



**EXAMINATION REPORT
OF**

**Florida Citrus, Business and Industries Fund
Orlando, Florida**

NAIC Company Code: 15764

**as of
March 31, 2019
and
March 31, 2020**

**By
The Florida Office of Insurance Regulation**

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January 26, 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 624.486 and 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 two examinations, of the financial condition and corporate affairs of

Florida Citrus, Business and Industries Fund
605 East Robinson Street, Suite 522
Orlando, FL 32801

hereinafter referred to as “the Fund.” The as of dates for these exams were March 31, 2019 and March 31, 2020 and is discussed further in the Scope section of this report. Accordingly, this report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

The two examinations were performed concurrently under the direction of the Florida Office of Insurance Regulation (“the Office”) and covered the periods of April 1, 2014 through March 31, 2019, and April 1, 2019 through March 31, 2020. Fieldwork commenced on June 10, 2020 and concluded as of January 26, 2021. The Fund’s last full scope exam by representatives of the Office covered the period of April 1, 2009 through March 31, 2014. The reason for the concurrent exams had to do with the timing of the examination fieldwork, applicable statutory requirements, and the desire to make the most of limited resources in a way that would benefit both the Company and the Office.

The examinations were single state examinations conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that an examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Fund, 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 Fund 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 Fund and other information as permitted by Section 624.319 and Section 624.486, 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 Fund.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings as a result of this examination.

Previous Examination Findings

Custodial Agreement

The custodial agreement with Salem Trust Company was not in compliance with Rule 69O-143.042 (2) (g), (i), (j), and (n), Florida Administrative Code.

Resolution: On May 6, 2011, the Fund's custodial agreement with Salem Trust Company was amended to comply with Rule 69O-143.042 (2) (o), Florida Administrative Code.

FUND HISTORY

General

The Fund was incorporated and commenced business in Florida on April 1, 1977. The Fund was established in accordance with Section 440.57, Florida Statutes, to operate as a group self-insurance fund. The Fund was licensed pursuant to Section 624.4621, Florida Statutes, which superseded Section 440.57, Florida Statutes in 2011.

Dividends

In accordance with Section 69O-190.065, FL Administrative Code, the Fund declared and paid dividends to its policyholders in 2015, 2016, 2017, 2018, 2019, and 2020 in the amounts of \$2,901,298, \$2,739,420, \$2,236,345, \$2,799,576, \$3,437,030, and \$2,397,057 respectively.

Surplus Notes

The Fund did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

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

MANAGEMENT AND CONTROL

Corporate Governance

Trustees serving as of March 31, 2020, are shown below:

Trustees		
Name	City, State	Principal Occupation, Company Name
Gaspar Kovach, Jr.	Lakeland, Florida	Retired CEO HESCO Service CO-OP
James Edward Emerson	Alachua, Florida	Retired President as of March 2016 FCBI Fund
Jeffrey Kahle Jennings	Maitland, Florida	President Jack Jennings & Sons
John Lewis Minton, Sr.	Vero Beach, Florida	President & Owner Minton Sun, Inc.
Daniel Robert Richey	Vero Beach, Florida	President/Chief Executive Officer Riverfront Groves Packing Company President The Taisho Company

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

Senior Officers		
Name	City, State	Title
Debra Jane Cerre-Ruedisili	Jupiter, Florida	Chief Executive Officer
Samuel Dwight Oswald	Orlando, Florida	Chief Financial Officer
Deborah Lewis Brown	Groton, Connecticut	Vice President of Underwriting

The Fund's Board appointed several internal committees. The following were the principal internal board committees and their members as of both March 31, 2019 and March 31, 2020. The first person listed for each committee is the chairman.

Administrative & Budget Committee		
John Lewis Minton, Sr.	Daniel Robert Richey	James Edward Emerson

Audit Committee		
James Edward Emerson	Gaspar Kovach, Jr.	Jeffrey Kahle Jennings

Investment Committee		
Jeffrey Kahle Jennings	Daniel Robert Richey	John Lewis Minton, Sr.

Marketing, Membership & Agent Relations Committee		
Daniel Robert Richey	Gaspar Kovach, Jr.	James Edward Emerson

Compensation & Benefits Committee		
Gaspar Kovach, Jr.	Jeffrey Kahle Jennings	John Lewis Minton, Sr.

Holding Company System

The Fund was not a member of an insurance holding company system as defined by Rule 69O-143.046, Florida Administrative Code.

ACCOUNTS AND RECORDS

The Fund maintained its principal operational offices in Orlando, Florida.

The Fund and non-affiliates had the following agreements:

Custodial Agreement

The Fund maintained a custodial agreement with Salem Trust Company executed on June 23, 2005. The agreement was re-issued on June 22, 2016 to update the bank account, fee schedule, and letters of authorization.

Indemnity Agreement

The Fund executed an indemnity agreement between all members of the Fund, first effective February 7, 1977, with the latest amendment effective April 1, 2018. The Fund will file with the Office a corporate surety bond or securities of not less than \$250,000 to secure performance of the Fund for any workers' compensation claims. Members of the Fund will split earned premium on a pro-rata basis. United Association Services, Inc. will act as the Service Agents for the Fund and its members. The most recent amendment reassigns Brentwood Service Administrator, Inc., and USIS, Inc., as Service Agents for the Fund effective April 1, 2018. Any member of the fund is automatically a party to the agreement and bound by its terms.

Investment Advisory Agreement

The Fund entered into an investment advisory agreement with BPS Associates, Inc. ("BPS"), effective July 1, 2000. BPS provided advice and services with respect to the Fund's investment portfolio. Fund management and trustees approved and authorized BPS to execute investment transactions.

Lease Agreement

The Fund entered into a lease agreement with Emerson Investments International, Inc. effective February 1, 2018 for Fund operations in Orlando, Florida. The lease expired February 28, 2021. The lease agreement was amended effective October 7, 2019 to change the location of the premises in the building from Suite 300 to Suite 314 and extend the term of the lease until June 30, 2026. Monthly rent was also updated.

Service Agreement

The Fund entered into a service agreement with Brentwood Services Administrators, Inc. (“Brentwood”) effective October 1, 2017. Brentwood provides back-office underwriting support, policyholder services, billing and premium collection, agency commissions, audit supervision, accounting and financial reporting, and statistical reporting for the Fund.

Third Party Administrator Service Company Agreement

The Fund utilized a third-party administrator, USIS, Inc., for claims management and processing. The amended service company contract was effective as of April 1, 2018 and replaced the prior service contract, which had an effective date of July 1, 2000. Services under the agreement included: assisting the Fund in securing excess and/or reinsurance coverage, errors and omissions, fidelity and surety bond coverages, comprehensive claim and claims administration services, loss control and risk assessment services, and online access to fund systems.

Independent Auditor Agreement

An independent CPA, Shores, Tagman, Butler & Company, P.A. audited the Fund’s statutory basis financial statements for all of the years under examination.

Corporate Records Review

The recorded minutes of the Board of Trustees (“Board”) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events. The Board also documented the authorization of investments, as required by Section 625.304, Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

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

The Fund was authorized to transact insurance in Florida on April 1, 1977, and is currently authorized for the following lines of business as of March 31, 2020:

Workers' Compensation

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

Reinsurance Ceded

The Fund ceded risk on an excess of loss basis to multiple reinsurers under various treaties.

FINANCIAL STATEMENTS

The following includes the Fund's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the years ended March 31, 2019 and March 31, 2020. The financial statements are based on the statutory financial statements filed by the Fund with the Florida Office of Insurance Regulation and present the financial condition of the Fund for the periods ending both March 31, 2019 and March 31, 2020. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Florida Citrus, Business and Industries Fund

Assets - March 31, 2019

	Per Fund
Bonds	\$101,845,189
Cash and short-term investments	10,067,601
Subtotal cash and invested assets	\$111,912,790
Interest income due and accrued	1,023,544
Agents' balances	
Uncollected premium	3,983,922
Deferred premium	3,388,952
Amounts recoverable from reinsurer	143,636
Net deferred tax asset	1,010,750
Aggregate write-in for other than invested assets	7,419,819
Totals	\$128,883,413

**Florida Citrus, Business and Industries Fund
Assets - March 31, 2020**

	Per Fund
Bonds	\$104,127,462
Cash and short-term investments	6,986,975
Subtotal cash and invested assets	\$111,114,437
Interest income due and accrued	1,045,769
Agents' balances	
Uncollected premium	5,009,875
Deferred premium	2,493,184
Net deferred tax asset	926,880
Aggregate write-in for other than invested assets	966,696
Totals	\$121,556,841

**Florida Citrus, Business and Industries Fund
Liabilities, Surplus and Other Funds - March 31, 2019**

	Per Fund
Losses	\$55,715,254
Loss adjustment expenses	5,821,950
Commissions payable	1,409,294
Other expenses	2,496,209
Taxes, licenses and fees	914,741
Current federal and foreign income taxes	2,025,659
Unearned premiums	3,364,380
Advance premiums	1,284,798
Policyholders dividends declared and unpaid	3,437,030
Ceded reinsurance premiums payable	1,618,919
Aggregate write-in for liabilities	4,711,099
Total liabilities	\$82,799,333
Aggregate write-ins for other than special surplus funds	7,419,819
Unassigned funds (surplus)	38,664,261
Surplus as regards policyholders	\$46,084,080
Total liabilities, surplus and other funds	\$128,883,413

**Florida Citrus, Business and Industries Fund
Liabilities, Surplus and Other Funds - March 31, 2020**

	Per Fund
Losses	\$47,774,670
Loss adjustment expenses	6,176,287
Commissions payable	1,595,492
Other expenses	1,658,797
Taxes, licenses and fees	749,845
Current federal and foreign income taxes	698,671
Unearned premiums	2,935,676
Advance premiums	1,171,357
Policyholders dividends declared and unpaid	2,397,057
Ceded reinsurance premiums payable	1,148,150
Aggregate write-in for liabilities	5,181,262
Total liabilities	\$71,487,264
Aggregate write-ins for other than special surplus funds	966,696
Unassigned funds (surplus)	49,102,881
Surplus as regards policyholders	\$50,069,577
Total liabilities, surplus and other funds	\$121,556,841

**Florida Citrus, Business and Industries Fund
Statement of Income - March 31, 2019**

	Per Fund
Underwriting Income	
Premiums earned	\$72,528,844
Deductions	
Losses Incurred	\$34,295,909
Loss expenses incurred	5,124,942
Other underwriting expenses incurred	18,766,854
Total Underwriting deductions	\$58,187,705
Net underwriting gain (loss)	\$14,341,139
Investment Income	
Net investment income earned	\$3,470,822
Net realized capital gains or (losses)	(10,096)
Net investment gain or (loss)	\$3,460,726
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(\$590,435)
Aggregate write-ins for miscellaneous income	1,524,136
Total other income	\$933,701
Net income before dividends to policyholders and before federal & foreign income taxes	\$18,735,566
Dividends to policyholders	3,839,131
Net income, after dividends to policyholders, but before federal & foreign income taxes	\$14,896,435
Federal & foreign income taxes	3,280,927
Net Income	\$11,615,508

	Per Fund
Capital and Surplus Account	
Surplus as regards policyholders March 31, prior year	\$35,098,893
Net Income	\$11,615,508
Change in net deferred income taxes	68,833
Change in nonadmitted assets	(974,845)
Aggregate write-ins for gains and losses in surplus	275,691
Change in surplus as regards policyholders for the year	\$10,985,187
Surplus as regards policyholders, March 31, current year	\$46,084,080

**Florida Citrus, Business and Industries Fund
Statement of Income - March 31, 2020**

	Per Fund
Underwriting Income	
Premiums earned	\$67,600,018
Deductions	
Losses Incurred	\$27,759,783
Loss expenses incurred	6,672,047
Other underwriting expenses incurred	19,641,630
Total Underwriting deductions	\$54,073,460
Net underwriting gain (loss)	\$13,526,558
Investment Income	
Net investment income earned	\$3,701,889
Net realized capital gains or (losses)	6,736
Net investment gain or (loss)	\$3,708,625
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(\$663,522)
Aggregate write-ins for miscellaneous income	1,386,763
Total other income	\$723,241
Net income before dividends to policyholders and before federal & foreign income taxes	\$17,958,424
Dividends to policyholders	2,740,069
Net income, after dividends to policyholders, but before federal & foreign income taxes	\$15,218,355
Federal & foreign income taxes	3,173,012
Net Income	\$12,045,343

	Per Fund
Capital and Surplus Account	
Surplus as regards policyholders March 31, prior year	\$46,084,080
Net Income	\$12,045,343
Change in net deferred income taxes	(83,870)
Change in nonadmitted assets	(1,522,853)
Aggregate write-ins for gains and losses in surplus	(6,453,123)
Change in surplus as regards policyholders for the year	\$3,985,497
Surplus as regards policyholders, March 31, current year	\$50,069,577

**Florida Citrus, Business and Industries Fund
Reconciliation of Capital and Surplus - March 31, 2019**

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

Capital/Surplus Change during Examination Period			
Surplus at March 31, 2014, per Fund			\$22,592,892
	Increase	Decrease	
Net Income	\$19,385,388		\$19,385,388
Change in net deferred income tax		(\$130,967)	(\$130,967)
Change in non-admitted assets		(\$1,125,976)	(\$1,125,976)
Aggregate write-ins for gains in surplus	\$5,362,743		\$5,362,743
Net increase (or decrease)			\$23,491,188
Surplus at March 31, 2019 per Fund			\$46,084,080

**Florida Citrus, Business and Industries Fund
Reconciliation of Capital and Surplus - March 31, 2020**

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

Capital/Surplus Change during Examination Period			
Surplus at March 31, 2019, per Fund			\$46,084,080
	Increase	Decrease	
Net Income	\$12,045,343		\$12,045,343
Change in net deferred income tax		(\$83,870)	(\$83,870)
Change in non-admitted assets		(\$1,522,853)	(\$1,522,853)
Aggregate write-ins for gains in surplus		(\$6,453,123)	(\$6,453,123)
Net increase (or decrease)			\$3,985,497
Surplus at March 31, 2020 per Fund			\$50,069,577

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Fund of \$46,084,080 and \$50,069,577 as of March 31, 2019 and March 31, 2020 respectively met the requirements set forth under Section 624.4621(10), Florida Statutes.

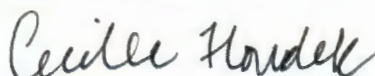
CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Florida Citrus, Business and Industries Fund as of March 31, 2020, consistent with the insurance laws of the State of Florida.

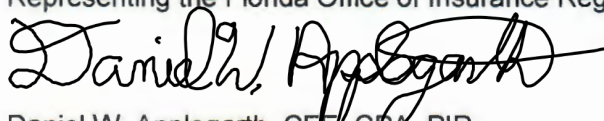
In addition to the undersigned, the following also participated in the examination:

Marie Stuhlmuller	Examination Manager	Office
Casey Hengstebeck	Participating Examiner	Office
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Respectfully submitted,



Cecilee Houdek, CFE
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Daniel W. Applegarth, CFE, CPA, PIR
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