



**EXAMINATION REPORT
OF**

**Mercury Indemnity Company of America
Clearwater, Florida**

NAIC Company Code: 11201

**as of
December 31, 2021**

**By
The Florida Office of Insurance Regulation**

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April 28, 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 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 an examination as of December 31, 2021, of the financial condition and corporate affairs of

Mercury Indemnity Company of America
1901 Ulmerton Road
Clearwater, Florida US 33762-2307

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, 2018 through December 31, 2021, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on June 1, 2022. The fieldwork concluded as of April 28, 2023. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2014 through December 31, 2017.

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 examination was a multi-state/coordinated process. The lead state for this exam was California, and states that participated in this exam are as follows:

Florida	Georgia
Illinois	Oklahoma
Texas	

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 August 27, 2001, as Mercury Indemnity Company of Florida and received its Certification of Authority on December 28, 2001. The Company changed its name to Mercury Indemnity Company of America in 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	2,400,000
Number of shares issued and outstanding	2,400,000
Total common capital stock	\$2,400,000
Par value per share	\$1.00

No capital contributions were reported during the period under examination

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:

Directors		
Name	City, State	Principal Occupation, Company Name
George Victor Joseph	Los Angeles, California	Chairman of the Board, Mercury General Corporation
James George Ellis	Los Angeles, California	Professor of Marketing and Dean, USC Marshall School of Business
Gabriel Tirador	Tustin, California	President and Chief Executive Officer, Mercury General Corporation
Judith Ann Walters	Oxnard, California	Secretary, Mercury General Corporation
Joshua Eric Little	St. George, UT	Attorney, Mercury General Corporation
George Gwyer Braunegg	Los Angeles, CA	Management Consultant; Investor, Mercury General Corporation

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

Senior Officers		
Name	City, State	Title
Gabriel Tirador	Los Angeles, California	President and Chief Executive Officer
Theodore Robert Stalick	Altadena, CA	Senior Vice President, Chief Financial Officer, and Treasurer
Judith Ann Walters	Oxnard, California	Secretary

The Company's board committees are governed by committees appointed by its parent Mercury General Corporation. 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.

The Company through its parent Mercury General Corporation maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes. This statute not only allows company directors to serve, but also those who do not sit on a company's board but are members of affiliated boards.

Audit Committee		
Committee Members Who do not Sit on the Company's Board		
Name	City, State	Title
Martha E. Marcon	Glendale, California	Director, MGC
Committee Members Who Do Sit on the Company's Board		
James G. Ellis	George G. Braunegg	

Corporate Governance Committee		
Committee Members Who do not Sit on the Company's Board		
Name	City, State	Title
Martha E. Marcon		
Committee Members Who Do Sit on the Company's Board		
Joshua E. Little	James G. Ellis	

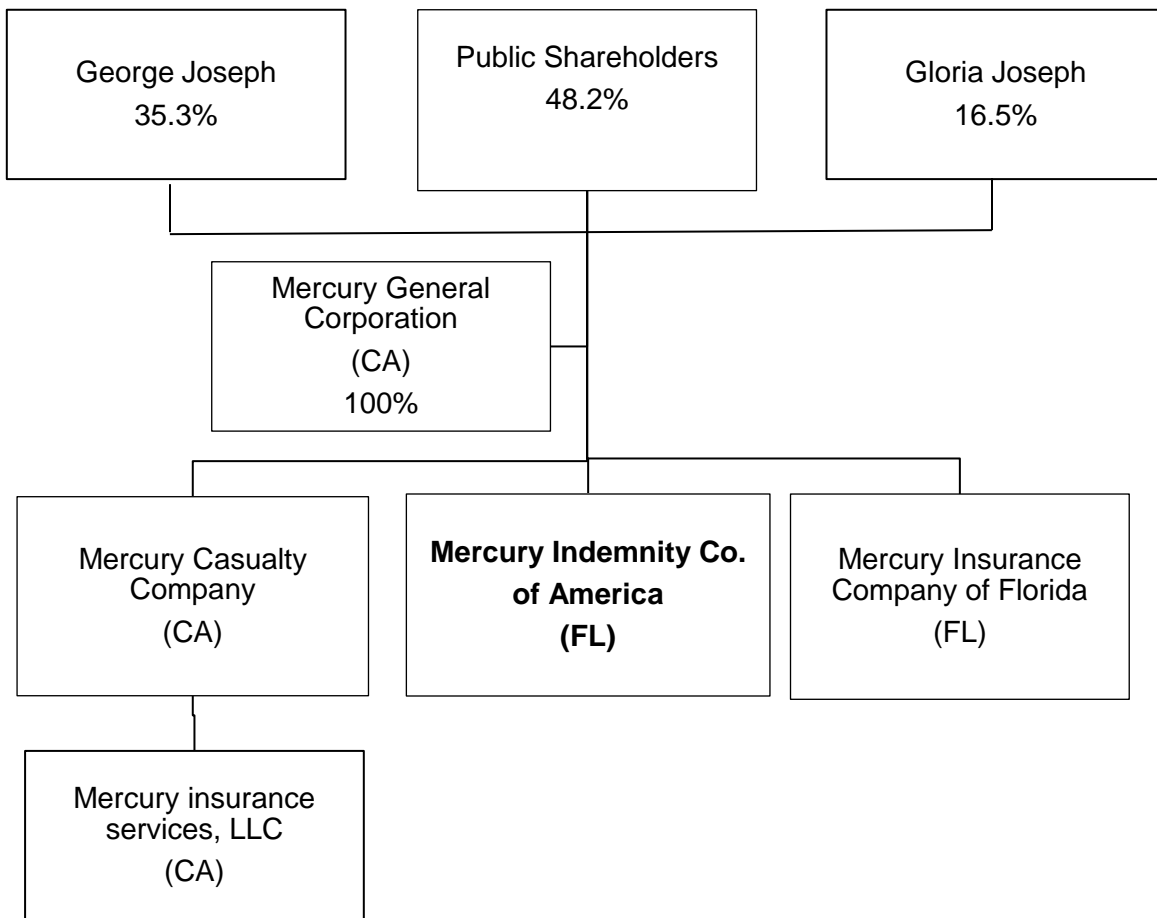
Investment Committee	
<i>(All are Company Board Members)</i>	
James G. Ellis	George Victor Joseph
George Gwyer Braunegg	Gabriel Tirador

Compensation Committee	
Committee Members Who Do Sit on the Company's Board	
Joshua E. Little	George Gwyer Braunegg
Committee Members Who Do Not Sit on the Company's Board	
Ramona L. Cappello	

Holding Company System

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

Mercury Indemnity Company of America Organizational Chart December 31, 2021



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

Tax Allocation Agreement

The Company, along with its parent, Mercury General Corporation (“MGC”), filed a consolidated federal income tax return. On December 31, 2021, the method of allocation between the Company and MGC was based on a separate return calculation with current credit for net losses incurred to the extent the losses can be used in the current consolidated return. Each member of the group recorded an inter-company income tax receivable or payable with MGC. Within ninety (90) days of the remittance by Holding Company of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

Management Agreement

The Company entered into a Management Agreement with Mercury Insurance Services, LLC (“MISLLC”); under which MISLLC provides management services. This agreement was part of the application for certificate of authority filed with the Florida Office of Insurance Regulation dated December 28, 2001.

Quota Share Reinsurance Agreement

The Company entered into a Quota Share Reinsurance Agreement with their affiliate, Mercury Casualty Company (“MCC”), under which The Company cedes one hundred percent (100%) of the ultimate net loss arising out of each occurrence for all private passenger automobile liability, private passenger automobile physical damage business, and homeowners multi-peril written by the Company. The agreement was filed by the Company with their application for a certificate of authority and approved as of December 28, 2001.

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 Florida and New Jersey.

The Company was authorized for the following lines of business in Florida as of December 31, 2021:

- Commercial Automobile Liability
- Commercial Automobile Physical Damage
- Homeowners Multi-Peril
- Private Passenger Auto Liability
- Private Passenger Auto Physical Damage

The Company primarily writes private passenger auto liability policies in the states where it is licensed or eligible. The Company reported direct premium written of \$127,281,547 in Florida and \$19,932,783 in New Jersey as of December 31, 2021.

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 is a member of the New Jersey Automobile Insurance Risk exchange (“NJAIRE”), Membership in NJAIRE is required for every insurer licensed to transact private passenger automobile insurance in New Jersey. The Company reported reinsurance assumed of \$93,073 from NJAIRE as of December 31, 2021.

Reinsurance Ceded

The Company ceded risk on a quota share basis to their affiliate MCC. **(Holding Company System)**

The reinsurance contracts were reviewed during the examination to verify transfer of risk was evident and the contracts were in force for the entire period under review.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus, and Other Funds; statutory Statement of Income or Summary of Operations 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.)

Mercury Indemnity Company of America
Assets
December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	20,093,359		20,093,359
Cash and short-term investments	1,617,656		1,617,656
Subtotals, cash and invested assets	21,711,015		21,711,015
Investment income due and accrued	226,381		226,381
Premiums and considerations			
Uncollected premiums and agents' balances	624,398	51,686	572,712
Deferred premiums, agents' balances, and installments	32,534,482		32,534,482
Reinsurance			
Amounts recoverable from reinsurers	1,120,966		1,120,966
Net deferred tax asset	141,426		141,426
Receivable from parent, subsidiaries, and affiliates	92		92
Aggregate write-in for other than invested assets	320,726		320,726
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	56,679,486	51,686	56,627,800
Total	56,679,486	51,686	56,627,800

Mercury Indemnity Company of America
Liabilities, Surplus, and Other Funds
December 31, 2021

	Per Company
Commissions payable, contingent commissions and other similar charges	680,500
Other expenses	36,589
Taxes, licenses, and fees	720,076
Current federal and foreign income taxes	158,030
Advance premiums	2,155,563
Ceded reinsurance premiums payable	10,985,366
Remittances and items not allocated	216,155
Payable to parent, subsidiaries, and affiliates	2,049,824
Total liabilities excluding protected cell liabilities	17,002,103
Total liabilities	17,002,103
Common Capital Stock	2,400,000
Gross paid-in and contributed surplus	27,600,000
Unassigned funds (surplus)	9,625,697
Surplus as regards policyholders	39,625,697
Totals	56,627,800

Mercury Indemnity Company of America
Statement of Income
December 31, 2021

	Per Company
Deductions	
Other underwriting expenses incurred	(7,619)
Net underwriting gain (loss)	7,619
Investment Income	
Net investment income earned	280,062
Net realized capital gains or (losses)	33,827
Net investment gain or (loss)	313,889
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	321,508
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	321,508
Federal & foreign income taxes incurred	145,074
Net Income	176,434
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	39,343,712
Net Income	176,434
Change in non-admitted assets	4,243
Change in surplus as regards policyholders for the year	281,985
Surplus as regards policyholders, December 31, current year	39,625,697

Mercury Indemnity Company of America
Reconciliation of Capital and Surplus
December 31, 2021

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2017, per Company			38,341,156
	Increase	Decrease	
Net Income (loss)		212,780	
Change in net deferred income tax	1,172,880		
Change in non-admitted assets	324,411		
Net increase (or decrease)			1,258,774
Surplus at December 31, 2021 per Company			39,625,697

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$39,625,697, exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Mercury Indemnity Company of America as of December 31, 2021, consistent with the insurance laws of the State of Florida.

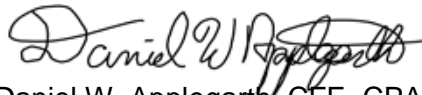
In addition to the undersigned, the following individuals also participated in the examination:

Bobby Jackson, APIR	Exam Manager	Florida Office of Insurance Regulation
Victoria Chau, CPA	Participating Examiner	Baker Tilly US, LLP
Casey Hengstebeck, APIR	Participating Examiner	Florida Office of Insurance Regulation

Respectfully submitted,



John Romano, CFE, CPA, CIA, CITP
Examiner In Charge
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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