



**EXAMINATION REPORT
OF**

**First Community Insurance Company
St. Petersburg, Florida**

NAIC Company Code: 13990

**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

First Community 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 multi-state/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 November 18, 1993, as a stock property and casualty insurance company under the applicable provisions of the Florida Statutes. The Company commenced writing business on November 18, 1993, as Bankers Security Insurance Company. The Company changed its name to First Community Insurance Company on July 26, 2004.

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	750,000
Total common capital stock	\$3,000,000
Par value per share	\$4.00

During the period of examination, the Company received capital contributions from its parent, Bankers Specialty Insurance Company ("BSIC"), as follows:

2018 - None

2019 - None

2020 - \$11,000,000

2021 - \$7,000,000

2022 - \$10,000,000

Subsequent to the period of examination, the Company received an additional \$5,000,000 capital contribution from parent, BSIC on June 30, 2023.

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, 2022, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
John Arthur Strong ⁽¹⁾	St. Petersburg, Florida	CEO, Bankers Financial Corporation
Brett Miller Menke ^(a)	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

(1) Chairman

(a) 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.

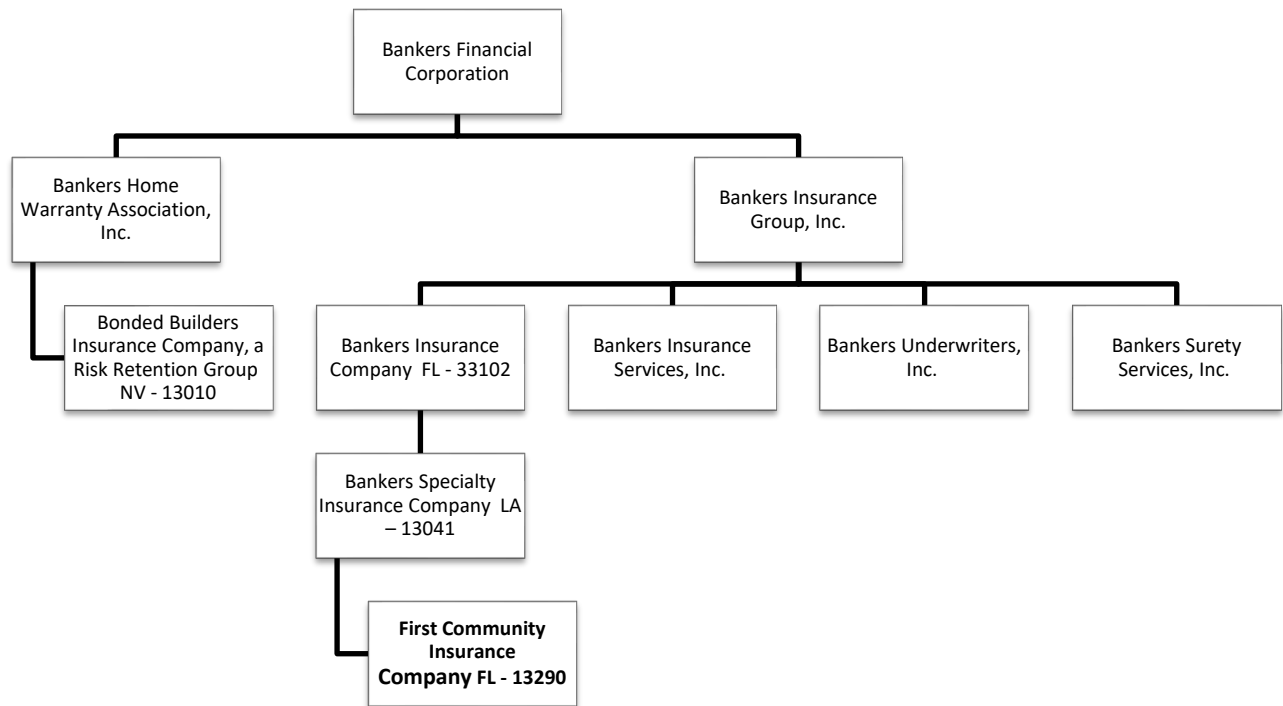
Audit, Compliance, & ERM Committee		
David Hamilton Reed	Ted Taylor Devine	Gregg Thomas Davis

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 Corporation ("Bankers Financial"), which owned 100% of Bankers Group and ultimately controlled the Company. The Company is 100% owned by BSIC, domiciled in Louisiana. 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.

**First Community 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 Intercompany Affiliated Service Provider and Cost Allocation arrangement with Bankers Group, Bankers Underwriters, Inc. (“BUW”), Bankers Financial, BinTech Partners, Inc. (“BinTech”), BSIC, and Bankers Insurance Company (“BIC”), 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 No. 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.

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:

- Arizona
- Colorado
- Connecticut
- Florida
- Louisiana
- Maryland
- Mississippi
- Nevada
- North Carolina
- Ohio
- South Carolina
- Texas
- Virginia
- Washington

The Company was authorized to transact insurance in Florida on December 1, 1993, and is currently authorized for the following lines of business in Florida as of December 31, 2022:

- Fire
- Allied Lines
- Homeowners Multi-Peril
- Inland Marine
- Other Liability
- Surety

- Commercial Multi-Peril
- Bail Bonds

The Company primarily writes Federal Flood, Homeowners Multi-Peril, Commercial Multi-Peril, and Inland Marine policies in Florida and South Carolina.

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, there was no significant assumption of reinsurance on behalf of the Company.

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; statutory 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.)

First Community Insurance Company
Assets
December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$52,649,559		\$52,649,559
Stocks			
Common stocks	4,473,575		4,473,575
Cash and short-term investments	(16,326,307)		(16,326,307)
Subtotals, cash and invested assets	\$40,796,827		\$40,796,827
Investment income due and accrued	465,459		465,459
Premiums and considerations			
Uncollected premiums and agents' balances	195,609	70,009	125,601
Deferred premiums, agents' balances and installments	5,932,627		5,932,627
Reinsurance			
Amounts recoverable from reinsurers	11,859,901		11,859,901
Net deferred tax asset	1,105,321	1,105,321	
Receivable from parent, subsidiaries and affiliates	4,746,577		4,746,577
Aggregate write-in for other than invested assets	816,664	321,234	495,430
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	65,918,986	1,496,564	64,422,422
Total	<u>\$65,918,986</u>	<u>\$1,496,564</u>	<u>\$64,422,422</u>

**First Community Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2022**

	Per Company
Losses	\$21,347,077
Loss adjustment expenses	4,608,889
Commissions payable, contingent commissions and other similar charges	1,850,192
Other expenses	303,008
Taxes, licenses and fees	(18,541)
Current federal and foreign income taxes	99,220
Unearned premiums	14,452,328
Advance premiums	1,192,634
Ceded reinsurance premiums payable	(3,217,263)
Funds held by company under reinsurance treaties	57
Amounts withheld or retained by company for account of others	1,244,440
Remittances and items not allocated	321,684
Payable to parent, subsidiaries and affiliates	498,189
Total liabilities excluding protected cell liabilities	42,681,914
Total liabilities	\$42,681,914
Aggregate write-ins for special surplus funds	5,192,222
Common capital stock	3,000,000
Gross paid-in and contributed surplus	37,922,576
Unassigned funds (surplus)	(24,374,289)
Surplus as regards policyholders	21,740,508
Totals	<u>\$64,422,422</u>

First Community Insurance Company
Statement of Income
December 31, 2022

	Per Company
Underwriting Income	
Premiums earned	\$38,689,827
Deductions	
Losses Incurred	\$44,890,825
Loss adjustment expenses incurred	4,437,486
Other underwriting expenses incurred	10,310,385
Total Underwriting deductions	\$59,638,696
Net underwriting gain (loss)	(\$20,948,869)
Investment Income	
Net investment income earned	\$1,894,054
Net realized capital gains or (losses)	(217,957)
Net investment gain or (loss)	\$1,676,097
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(\$26,179)
Finance and service charges not included in premiums	82,168
Aggregate write-ins for miscellaneous income	97,877
Total other income	153,866
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(\$19,118,906)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(\$19,118,906)
Federal & foreign income taxes incurred	(5,113,507)
Net Income	(\$14,005,399)
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$28,783,730
Net Income	(14,005,399)
Change in net unrealized capital gains or losses less capital gains tax	(977,686)
Change in net deferred income taxes	(1,201,888)
Change in non-admitted assets	(858,250)
Surplus adjustments:	
Paid in	10,000,000
Change in surplus as regards policyholders for the year	(7,043,222)
Surplus as regards policyholders, December 31, current year	<u>\$21,740,508</u>

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2017, per Company			\$37,999,551
	Increase	Decrease	
Loss in surplus		41,612,093	
Change in net unrealized capital gain (loss)		786,171	
Change in net deferred income tax		724,891	
Change in non-admitted assets		1,143,884	
Change in provision for reinsurance	8,000		
Change in paid in surplus	28,000,000		
Net increase (or decrease)			(16,259,039)
Surplus at December 31, 2022 per Company			\$ 21,740,512

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 \$21,740,508, exceeded the minimum of \$15,000,000 required by Section 624.408, Florida Statutes.

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 First Community Insurance Company as of December 31, 2022, consistent with the insurance laws of the State of Florida.

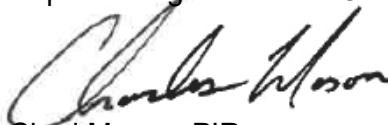
In addition to the undersigned, the following individuals from Baker Tilly, US and the Florida Office of Insurance Regulation (“FLOIR”) also participated in the examination:

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