



**EXAMINATION REPORT
OF**

**Mercury Insurance Company of Florida
Clearwater, Florida**

NAIC Company Code: 11202

**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 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:

Mercury Insurance Company of Florida

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, and commenced business on January 2, 2002, as Mercury Insurance Company of Florida.

Dividends

The Company declared and paid dividends to its stockholder(s) in 2018 and 2019 in the amounts of \$4,000,000 and \$3,931,443 respectively. Dividends were not declared or paid during calendar years 2020 and 2021.

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	1,200,000
Number of shares issued and outstanding	1,200,000
Total common capital stock	\$1,200,000
Par value per share	\$1.00

The gross paid in and contributed surplus declined during the period under examination. On December 13, 2019, the company received approval from the Florida Office of Insurance Regulation to make an extraordinary distribution to its sole shareholder, Mercury General Corporation ("MGC"), in the amount of \$30,068,567 which was a return of capital from the Company's gross paid in and contributed surplus. The Company requested approval pursuant to Rule 69O-143(3) of the Florida Administrative Code. This distribution was authorized by the

Company's board of directors on November 15, 2019 to be paid on or before December 31, 2019. The gross paid in and contributed surplus was reported as \$32,300,000 on January 1, 2018, and \$2,231,433 as of December 31, 2021.

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.

The Company was dissolved on November 30, 2022 **(SUBSEQUENT EVENTS)**

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 Joseph	Los Angeles, CA	Chairman Mercury General Corporation
Gabriel Tirador	Tustin, CA	President, & CEO Mercury General Corporation
James George Ellis	San Marino, CA	Professor of Marketing and Dean, USC Marshall School of Business Mercury General Corporation
Judith Ann Walters	Oxnard, CA	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	Tustin, CA	President & CEO
Theodore Robert Stalick	Altadena, CA	Senior Vice President, Chief Financial Officer, Treasurer
Judith Ann Walters	Oxnard, CA	Vice President; Secretary

The Company's board committees are governed by committees appointed by its parent Mercury General Corporation ("MGC"). 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
Ramona L. Cappello	Los Angeles, California	Director, MGC
Committee Members Who Do Sit on the Company's Board		
James G. Ellis		

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	

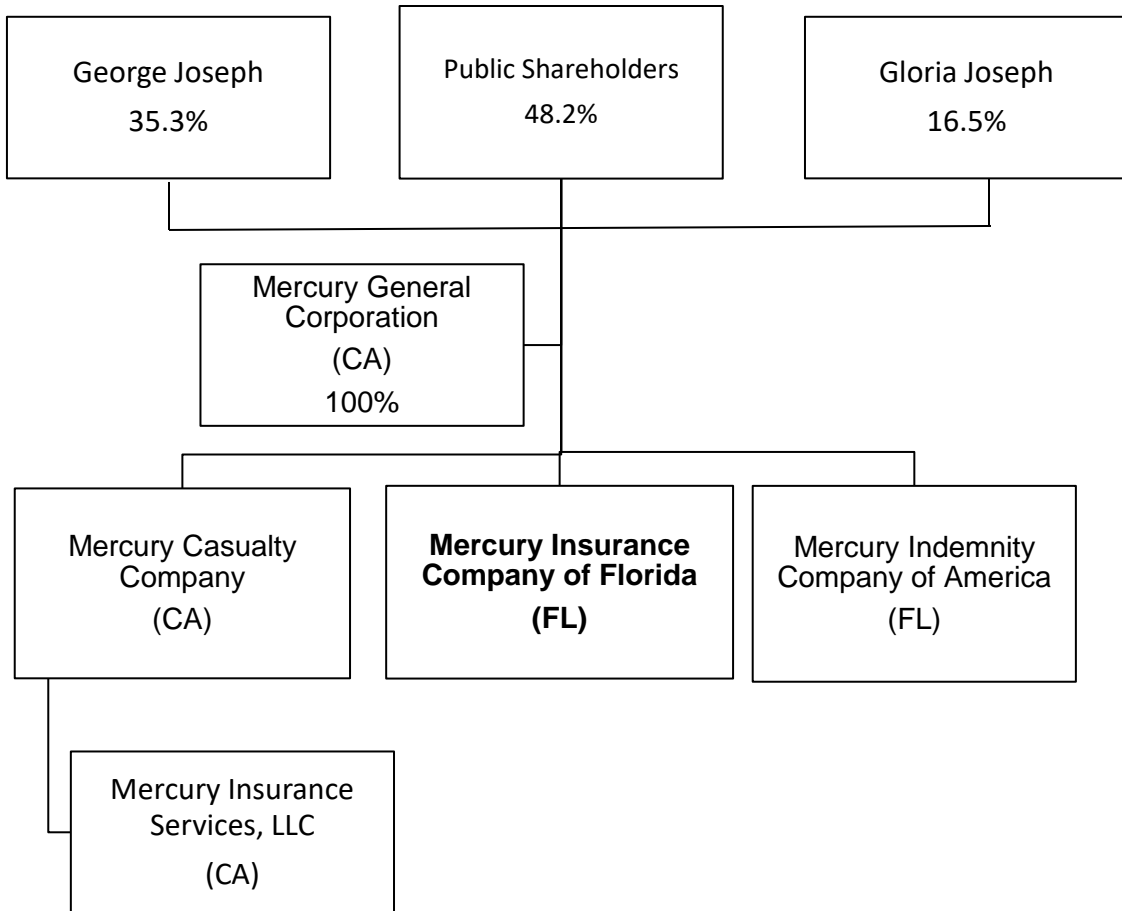
Investment Committee	
<i>(All are Company Board Members)</i>	
James G. Ellis	George Victor Joseph
George Gwyer Braunegg	Gabriel Tirador

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 Insurance Company of Florida 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 MGC of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled. The agreement had an effective date of January 1, 1983. It was amended on the dates that each party became a member of the consolidated group.

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 Office 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 MCC reinsures private passenger auto insurance issued by the Company. The Company cedes one hundred percent (100%) of the ultimate net loss arising out of each occurrence for all private passenger automobile and automobile physical damage business 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 Pennsylvania.

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

- Commercial Auto Liability
- Private Passenger Auto Liability
- Private Passenger Auto Physical Damage

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 risk on a quota share basis to its 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 Office 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 Insurance Company of Florida
Assets
December 31, 2021

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	2,616,194		2,616,194
Cash and short-term investments	4,403,155		4,403,155
Subtotals, cash and invested assets	7,019,349		7,019,349
Investment income due and accrued	30,700		30,700
Reinsurance			
Amounts recoverable from reinsurers	7,388		7,388
Net deferred tax asset	3,528		3,528
Receivable from parent, subsidiaries, and affiliates	16,332		16,332
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	7,077,297		7,077,297
Total	7,077,297		7,077,297

Mercury Insurance Company of Florida
Liabilities, Surplus, and Other Funds
December 31, 2021

	Per Company
Taxes, licenses, and fees	24,354
Current federal and foreign income taxes	851
Ceded reinsurance premiums payable (net of ceding commissions)	(3,349)
Total liabilities excluding protected cell liabilities	21,856
Total liabilities	21,856
Common capital stock	1,200,000
Gross paid-in and contributed surplus	2,231,433
Unassigned funds (surplus)	3,624,008
Surplus as regards policyholders	7,055,441
Totals	7,077,297

Mercury Insurance Company of Florida
Statement of Income
December 31, 2021

	Per Company
Investment Income	
Net underwriting gain or (loss)	0
Net investment income earned	8,205
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	8,205
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	8,205
Federal & foreign income taxes incurred	1,313
Net Income	6,892
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	7,047,403
Net Income	6,892
Change in net deferred income taxes	882
Change in non-admitted assets	264
Change in surplus as regards policyholders for the year	8,038
Surplus as regards policyholders, December 31, current year	7,055,441

Mercury Insurance Company of Florida
Reconciliation of Capital and Surplus
December 31, 2021

Capital/Surplus Change during Examination Period			
			\$41,604,603
Surplus at December 31, 2017, per Company			
	Increase	Decrease	
Net Income (loss)	3,263,132		
Change in net unrealized capital gain (loss)	143,150		
Change in net deferred income tax		290,387	
Change in non-admitted assets	334,942		
Change in paid in capital		30,068,567	
Dividends to stockholders		7,931,433	
Net increase (or decrease)			(34,549,163)
Surplus at December 31, 2021, per Company			\$7,055,441

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 \$7,055,441, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On July 29, 2022, the Company's board of directors adopted a resolution authorizing and directing the Company management to dissolve the Company. The Company obtained shareholder approval to accomplish the dissolution by November 30, 2022. The Company surrendered its Certificate of Authority in Florida as of August 29, 2022. All assets and liabilities were transferred to MCC and the dissolution was completed by November 30, 2022.

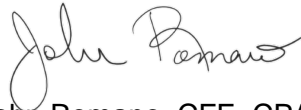
CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Mercury Insurance Company of Florida 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
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