 31, 2013, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$22,657,795, which exceeded the minimum of \$6,308,223 required by Section 624.408(e), Florida Statutes.

In addition to the undersigned, R. Dale Miller, CPA, CFE, CFF, Examiner-In-Charge, and Breanne Hancock, CPA, Andrea Harbison, CPA, Thomas Montalbano, CPA, Michael Whitney, CPA, and Sharon Stuber, Participating Examiners, of Carr, Riggs & Ingram, LLC, also participated in the examination. Members of the Office who participated in the examination included Jonathan Frisard, Examination Manager, and Kyra Brown, Participating Examiner. Additionally, Chris Burkhalter, FCAS, MAAA of Bickerstaff, Whatley, Ryan & Burkhalter Consulting Actuaries and David Mills, CISA, CGEIT, CRISC, MCSE, Lead IT Specialist of Carr, Riggs & Ingram, LLC, are recognized for participation in the examination.

Respectfully submitted,

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Robin Brown, CFE  
Chief Examiner  
Florida Office of Insurance Regulation