



**EXAMINATION REPORT
OF
FIRST FLORIDIAN AUTO AND HOME INSURANCE COMPANY**

NAIC Company Code: 10647

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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April 7, 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

First Floridian Auto and Home Insurance Company

1 North Dale Mabry Highway, Suite 500
Tampa, Florida 33609

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, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on June 12, 2020. The fieldwork concluded as of April 7, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2011 through December 31, 2014.

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 the State of Connecticut, and states that participated in this exam are as follows: Arizona; Delaware; Iowa; Texas and Wisconsin.

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 incorporated in Florida on April 10, 1996 and commenced business on June 1, 1996.

Dividends

The Company declared and paid dividends to its stockholder in 2015, 2016, 2017, and 2018 in the amounts of \$11.9 million, \$12 million, \$4.3 million, and \$8.5 million respectively.

Capital Stock and Capital Contributions

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	5,000,000
Total common capital stock	\$5,000,000
Par value per share	\$1.00

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 Board of Directors (Board) was held in accordance with Section 628.231, Florida Statutes. Board members serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Behram Meheli Dinshaw ^(a)	Hartford, Connecticut	Chairman of the Board, First Floridian Auto and Home Insurance Company
Christine Kucera Kalla	St. Paul, Minnesota	Executive Vice President and General Counsel, The Travelers Companies, Inc.
Michael Frederick Klein	Hartford, Connecticut	Executive Vice President and President, Personal Insurance, The Travelers Companies, Inc.
Julio Osvaldo Martinez	Hartford, Connecticut	Member, Board of Directors, First Floridian Auto and Home Insurance Company
Linda Ann Moynihan (formerly Linda Moynihan Perrillo)	Tampa, Florida	President and Chief Executive Officer, First Floridian Auto and Home Insurance Company
Douglas Kenneth Russell	Hartford, Connecticut	Senior Vice President, Corporate Controller and Treasurer, The Travelers Companies, Inc.
Nicholas Seminara	Hartford, Connecticut	Executive Vice President and Chief Claim Officer, The Travelers Companies, Inc.

(a) Resigned on June 10, 2020, and was replaced by Elaine Grace Montgomery-Baisden as Chairman of the Board on June 10, 2020.

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

Senior Officers		
Name	City, State	Title
Behram Meheli Dinshaw ^(a)	Hartford, Connecticut	Chairman of the Board
Linda Ann Moynihan (formerly Linda Moynihan Perrillo)	Tampa, Florida	President and Chief Executive Officer
René Hernández	Tampa, Florida	Senior Vice President, General Counsel and Secretary
Carl Allen Cavaliere	Hartford, Connecticut	Chief Financial Officer and Treasurer
Douglas Keith Bell	Hartford, Connecticut	Senior Vice President
Sheila Maureen Brown	St. Paul, Minnesota	Vice President, Finance and Assistant Treasurer
Julie Marie Joyce	St. Paul, Connecticut	Vice President and Chief Corporate Actuary
Paul Edward Munson	St. Paul, Minnesota	Vice President

(a) Resigned on June 10, 2020 and was replaced by Elaine Grace Montgomery-Baisden as Chairman of the Board on June 10, 2020.

The Company is served by the Travelers Insurance Group Holdings, Inc. audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Holding Company System

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

Tax Allocation Agreement

The Company, its ultimate parent, The Travelers Companies, Inc. and other affiliated companies, filed a consolidated federal income tax return. On December 31, 2019, the method of allocation between the Company and The Travelers Companies, Inc. was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with The Travelers Companies, Inc. Within ninety (90) days of the remittance by The Travelers Companies, Inc. of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

Corporate Services Agreement

The Company entered into a Corporate Services Agreement with its parent that was approved by the Office on September 25, 2006. The services provided include policy processing, claims, accounting, actuarial, customer, human resources, information technology, legal, compliance, and operations services. Determination of the actual costs of charges and fees for services performed shall be reasonable. The fees for the services are the actual costs with the intention of no party realizing a profit or incurring a loss as a result of this agreement. This agreement was replaced by an Amended and Restated Corporate Services Agreement that was effective on May 1, 2017.

Reinsurance Allocation Agreement

The Company and its parent had a reinsurance allocation agreement effective June 1, 2006 retroactive to January 1, 2006. The agreement was not a reinsurance agreement; rather the agreement was an allocation agreement that specified allocation principles that were followed when an external reinsurance agreement did not include an allocation by and between the St. Paul Travelers Reinsurance Pool, led by Travelers Indemnity Company, and the non-member insurers. This agreement was replaced by an Amended Reinsurance Allocation Agreement that became effective on January 1, 2013. Pursuant to the terms of the agreement, Travelers Indemnity Company may for itself and on behalf of its subsidiaries and affiliates enter into external ceded reinsurance agreements with multiple cedents covering both pooled entities and non-pooled entities.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Tampa, Florida. As part of the Travelers Holding Company Group, all significant operations were conducted in Hartford, Connecticut.

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

Custodial Agreement

The Company joined its parent and other affiliated in a Global Custodial Services Agreement with Citibank, N.A. executed on November 2, 1999.

Independent Auditor Agreement

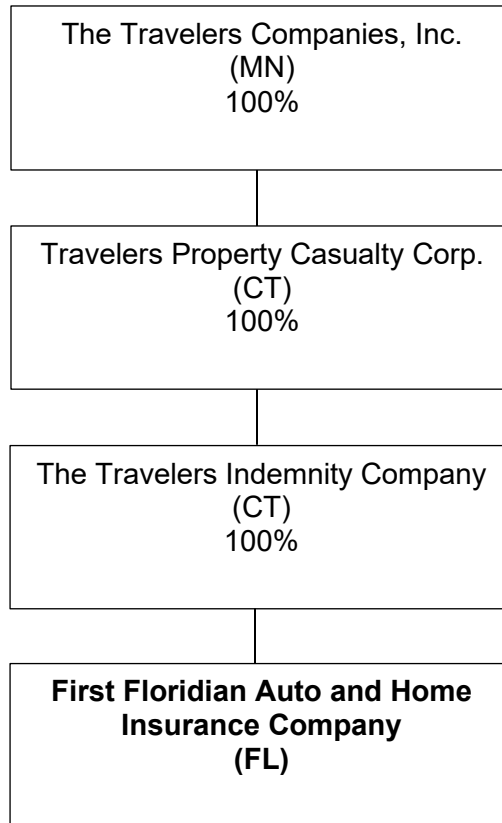
An independent CPA, KPMG LLP audited the Company's statutory basis financial statements annually for the years 2015, 2016, 2017, 2018, and 2019.

Corporate Records Review

The recorded minutes of the Shareholder and Board 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.

A simplified 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.

First Floridian Auto and Home Insurance Company
Simplified Organizational Chart
December 31, 2019



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in Florida on April 10, 1996, and is currently authorized for the following lines of business as of December 31, 2019:

Homeowners Multi-Peril	Private Passenger Auto Liability
Inland Marine	Private Passenger Auto Physical Damage
Earthquake	Other Liability

The Company primarily writes private passenger auto liability and homeowners multi-peril policies in the state of Florida where it is licensed or eligible.

REINSURANCE

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

Reinsurance Assumed

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

Reinsurance Ceded

The Company ceded less than 10% of its direct premiums written to various reinsurers. All but one of the reinsurers were authorized, and the premiums ceded to the unauthorized reinsurer was \$52,000. The Company participates in certain reinsurance treaties covering the insurance subsidiaries of its ultimate parent, The Travelers Companies, Inc., which include the *Corporate Excess-of-Loss Treaty* and the *Underlying Property Aggregate Catastrophe Excess-of Loss Reinsurance Treaty*.

Company also carried mandatory reinsurance protection for its property exposures in Florida from the Florida Hurricane Catastrophe Fund which accounted for the largest portion of its reinsurance ceded.

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.)

First Floridian Auto and Home Insurance Company
Assets
December 31, 2019

	Per Company
Bonds	\$220,130,762
Cash, cash equivalents and short-term investments	8,308,504
Subtotals, cash and invested assets	\$228,439,265
Interest income due and accrued	2,067,139
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	691,850
Deferred premiums, agents' balances and installments booked but deferred and not yet due	8,559,907
Current federal and foreign income tax recoverable and interest thereon	177,318
Net deferred tax asset	214,561
Aggregate write-ins for other than invested assets	768
Totals	\$240,150,809

First Floridian Auto and Home Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company
Losses	\$25,320,671
Loss adjustment expenses	9,677,897
Commissions payable, contingent commissions and other similar charges	1,412,823
Other expenses	1,292,991
Taxes, licenses and fees	118,638
Unearned premiums	17,325,354
Advance premium	318,686
Ceded reinsurance premiums payable (net of ceding commissions)	1,582,500
Amounts withheld or retained by company for account of others	70,107
Remittances and items not allocated	7,414
Provision for reinsurance	43,304
Payable to parent, subsidiaries and affiliates	342,953
Aggregate write-ins for liabilities	320,074
Total liabilities	\$57,833,412
Common capital stock	5,000,000
Gross paid in and contributed surplus	129,350,000
Unassigned funds (surplus)	47,967,397
Surplus as regards policyholders	\$182,317,397
Totals	\$240,150,809

First Floridian Auto and Home Insurance Company
Statement of Income
December 31, 2019

	Per Company
Underwriting Income	
Premiums earned	\$44,363,758
Deductions	
Losses incurred	31,661,050
Loss adjustment expenses incurred	9,315,421
Other underwriting expenses incurred	9,836,407
Total underwriting deductions	\$50,812,877
Net underwriting gain (loss)	\$(6,449,119)
Investment Income	
Net investment income earned	\$7,001,117
Net realized capital gains (losses)	58,785
Net investment gain or (loss)	\$7,059,903
Other Income	
Net gain (loss) from agents' or premium balances charged off	\$(47,736)
Finance and service charges not included in premiums	401,059
Aggregate write-ins for miscellaneous income	(53,166)
Total other income	\$300,157
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	910,940
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$910,940
Federal and foreign income taxes incurred	(394,512)
Net income	\$1,305,452

	Per Company
Capital and Surplus Account	
Surplus as regards policyholders December 31 prior year	\$182,497,414
Net Income	1,305,452
Change in net deferred income tax	(155,894)
Change in non-admitted assets	(1,290,053)
Change in provision for reinsurance	(39,523)
Change in surplus as regards policyholders for the year	\$(180,018)
Surplus as regards policyholders, December 31, current year	\$182,317,397

First Floridian Auto and Home Insurance Company
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2014, per Company			\$197,262,630
	Increase	Decrease	
Net Income or (loss)	\$25,050,775		
Change in net deferred income tax		\$2,105,244	
Change in non-admitted assets		\$1,147,459	
Change in provision for reinsurance		\$43,305	
Dividends to stockholders		\$36,700,000	
Net increase (or decrease)			(\$14,945,233)
Surplus at December 31, 2019 per Company			\$182,317,397

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$182,317,397, exceeded the minimum of \$5,300,599 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

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 First Floridian Auto and Home 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	Examination Manager	Office
Rachelle Gowins	Examination Manager	Examination Resources, LLC

Respectfully submitted,



Scott R. Kalna, CFE, AMCM
Examiner in Charge
Examination Resources, 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