



**EXAMINATION REPORT  
OF**

**Frank Winston Crum Insurance Company  
Clearwater, Florida**

**NAIC Company Code: 11600**

**as of  
December 31, 2021**

**By  
The Florida Office of Insurance Regulation**

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May 26, 2023

Michael Yaworsky  
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, 2021, of the financial condition and corporate affairs of

**Frank Winston Crum Insurance Company**  
100 South Missouri Avenue  
Clearwater, Florida 33756

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, 2017 through December 31, 2021, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on June 15, 2022. The fieldwork concluded as of May 26, 2023. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2012 through December 31, 2016.

The examination was 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 Company is licensed in multiple states. However, this examination was on the Florida domestic only and did not involve participation from other states.

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

The following is a summary of significant findings of fact including material adverse findings, significant non-compliance findings, such as non-compliance with state law(s), SSAPs, annual financial statement instructions, etc. or material changes in the financial statements.

#### Lack of Independent Audit Committee Member

The Company's Owner/CEO served on the Company's audit committee. This is not in accordance with Section 624.424(8)(c), FS. **(MANAGEMENT AND CONTROL)**

### Previous Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination.

#### Holding Company Registration Statement and Enterprise Risk Report

The 2015 Holding Company Registration Statement (HCRS) was filed on April 7, 2016, and the 2015 Enterprise Risk Report (Form F) was filed on May 21, 2016. The Company was not in compliance with Section 628.801(1) and (2), Florida Statutes, which requires the HCRS and Form F be filed on or before April 1 of each year.

The examination verified that these filing were made in a timely manner for the period covered by the exam.

#### Independent CPA/Awareness Letter

The Company filed its Independent CPA/Awareness Letter after December 31 from 2013 to 2015. The Company was not in compliance with Rule 690-137.002(6)(a), Florida Administrative Code, which requires each insurer to file an Independent CPA/Awareness Letter by December 31 of the year subject to audit.

The examination verified that these filing were made in a timely manner for the period covered by the exam.

### Actuarial Opinion Summary

The Company filed its 2012 Actuarial Opinion Summary on March 19, 2013, and its 2015 Actuarial Opinion Summary on March 22, 2016. The Company was not in compliance with 624.424(1)(b)2, Florida Statutes, which states the Actuarial Opinion Summary must be filed in accordance with NAIC property and casualty annual statement instructions.

The examination verified that these filings were made in a timely manner for the period covered by the exam.

### Managing General Agent

The Company entered into a contract with an MGA on August 1, 2013 and did not notify the Office within the required thirty (30) days. The Company did not comply with Section 626.7454(5), Florida Statutes, which stipulates that within thirty (30) days after entering into or terminating a contract with a managing general agent, the insurer shall provide written notification of the appointment or termination to the Office.

The examination verified evidence of the notification letter to the Office with a copy of the MGA agreement dated February 23, 2018.

### Loss Reserve Development

The Company's loss and loss adjustment expense reserves were deficient by approximately \$4,792,000 on a net basis. The actuarial report produced by the Company's appointed actuary did not contain a written component, necessary for the Office to gain an understanding of the actuarial work, summarizing aspects of the Overall Loss and LAE indications. The Company's reserving methods did not fully reflect the way the losses were expected to develop.

The examination actuary performed a review of the Company's reserves and opening actuary report verified that this finding had been remediated.

## **COMPANY HISTORY**

### **General**

The Company is a Florida property and casualty insurer incorporated on January 23, 2003 and received its Florida Certificate of Authority and commenced business on April 29, 2003.

## **Dividends**

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

## **Capital Stock and Capital Contributions**

As of December 31, 2021, the Company's capitalization was as follows:

Number of authorized common capital shares	50,000
Number of shares issued and outstanding	30,000
Total common capital stock	\$3,000,000
Par value per share	\$100

Frank Winston Crum Insurance Holdings made capital contributions of \$5,000,000 on June 27, 2019 and \$5,000,000 on December 31, 2020.

## **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 Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2021, are shown below:

<b>Directors</b>		
<b>Name</b>	<b>City, State</b>	<b>Principal Occupation, Company Name</b>
Frank Winston Crum Jr. <sup>(1)</sup>	Odessa, Florida	Chief Executive Officer, Frank Winston Crum Insurance Company
Matthew Christopher Crum	Dunedin, Florida	President, Frank Winston Crum Insurance Company
John Robert Dixon	Tampa, Florida	President, Dixon & Associates
James Michael Carr	Bradenton, Florida	Chief Financial Officer, Frank Winston Crum Insurance Company
Michael Dennis Kindt	New Port Richey, Florida	Financial Advisor, Morgan Stanley

(1) Chairman

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

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Frank Winston Crum Jr.	Odessa, Florida	Chief Executive Officer
Matthew Christopher Crum	Dunedin, Florida	President
James Michael Carr	Bradenton, Florida	Chief Financial Officer

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2021. The first person listed for each committee is the chairman.

<b>Investment Committee</b>		
Frank Winston Crum Jr.	Matthew Christopher Crum	Michael Dennis Kindt

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes. However, The Company's owner/CEO served on the Company's audit committee. This is not in accordance with Section 624.424(8)(c), FS.

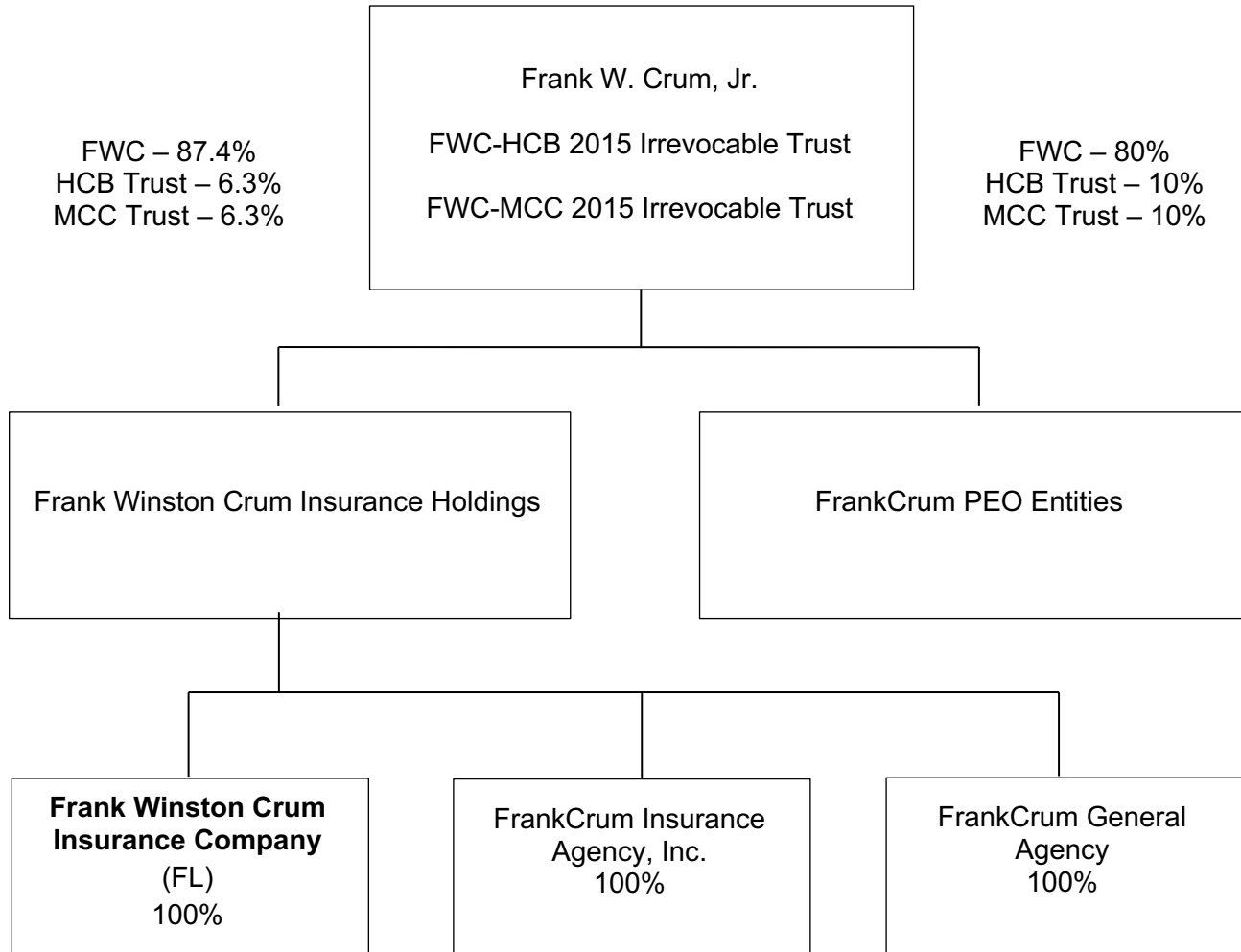


Audit Committee		
Frank Winston Crum Jr.	John Robert Dixon	Michael Dennis Kindt

### Holding Company System

An organizational chart as of December 31, 2021, reflecting the holding company system, is shown below. Schedule Y of the Company’s 2021 annual statement provided a list of all related companies of the holding company group.

### Organizational Chart December 31, 2021



## **Affiliate Agreements**

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

### Managing General Agency Agreement

The Company has a Managing General Agency (MGA) Agreement with FrankCrum General Agency, Inc. Fees paid under this agreement represents the MGA's commissions, salaries, and system maintenance expenses.

### Employee Leasing Agreement

The Company has an employee leasing agreement with FrankCrum PEO Entities. Fees paid under this agreement represents leased employee salaries, payroll taxes, benefits, and other reimbursable expenses.

## **ACCOUNTS AND RECORDS**

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

## **TERRITORY AND PLAN OF OPERATIONS**

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

- Alabama
- Connecticut
- Georgia
- Indiana
- Kentucky
- Michigan
- Montana
- New Hampshire
- North Carolina
- Oregon
- South Carolina
- Texas
- Virginia
- District of Columbia
- Arizona
- Delaware
- Idaho
- Iowa
- Louisiana
- Mississippi
- Nebraska
- New Jersey
- Ohio
- Pennsylvania
- South Dakota
- Utah
- West Virginia
- Arkansas
- Florida
- Illinois
- Kansas
- Maryland
- Missouri
- Nevada
- New Mexico
- Oklahoma
- Rhode Island
- Tennessee
- Vermont
- Wisconsin

The Company was authorized to transact insurance in Florida on April 29, 2003 and is currently authorized to write Workers' Compensation, Inland Marine, and Other Liability as of December 31, 2021.

The Company's top markets were Florida, Texas, and Georgia with premium of 64%, 12%, and 11% respectively.

## **REINSURANCE**

### **Reinsurance Assumed**

As of December 31, 2021, the Company's assumed reinsurance program consisted of business assumed from various commercial insurers and the mandatory National Workers Compensation Reinsurance Pool.

### **Reinsurance Ceded**

As of December 31, 2021, the Company's ceded reinsurance program was covered by Quota Share and Excess-of-Loss agreements with non-affiliate commercial reinsurers.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income or Summary of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2021. 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, 2021. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**Frank Winston Crum Insurance Company**  
**Assets**  
**December 31, 2021**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	121,148,513		121,148,513
Common stocks	14,773,950		14,773,950
Cash and short-term investments	25,111,648		25,111,648
Subtotals, cash, and invested assets	161,036,001		161,036,001
Investment income due and accrued	659,962		659,962
Uncollected premiums and agents' balances	5,489,040	3,843,804	1,645,236
Deferred premiums, agents' balances, and installments	19,616,771		19,616,771
Amounts recoverable from reinsurer	2,841,675		2,841,675
Funds held by or deposited with reinsured companies	5,609,157		5,609,157
Net deferred tax asset	537,425	419,369	118,056
Electronic data processing equipment and software	29,788	29,788	
Furniture and equipment, including health care delivery assets	10,913	10,913	
Receivables from parent, subsidiaries and affiliates	14,618,781		14,618,781
Aggregate write-in for other than invested assets	2,206,036	19,412	2,186,624
Totals	212,655,549	4,323,286	208,332,263

**Frank Winston Crum Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2021**

	Per Company
Losses	35,089,572
Reinsurance payable on paid losses and loss adjustment expenses	183,671
Loss adjustment expenses	4,246,364
Commissions payable, contingent commissions and other similar charges	1,680,997
Other expenses	1,316,208
Taxes, licenses and fees	649,236
Current federal and foreign income taxes	129,550
Unearned premiums	14,675,684
Advance premiums	286,762
Ceded reinsurance premiums payable	(6,587,646)
Funds held by company under reinsurance treaties	95,885
Amounts withheld or retained by company for account of others	103,828,331
Provision for reinsurance	16,000
Aggregate write-in for liabilities	1,098,865
<b>Total liabilities</b>	<b>156,709,479</b>
Common capital stock	3,000,000
Gross paid-in and contributed surplus	19,000,000
Unassigned funds (surplus)	29,622,784
Surplus as regards policyholders	51,622,784
<b>Totals</b>	<b>208,332,263</b>

**Frank Winston Crum Insurance Company**  
**Statement of Income**  
**December 31, 2021**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	32,505,565
<b>Deductions</b>	
Losses Incurred	21,466,325
Loss adjustment expenses incurred	3,638,315
Other underwriting expenses incurred	6,524,470
Total Underwriting deductions	31,629,110
Net underwriting gain (loss)	876,455
<b>Investment Income</b>	
Net investment income earned	2,269,593
Net realized capital gains or (losses)	957,757
Net investment gain or (loss)	3,227,350
<b>Other Income</b>	
Net gain or (loss) from agents' or premium balances charged off	(123,431)
Aggregate write-ins for miscellaneous income	375,708
Total other income	252,277
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	4,356,082
Dividends to policyholders	12,247
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	4,343,835
Federal & foreign income taxes incurred	1,009,857
Net Income	3,333,978
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	46,691,308
Net Income	3,333,978
Change in net unrealized capital gains or losses less capital gains tax	1,146,681
Change in net deferred income taxes	327,802
Change in non-admitted assets	139,015
Change in provision for reinsurance	(16,000)
Change in surplus as regards policyholders for the year	4,931,476
Surplus as regards policyholders, December 31, current year	51,622,784

**Frank Winston Crum Insurance Company  
Reconciliation of Capital and Surplus  
December 31, 2021**

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

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2016, per Company			19,692,521
	Increase	Decrease	
Net Income (loss)	21,826,686		
Change in net unrealized capital gain (loss)	2,316,918		
Change in net deferred income tax		81,961	
Change in non-admitted assets		2,115,380	
Change in provision for reinsurance		16,000	
Change in paid in surplus	10,000,000		
Net increase (or decrease)			31,930,263
Surplus at December 31, 2021, per Company			51,622,784

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

**Capital and Surplus**

The amount of capital and surplus reported by the Company of \$51,622,784 exceeded the minimum of \$5,569,280 required by Section 624.408, Florida Statutes.

**SUBSEQUENT EVENTS**

Effective January 1, 2022, 18.216% of the shares of Frank Winston Crum Insurance Holdings Corp. were transferred to FWC-HCB 2015 Irrevocable Trust and 18.216% of the shares of Frank Winston Crum Insurance Holdings Corp. were transferred to FWC-MCC 2015 Irrevocable Trust. All of the shares transferred were non-voting shares.

On April 1, 2022, the Company entered into a Loss Portfolio Transfer Reinsurance Agreement with Swiss Reinsurance America Corporation. The Company accounted for the transfer as retroactive reinsurance in accordance with SSAP 62R.



## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Frank Winston Crum Insurance Company** as of December 31, 2021, consistent with the insurance laws of the State of Florida.

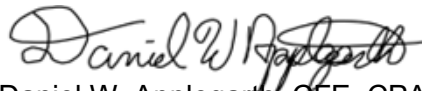
In addition to the undersigned, the following individuals from Highland Clark, LLC (“Highland”), Noble Consulting Services, Inc. (“Noble”), and The Actuarial Advantage, Inc. (“Actuarial Advantage”) also participated in the examination:

Bobby Jackson	Exam Manager	Office
Lori G. Lewter, CISA	Examiner, IT Specialist	Highland
Aleksandreja H. Kulits	Examiner	Highland
Alan Kaliski, FCAS, MAAA	Reinsurance Specialist	Noble
Laura Martin, FCAS, MAAA	Exam Actuary	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  
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Florida Office of Insurance Regulation