



**EXAMINATION REPORT
OF
BusinessFirst Insurance Company**

NAIC Company Code: 11697

**Lakeland, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF NSURANCE REGULATION**

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January 25, 2021

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 69O-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, 2019, of the financial condition and corporate affairs of

BusinessFirst Insurance Company
2310 Commerce Point Drive
Lakeland, Florida 33802

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

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2015 through December 31, 2019, and commenced with planning by the Florida Office of Insurance Regulation (“the Office”) which began on July 22, 2020. The fieldwork concluded as of January 25, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2010 through December 31, 2014.

The examination was a multi-state 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included 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), were 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 findings, exceptions, or corrective action to be taken by the Company for the examination as of December 31, 2014.

COMPANY HISTORY

General

The Company was incorporated in Florida on February 14, 2003, and commenced business on August 1, 2003.

Dividends

The Company did not declare or pay any dividends to stockholders during the period under examination.

The Company declared dividends to its policyholders during the period of examination as shown below:

2019	\$286,926
2018	\$343,014
2016	\$376,786
2015	\$212,440
2014	\$200,852

Capital Stock and Capital Contributions

On May 21, 2015, the Company parent, RetailFirst Holdings, Inc. made a \$3,000,000 capital contribution.

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	5,360,000
Total common capital stock	\$5,360,000
Par value per share	\$1.00

Surplus Notes

A surplus note dated December 15, 2005, in the amount of \$3,000,000, was issued by the Company to Summit Consulting, Inc. in exchange for \$3,000,000 in cash. The maturity date was December 15, 2015.

On June 30, 2015, the Company paid \$3,000,000 to Summit Consulting LLC, (FKA: Summit Consulting, Inc.) for settlement of their outstanding surplus note. In 2015, the Company reported \$92,829 in interest expense related to the surplus note.

Acquisitions, Mergers, Disposals, Dissolutions

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

MANAGEMENT AND CONTROL

Corporate Governance

The Directors, Officers and various Board committees were composed of the same people and are discussed below.

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, 2019, are shown below with the first one listed being the Chairman of the Board:

Directors		
Name	City, State	Principal Occupation, Company Name
Thomas Samuel Petcoff	Lakeland, Florida	Commercial Real Estate Broker, Baron Realty, Inc.
John Douglas Hanselman	Dunnellon, Florida	Retired
Ricky Tarver Hodges	Bartow, Florida	Insurance Consultant, Rick Hodges Consulting, Inc.
Nis Hansen Nissen III	Lakeland, Florida	Business Consultant, Nissen Advertising, Inc.
Cory Thomas Petcoff	Lakeland, Florida	Commercial Real Estate Broker, Baron Realty, Inc.

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

Senior Officers		
Name	City, State	Title
Thomas Samuel Petcoff	Lakeland, Florida	President
John Douglas Hanselman	Dunnellon, Florida	Treasurer
Nis Hansen Nissen III	Lakeland, Florida	Secretary
Ricky Tarver Hodges	Bartow, Florida	Vice President
Cory Thomas Petcoff	Lakeland, Florida	Vice President

The Company's Board appointed internal committees. The following were the principal internal board committees and their members as of December 31, 2019. The first person listed for each committee is the chairman.

Nominating and Governance Committee		
Name	City, State	Title, Company Name
Ricky Tarver Hodges	Bartow, Florida	Insurance Consultant, Rick Hodges Consulting, Inc.
John Douglas Hanselman	Dunnellon, Florida	Retired
Thomas Samuel Petcoff	Lakeland, Florida	Commercial Real Estate Broker, Baron Realty, Inc.
Nis Hansen Nissen III	Lakeland, Florida	Business Consultant, Nissen Advertising, Inc
Cory Thomas Petcoff	Lakeland, Florida	Commercial Real Estate Broker, Baron Realty, Inc.

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

Audit & Enterprise Risk Management Committee		
Name	City, State	Title, Company Name
John Douglas Hanselman	Dunnellon, Florida	Retired
Thomas Samuel Petcoff	Lakeland, Florida	Commercial Real Estate Broker, Baron Realty, Inc.
Ricky Tarver Hodges	Bartow, Florida	Insurance Consultant, Rick Hodges Consulting, Inc.
Nis Hansen Nissen III	Lakeland, Florida	Business Consultant, Nissen Advertising, Inc.
Cory Thomas Petcoff	Lakeland, Florida	Commercial Real Estate Broker, Baron Realty, Inc.

Holding Company System

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

Tax Allocation Agreement

The Company and RetailFirst Insurance Company (“RetailFirst”) are parties to a Tax Allocation Agreement effective March 16, 2006. The Company entered into an amended and restated Tax Allocation Agreement effective May 19, 2011. The agreement provides for the allocation and payment of the group’s consolidated tax liability and for the allocation and distribution of tax refunds. This agreement was filed with the Office on May 24, 2011.

Reinsurance Pooling Agreement

The Company and RetailFirst are parties to a Reinsurance Pooling Agreement effective February 17, 2011 and amended on August 16, 2011. Based on terms of the agreement, RetailFirst assumes 100% of the Company’s premium, losses, and expenses after external reinsurance. RetailFirst then cedes 10% of the combined pool back to the Company with RetailFirst retaining the remaining 90%. Net payments made by the Company to RetailFirst during 2019 were \$10,669,392. The original and amended agreement was approved by the Office on March 30, 2011 and October 24, 2011 respectively.

Multiple Cedant Agreement

The Company and RetailFirst entered into a Multiple Cedant Agreement effective January 1, 2012, which governs the allocation of ceded reinsurance premium, limits, retention and deductible based on the ratio of premium ceded under the terms of the reinsurance pooling agreement.

ACCOUNTS AND RECORDS

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

The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with US Bank, NA executed on September 15, 2008.

Managing General Agent Agreement

The Company entered into a Managing General Agency (MGA) Agreement with Summit Consulting, LLC (Summit) effective December 2, 2010, with an amendment effective January 1, 2014. Summit was responsible for providing administrative services to the Company including policy servicing, underwriting, claims administration, loss control, marketing, sales, premium billing and collection services, and financial management. The agreement remains in effect unless otherwise terminated within the guidelines of the agreement. Summit's annual management fees are calculated as a percentage of earned normal premium, decreasing as earned normal premium increases. Summit also may earn a performance management fee based on earned normal premium and the Company's after-tax profit. Under the terms of the agreement earned normal premium is the earned portion of standard premium less allowable discounts, plus accrued adjustments arising from premium audits. Summit's fees also include an expense constant which is calculated separately from the management or performance fees.

Reinsurance Intermediary Agreements

The Company was party to a reinsurance intermediary agreement with Guy Carpenter effective January 1, 2015.

The Company entered into a reinsurance intermediary agreement with Brent Re effective November 17, 2010.

Independent Auditor Agreement

An independent CPA, Postlethwaite & Netterville, APAC, audited the Company's statutory basis financial statements annually for the years 2015 through 2019.

Asset Management Agreement

The Company maintained an asset management agreement with Conning Asset Management Company effective December 29, 2005. The agreement was amended January 1, 2014, to change terms related to application of the investment guidelines, distribution of notices, proxy voting procedures, and updates to the fee schedule.

Managed Care Agreement

The Company entered into a Managed Care Agreement with Heritage Summit Healthcare, Inc. ("Heritage Summit") effective April 22, 2003. Heritage Summit provides a network of physicians and facilities related to the initial and continuing treatment of work-related injuries and the arrangement of medical examinations, depositions, billing, and other related administrative services. Fees for this service are calculated based on the Company's calendar year earned normal workers' compensation premium.

Corporate Records Review

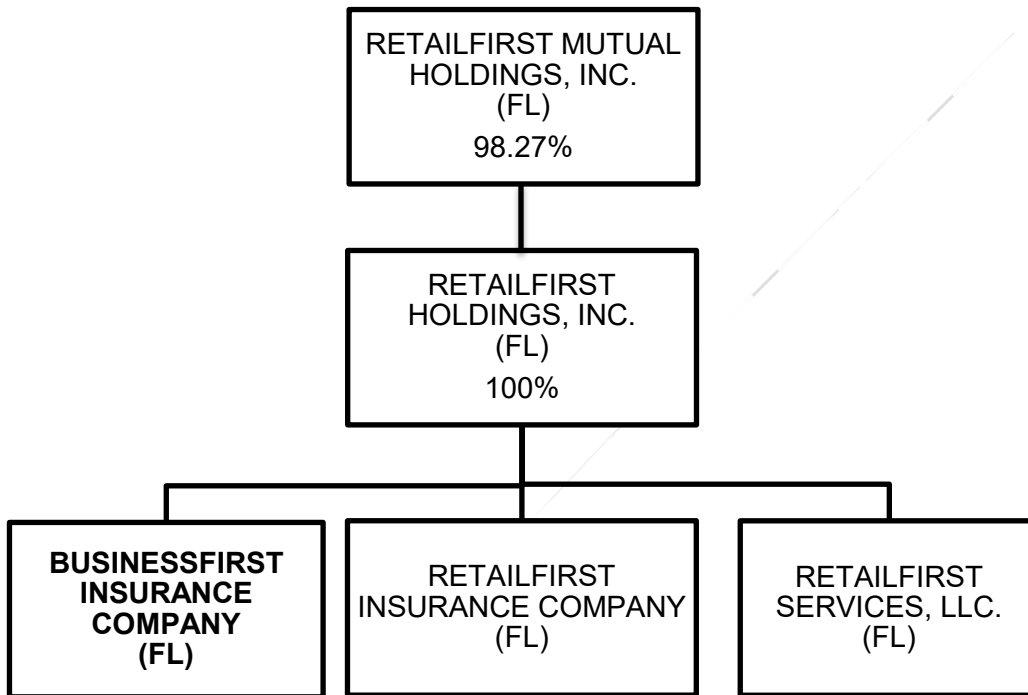
The recorded minutes of the Shareholder(s), Board of Directors ("the Board"), and the Nominating and Governance Committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

An organizational chart as of December 31, 2019, reflecting the holding company system is shown on the following page. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

BusinessFirst Insurance Company

Organizational Chart

December 31, 2019



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states:

Florida	Kentucky	Tennessee
Georgia	North Carolina	
Indiana	South Carolina	

The Company was authorized to transact insurance in Florida on July 21, 2003 and is currently authorized to write Worker's Compensation coverage as of December 31, 2019.

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 and its affiliate, RetailFirst, are parties to a Reinsurance Pooling Agreement which is discussed above under the Holding Company System section of this report.

Reinsurance Ceded

As previously mentioned, The Company and its affiliate, RetailFirst, are parties to a Reinsurance Pooling Agreement which is discussed above under the Holding Company System section of this report.

RetailFirst and the Company entered into a multiple-cedant agreement effective January 1, 2012, which is also discussed above in the Holding Company System section of this report.

For 2019, the group also maintained an excess of loss reinsurance coverage for losses and loss adjustment expenses.

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, 2019. 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, 2019. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

BusinessFirst Insurance Company
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 36,276,073		\$ 36,276,073
Stocks			
Common	4,263,289		4,263,289
Cash and short-term investments	1,006,818		1,006,818
Subtotal cash and invested assets	\$ 41,546,180	\$0	\$ 41,546,180
Investment income due and accrued	301,597		301,597
Agents' balances			
Uncollected premium	4,006,020		4,006,020
Deferred premium	451,348		451,348
Accrued retrospective premiums	306,926		306,926
Amounts recoverable from reinsurer	12,609,699		12,609,699
Net deferred tax asset	524,153		524,153
Totals	\$59,745,923	\$0	\$59,745,923

BusinessFirst Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Losses	\$15,030,807		\$15,030,807
Reinsurance payable on paid losses and loss adjustment expenses	3,214,749		3,214,749
Loss adjustment expenses	2,385,097		2,385,097
Commissions payable	240,950		240,950
Other expenses	925,072		925,072
Taxes, licenses and fees	117,349		117,349
Current federal and foreign income taxes	55,514		55,514
Unearned premiums	242,432		242,432
Advance premiums	90,954		90,954
Dividends declared and unpaid: Policyholders	419,619		419,619
Ceded reinsurance premiums payable	16,533,175		16,533,175
Amounts withheld or retained by company for account of others	17,177		17,177
Aggregate write-in for liabilities	517,662		517,662
Total liabilities	\$39,790,557	\$0	\$39,790,557
Common capital stock	5,360,000		5,360,000
Gross paid-in and contributed surplus	3,259,964		3,259,964
Unassigned funds (surplus)	11,335,402		11,335,402
Surplus as regards policyholders	\$19,955,366	\$0	\$19,955,366
Total liabilities, surplus and other funds	\$59,745,923	\$0	\$59,745,923

BusinessFirst Insurance Company
Statement of Income
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Underwriting Income			
Premiums earned	\$13,442,596	\$0	\$13,442,596
Deductions			
Losses Incurred	\$6,926,315		\$6,926,315
Loss adjustment expenses incurred	1,730,956		1,730,956
Other underwriting expenses incurred	4,043,053		4,043,053
Total Underwriting deductions	\$12,700,324	\$0	\$12,700,324
Net underwriting gain (loss)	\$742,272	\$0	\$742,272
Investment Income			
Net investment income earned	\$1,119,735		\$1,119,735
Net realized capital gains or (losses)	228,304		228,304
Net investment gain or (loss)	\$1,348,039	\$0	\$1,348,039
Other Income			
Net gain (loss) from agents' or premium balances	\$(63,221)		\$(63,221)
Total other income	\$(63,221)	\$0	\$(63,221)
Net income before dividends to policyholders and before federal & foreign income taxes	\$2,027,090		\$2,027,090
Dividends to policyholders	286,926		286,926
Net income, after dividends to policyholders, but before federal & foreign income taxes	\$1,740,164		\$1,740,164
Federal & foreign income taxes incurred	602,564		602,564
Net Income	\$1,137,600	\$0	\$1,137,600

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Surplus as regards policyholders December 31 prior year	\$18,044,708		\$18,044,708
Net Income	\$1,137,600		\$1,137,600
Change in net unrealized capital gains or losses	683,538		683,538
Change in net deferred income taxes	(71,924)		(71,924)
Change in non-admitted assets	114,109		114,109
Paid in surplus	47,335		47,335
Change in surplus as regards policyholders for the year	1,910,658		1,910,658
Surplus as regards policyholders, December 31, current year	\$19,955,366	\$0	\$19,955,366

**BusinessFirst Insurance Company
Reconciliation of Capital and Surplus
December 31, 2019**

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2014, per examination			\$15,400,821
	Increase	Decrease	
Net Income (loss)	\$5,359,466		\$5,359,466
Change in net unrealized capital gain (loss)	\$285,772		\$285,772
Change in net deferred income tax		\$(575,223)	\$(575,223)
Change in non-admitted assets		\$(412,167)	\$(412,167)
Change in surplus notes		\$(3,000,000)	\$(3,000,000)
Change in paid in surplus	\$3,130,590		\$3,130,590
Aggregate write-ins for gains and losses in surplus		\$(233,892)	\$(233,892)
Net increase (or decrease)			\$4,554,545
Surplus at December 31, 2019 per examination			\$19,955,366

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Michael Bradley with KPMG, LLP, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, 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, Michael L. Solomon, FCAS MAAA, of The Actuarial Advantage, reviewed the loss and loss adjustment expense work papers provided by the Company and was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$19,955,366 exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On September 28, 2020, BusinessFirst became licensed to write Workers Compensation and Employers Liability insurance in the state of Virginia.

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the Office's review of the Company noted that there has not been a significant impact to the Company. The Office has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of BusinessFirst Insurance Company as of December 31, 2019, consistent with the insurance laws of the State of Florida.

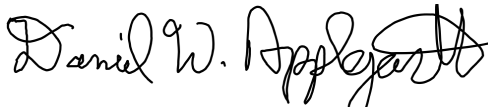
In addition to the undersigned, the following also participated in the examination:

Marie Stuhlmuller	Exam Manager	Office
Christopher Brown	Participating Examiner	Office
Sheri L. Kenney CFE, MCM	Participating Examiner	Highland Clark, LLC
Travis R. Harrison CPA, CPCU	Participating Examiner	Highland Clark, LLC
Lori G. Jester	Participating Examiner	Highland Clark, LLC
Michael L. Solomon FCAS, MAAA	Actuary	The Actuarial Advantage

Respectfully submitted,



Tracy D. Gates, CISA, CFE
Examiner-in-Charge / IT Specialist
Highland Clark, 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