



**EXAMINATION REPORT
OF**

**Bankers Insurance Company
St. Petersburg, Florida**

NAIC Company Code: 33162

**as of
December 31, 2022**

**By
The Florida Office of Insurance Regulation**

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May 29, 2024

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, 2022, of the financial condition and corporate affairs of

Bankers Insurance Company
11101 Roosevelt Boulevard North
St. Petersburg, Florida 33716

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, 2022 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on April 12, 2023. The fieldwork concluded as of May 29, 2024. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2013 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 coordinated process. The lead state for this exam was Florida, and states that participated in this exam are as follows: Louisiana and Nevada. The Company has licenses in multiple 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

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 on May 11, 1976, as a stock property and casualty insurance company under the applicable provisions of the Florida Statutes. The Company commenced writing business on June 11, 1976, as Bankers Insurance Company.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2022, the Company's capitalization was as follows:

Number of authorized common capital shares	1,500,000
Number of shares issued and outstanding	1,500,000
Total common capital stock	\$4,500,000
Par value per share	\$3.00

Surplus Notes

The Company issued a surplus note of \$5,000,000 to G.D. van Wagenen Financial Services, Inc. ("GDVWFS"), an affiliate of the Company, on May 4, 2010, in exchange for cash. The surplus note was issued pursuant to and in compliance with Florida Statute 628.401, and SSAP 72. This was approved by the Office and the Board of Directors of the Company.

The surplus note accrued interest at the rate of 6% per year on the unpaid principal balance and was payable annually commencing December 2010. Interest and partial or full principal payments on the surplus note may only be made with the prior approval of the Office.

Effective September 20, 2019, the Company was approved by the Office to reassign the existing \$5,000,000 surplus note from GDVWFS to Bankers Financial Corporation (“Bankers Financial”). No material changes were made to terms.

As of December 31, 2022, the carrying value of the Surplus Note was \$5,000,000 and accrued interest was \$451,232.

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, 2022, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
John Arthur Strong ^(a)	St. Petersburg, Florida	CEO, Bankers Financial Corporation
Brett Miller Menke ^(b)	Dunedin, Florida	Director, Bankers Financial Corporation
David Hamilton Reed	Tampa, Florida	Principal, CapitalSouth Partners, LLC
Ted Taylor Devine	Glencoe, Illinois	CEO, TechInsurance
Robert Gregory Menke	St. Petersburg, Florida	President, Bankers Financial Corporation

(a) Chairman

(b) Resigned on March 1, 2023, and was replaced by Gregg Thomas Davis as Director on March 1, 2023.

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

Senior Officers		
Name	City, State	Title
Robert Gregory Menke	St. Petersburg, Florida	President
Scott Keith Charbonneau	St. Petersburg, Florida	Chief Financial Officer / Chief Actuary
Richard Gerard Torra	St. Petersburg, Florida	Secretary

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2022. The first person listed for each committee is the chairman.

Compensation Committee		
Robert Gregory Menke	John Arthur Strong	Gregg Thomas Davis

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

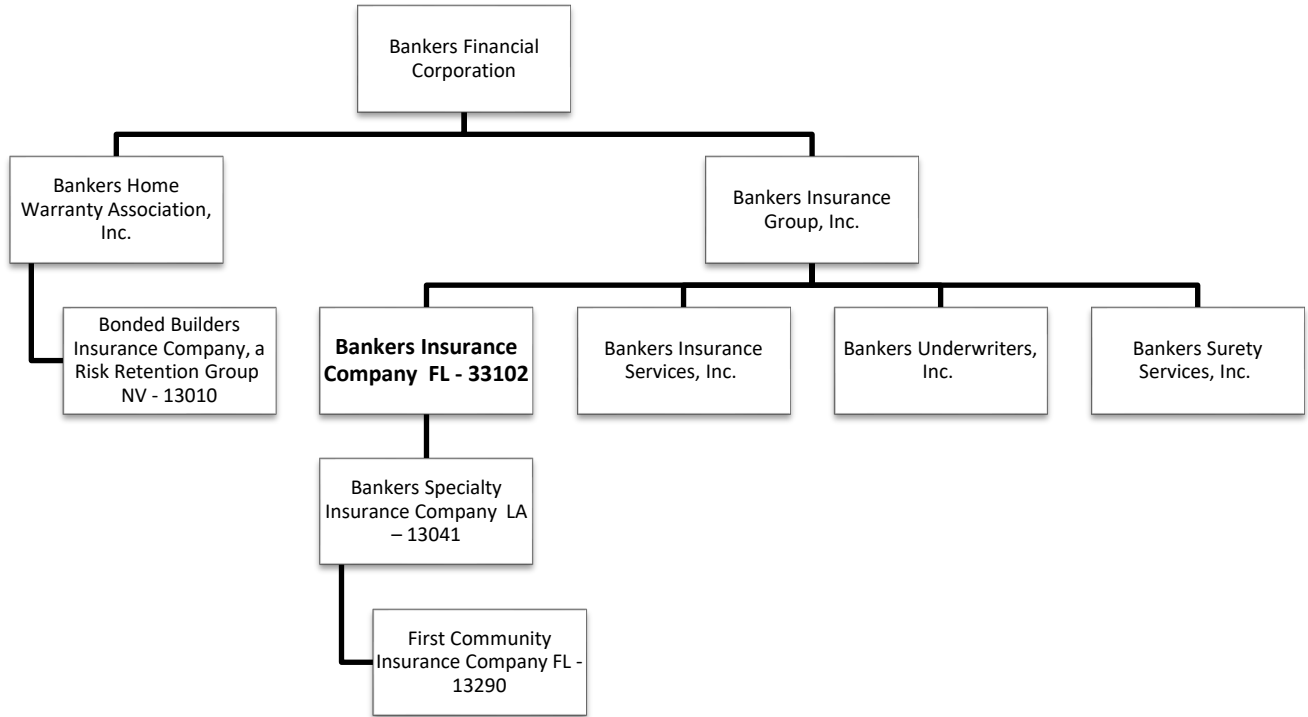
Audit, Compliance, & ERM Committee	
David Hamilton Reed	Ted Taylor Devine
Gregg Thomas Davis	John Arthur Strong

Holding Company System

The Company was wholly owned by parent, Bankers Insurance Group (“Bankers Group”), a Florida corporation. The ultimate parent was Bankers International Financial Corporation (“Bankers International”), which in turn owned 100% of Bankers Financial, which owned 100% of Bankers Group and ultimately controlled the Company. The Company owns 100% of Bankers Specialty Insurance Company (“BSIC”), a Louisiana domiciled insurer. Bankers International executed a disclaimer of control by which the officers and directors of Bankers International agree that they will not exercise control over the activities of Bankers Financial or its subsidiaries.

A simplified organizational chart as of December 31, 2022, reflecting the holding company system, is shown on the following page. Schedule Y of the Company’s 2022 annual statement provided a list of all related companies of the holding company group.

**Bankers Insurance Company
Simplified Organizational Chart
December 31, 2022**



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

Amended and Completely Restated Tax Allocation Agreement

The Company, under an amended and restated tax allocation agreement, effective January 1, 2007, filed a consolidated federal income tax return with Bankers International and each of its subsidiaries. The original tax allocation agreement was effective December 3, 1982. The method of allocation between the various companies was based as if each participant filed its tax return separately.

Amended and Restated Intercompany Affiliated Service Provider and Cost Allocation Arrangement

The Company entered into an amended and restated cost allocation arrangement with Bankers Group, Bankers Underwriters, Inc. (“BUW”), Bankers Financial, BinTech Partners, Inc. (“BinTech”), BSIC, First Community Insurance Company (“FCIC”), and any other commonly owned affiliated company which has executed a subscription addendum effective April 1, 2011, with affiliates. An amendment occurred on July 8, 2016, to remove Bankers Life Insurance Company. The arrangement provided that:

- Each member agreed, to the extent requested by another member, to perform such services requested by the requesting member as the recipient member may determine to be reasonably necessary in the conduct of its operations.
- Each member agreed, to the extent requested by another member, to make available its facilities to the recipient member as the recipient member may determine to be reasonably necessary in the conduct of its operations.
- Charges for services and facilities include all direct and directly allocable expenses determined to be attributable to the recipient member by the performing member.
- The members agreed that the compensation for providing the services shall be based on actual cost without a profit factor built into that cost. The indirect and shared expenses shall be allocated in accordance with a method of cost allocation in conformity with SSAP 70.

Amounts due under this arrangement were to be billed each quarter within thirty (30) days after quarter end. Balances payable were to be paid within thirty (30) days after receipt of such billing.

Master Agency Agreement

The Company entered into a master agency agreement with Bankers Insurance Services, Inc. (“Bankers Services”) effective July 31, 2000. Under the agreement, Bankers Services will serve as a general agent to produce and administer its casualty and liability business lines to retail and financial institutions. The written agreement between the two affiliates specified the lines of business to be marketed and administered, maximum coverage limits, and states Bankers Services was allowed to operate on the Company’s behalf. Compensation to Bankers Services

by the Company was also specified in the agreement. The agreement is terminable by either party upon sixty (60) days written notice.

Amended and Restated Managing General Agency Agreement

The Company entered into a managing general agency agreement with BUW effective August 27, 2010, to produce and administer its property, casualty and liability business lines to independent agents. The original agreement was effective in 2005. The agreement specified the lines of business to be marketed and administered, maximum coverage limits, and the states in which BUW was allowed to operate on the Company's behalf. Compensation to BUW by the Company was specified in the contract. The agreement allows BUW to appoint agents, provide policy and claims administration services, and negotiate facultative reinsurance. The agreement is terminable by either party upon ninety (90) days written notice.

Amended and Restated General Agency Agreement

The Company entered into an amended and restated general agency agreement with Bankers Surety Services, Inc. ("BSS") to produce and administer bail bonds and immigration bonds effective January 1, 2009. The original agreement was effective in 2001. The agreement specified that the Company has final authority on all matters pertaining to these policies. BSS may not allow its agents to issue policies without the Company's prior consent. The contract also requires BSS to adhere to specific policy underwriting and issuing standards and guidelines. The agreement is terminable by either party upon ninety (90) days written notice.

Marketing Agreement

The Company entered into a marketing agreement effective January 1, 2010, naming BSS a marketing agent. BSS shall assist the Company in enlisting independent insurance agents and may engage in direct marketing. The agreement was initially effective for one year with automatic one-year renewals thereafter. The agreement is terminable by either party upon thirty (30) days written notice prior to the expiration of any such one-year term.

Administrative Services Agreement

The Company entered into an administrative services agreement effective September 1, 2009, with Decision Administrative Services, Inc. ("DAS") naming DAS as service provider for certain

claims and premium processing on behalf of the Company with respect to specific medical, workers compensation, and life insurance policies, which are in run-off.

Administrative Services Agreement

The Company, along with affiliates FCIC and BSIC, entered into an Administrative Services Agreement effective April 1, 2012, with affiliate BinTech establishing BinTech as the administrative service provider to the insurers for services related to underwriting, claims management, billing, and system administration.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in St. Petersburg, Florida.

TERRITORY AND PLAN OF OPERATIONS

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

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- District of Columbia
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois
- Indiana
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Vermont
- Virginia
- Washington
- West Virginia
- Wisconsin
- Wyoming

The Company was authorized to transact insurance in Florida on June 4, 1976, and is currently authorized for the following lines of business in Florida as of December 31, 2022:

- Allied Lines
- Commercial Multi-Peril
- Inland Marine
- Workers Compensation
- Other Liability
- PPA Physical Damage
- Commercial Auto Physical Damage
- Fidelity
- Surety
- Bail bonds
- Glass
- Burglary and Theft
- Accident and Health

The Company primarily writes Surety, Commercial Multi-Peril, Inland Marine, and Federal Flood policies with the predominant states including Louisiana, Texas, Florida, North Carolina, and California.

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. The Company, through its group participation, limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure through the use of reinsurance.

Reinsurance Assumed

During the period of examination, the Company assumed new home warranty business from affiliate Bonded Builders Insurance Company. There was no significant premium assumption from unaffiliated insurers.

Reinsurance Ceded

During the period of examination, the Company ceded business to unaffiliated reinsurers through its participation as a named reinsured in the agreements established as part of the Bankers Group reinsurance program. The Bankers Group reinsurance program included a property catastrophe reinsurance agreement, a third-event top and drop catastrophe reinsurance agreement, a multi-line personal and commercial property gross quota share reinsurance agreement, property catastrophe aggregate reinsurance, and a property catastrophe named storm aggregate

reinsurance agreement. The reinsurance agreements covered fire and allied lines, extended coverage, homeowners' multi-peril, and commercial multi-peril. This consolidated reinsurance program provided coverage for Bankers Insurance Company, Bankers Specialty Insurance Company, and First Community Insurance Company and was designed to reduce the maximum net loss from a 1 in 100-year event to a moderate amount of surplus. The top limit of the 2022/2023 catastrophe program was \$276 million for the first event, with a \$5 million retention. The maximum limit of liability for the reinsurers covering a second event was \$225 million with a \$4.5 million retention.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2022. 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, 2022. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Bankers Insurance Company
Assets
December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$45,843,279		\$45,843,279
Stocks			
Common stocks	17,690,374		17,690,374
Real Estate			
Properties held for the production of income	686,452		686,452
Properties held for sale	3,538,798		3,538,798
Cash and short-term investments	10,273,259		10,273,259
Other invested assets	272,740	137,500	135,240
Subtotals, cash and invested assets	\$78,304,902	\$137,500	\$78,167,402
Investment income due and accrued	452,530		452,530
Premiums and considerations			
Uncollected premiums and agents' balances	1,173,706	307,365	866,340
Deferred premiums, agents' balances and installments	4,630,461		4,630,461
Reinsurance			
Amounts recoverable from reinsurers	12,292,552		12,292,552
Funds held by or deposited with reinsured companies	(34,921)		(34,921)
Net deferred tax asset	1,676,014	196,572	1,479,442
Electronic data processing equipment and software	406,045	100,385	305,660
Receivable from parent, subsidiaries and affiliates	1,476,725		1,476,725
Aggregate write-in for other than invested assets	223,873	178,272	45,601
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	100,601,887	920,095	99,681,792
Total	<u>\$100,601,887</u>	<u>\$920,095</u>	<u>\$99,681,792</u>

Bankers Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2022

	Per Company
Losses	\$15,866,431
Reinsurance payable on paid losses and loss adjustment expenses	2,324
Loss adjustment expenses	4,839,029
Commissions payable, contingent commissions and other similar charges	1,351,767
Other expenses	952,705
Taxes, licenses and fees	808,764
Current federal and foreign income taxes	1,271,333
Unearned premiums	29,750,161
Advance premiums	554,870
Ceded reinsurance premiums payable	864,718
Funds held by company under reinsurance treaties	6,863
Amounts withheld or retained by company for account of others	198,193
Remittances and items not allocated	231,596
Provision for reinsurance	8,922
Payable to parent, subsidiaries and affiliates	4,779,235
Total liabilities excluding protected cell liabilities	61,486,910
Total liabilities	\$61,486,910
Common capital stock	4,500,000
Surplus notes	5,000,000
Gross paid-in and contributed surplus	41,286,963
Unassigned funds (surplus)	(12,592,081)
Surplus as regards policyholders	38,194,881
Totals	<u>\$99,681,792</u>

Bankers Insurance Company
Statement of Income
December 31, 2022

	Per Company
Underwriting Income	
Premiums earned	\$38,678,428
Deductions	
Losses Incurred	\$6,245,264
Loss adjustment expenses incurred	1,960,077
Other underwriting expenses incurred	24,512,041
Total Underwriting deductions	\$32,717,382
Net underwriting gain (loss)	\$5,961,046
Investment Income	
Net investment income earned	\$1,553,331
Net realized capital gains or (losses)	368,939
Net investment gain or (loss)	\$1,922,271
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(\$20,513)
Finance and service charges not included in premiums	45,642
Aggregate write-ins for miscellaneous income	92,691
Total other income	\$117,820
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$8,001,137
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$8,001,137
Federal & foreign income taxes incurred	2,313,475
Net Income	\$5,687,663
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$53,312,131
Net Income	5,687,663
Change in net unrealized capital gains or losses less capital gains tax	(21,323,807)
Change in net deferred income taxes	544,745
Change in non-admitted assets	(19,887)
Change in provision for reinsurance	(5,963)
Change in surplus as regards policyholders for the year	(15,117,250)
Surplus as regards policyholders, December 31, current year	<u>\$38,194,881</u>

**Bankers Insurance Company
Reconciliation of Capital and Surplus
December 31, 2022**

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2017, per Company			\$77,913,764
	Increase	Decrease	
Loss in surplus	16,767,509		
Change in net unrealized capital gain (loss)		58,128,856	
Change in net deferred income tax	200,485		
Change in non-admitted assets	450,900		
Change in provision for reinsurance		8,922	
Change in paid in surplus	1,000,000		
Transferred to surplus			
Net increase (or decrease)			(\$39,718,884)
Surplus at December 31, 2022 per Company			<u>\$38,194,880</u>

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 \$38,194,881, exceeded the minimum of \$15,000,000.

SUBSEQUENT EVENTS

Subsequent to the examination date and effective August 1, 2023, Walter Sykes was appointed as President, replacing Robert Menke, who remained within the holding company though no longer will serve in the capacity of President on behalf of the Company.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Bankers Insurance Company as of December 31, 2022, consistent with the insurance laws of the State of Florida.

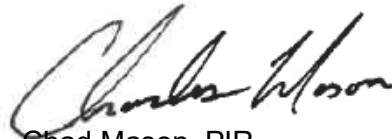
In addition to the undersigned, the following individuals from Baker Tilly and the Florida Office of Insurance Regulation (FLOIR) also participated in the examination:

James Wheeler, PIR	Financial Examiner	FLOIR
Kyra Brown, MBA, ARC	Senior Financial Examiner	Baker Tilly
Russell Sommers, CPA, CISA	IT Manager	Baker Tilly
Dennis Schaefer, CISSP, CISA	IT Manager	Baker Tilly
Joseph Amalfitano	IT Examiner	Baker Tilly
Michael Dubin, FCAS, FSA, MAAA, FCA	Actuarial Manager	Baker Tilly
Dave Wolfe, ACAS, MAAA	Actuarial Manager	Baker Tilly
Joseph Healy	Actuarial Examiner	Baker Tilly

Respectfully submitted,



Philip Talerico, CPA, CFE, ARM, MCM
Examiner-In-Charge (EIC)
Baker Tilly US, LLP
Representing the Florida Office of Insurance Regulation



Chad Mason, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation