



**EXAMINATION REPORT  
OF**

**First Colonial Insurance Company  
Jacksonville, Florida**

**NAIC Company Code: 29980**

**as of  
December 31, 2022**

**By  
The Florida Office of Insurance Regulation**

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May 24, 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 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, 2022, of the financial condition and corporate affairs of

**First Colonial Insurance Company**  
1776 American Heritage Life Drive  
Jacksonville, Florida 32224

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, 2019 through December 31, 2022 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on April 18, 2023. The fieldwork concluded as of May 24, 2024. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2014 through December 31, 2018.

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 Illinois and the states that participated in this exam are as follows: Florida, Massachusetts, New Jersey, North Carolina, and Texas.

The Company is licensed in all states and the District of Columbia and is currently writing business in all 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 in Florida on February 17, 1987 and commenced business on April 28, 1987. The Company writes contractual liability insurance policies (“CLPs”) that provide warranty and credit related property and casualty insurance coverages to third party administrator/obligor distribution partners, automobile dealership/obligors, and an affiliated service contract/warranty administrator/obligor, to support the sale of vehicle service contracts, guaranteed asset protection reimbursement policies, and various other automobile repair contracts. The Company also writes CLPs for consumer product protection plan warranties for affiliated warranty administrators/obligors. The Company is part of a holding company system controlled by the Allstate Corporation (“the Corporation”).

### 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	5,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

## 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. The first person listed is the chairman.

Directors		
Name	City, State	Principal Occupation, Company Name
Brian David Krasavage <sup>(a)</sup>	Fernandina Beach, Florida	Chairman of the Board, President and Chief Executive Officer First Colonial Insurance Company
Eric Kyle Ferren	Clarendon Hills, Illinois	Senior Vice President, Chief Financial and Strategy Officer First Colonial Insurance Company
Elizabeth Ann Gallery <sup>(b)</sup>	Libertyville, Illinois	Vice President and Chief Risk Officer First Colonial Insurance Company
Justin Isiah Gannon	Jacksonville, Florida	Director, First Colonial Insurance Company
Joan Sherman Trach <sup>(c)</sup>	Clarendon Hills, Illinois	Vice President Allstate Insurance Company

(a) Effective February 8, 2023, Karen Beth Sullivan was elected director of the Company, replacing Brian David Krasavage.

(b) Effective February 8, 2023, Parr Thomas Schoolman was elected director of the Company, replacing Elizabeth Ann Gallery.

(c) Effective July 12, 2023, Julie Meagan Moe was elected director of the Company, replacing Joan Sherman Trach.

(d) Effective September 18, 2023, Roland Karl Wiley was elected director of the Company.

(e) Effective April 12, 2024, Eric K. Ferren resigned as director of the Company.

(f) Effective April 12, 2024, Mark Etnyre was elected director of the Company.

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>
Brian David Krasavage <sup>(a)</sup>	Fernandina Beach, Florida	Chairman of the Board, President and Chief Executive Officer
Eric Kyle Ferren	Clarendon Hills, Illinois	Senior Vice President, Chief Financial and Strategy Officer
Alexandra Tal Band	Sarasota, Florida	Senior Vice President and Treasurer
Christina Hwang	Golf, Illinois	Senior Vice President
Kathryn Rose Irely	Highland Park, Illinois	Senior Vice President
John Charles Pintozzi	Chicago, Illinois	Senior Vice President and Controller
Courtney Vanlonkhuyzen Welton	Chicago, Illinois	Senior Vice President and Chief Privacy, Ethics and Compliance Officer
Jeffrey Scott Wright	Lake Forest, IL	Senior Vice President and Chief Information Security Officer
Elizabeth Ann Gallery <sup>(b)</sup>	Libertyville, Illinois	Vice President and Chief Risk Officer

(a) Effective February 9, 2023, Karen Beth Sullivan was elected Chairman of the Board, President and Chief Executive Officer of the Company, replacing Brian David Krasavage.

Effective September 20, 2023, Roland Karl Wiley was elected Chairman of the Board and Chief Executive Officer of the Company. Karen Beth Sullivan remained President of the Company.

(b) Effective February 9, 2023, Parr Thomas Schoolman was elected Senior Vice President and Chief Risk Officer of the Company, replacing Elizabeth Ann Gallery.

- Effective February 9, 2023, Christine Marie DeBiase was elected Executive Vice President and Secretary of the Company.
- Effective May 14, 2024, Christine Marie DeBiase resigned as Executive Vice President and Secretary of the Company.
- Effective May 14, 2024, Julie Emmy Cho was appointed Vice President and Secretary of the Company.
- Effective February 9, 2023, Julie Meagan Moe was appointed as Vice President of the Company.
- Effective March 1, 2023, Elliot Andries Stultz was elected as Senior Vice President and Assistant Secretary of the Company.
- Effective May 14, 2024, Elliot Andries Stultz resigned as Senior Vice President and Assistant Secretary of the Company.

- Effective September 20, 2023, Courtney Vanlonkhuyzen Welton was elected Senior Vice President and Chief Privacy and Ethics Officer of the Company.
- Effective April 12, 2024, Eric Kyle Ferren resigned as Senior Vice President, Chief Financial and Strategy Officer of the Company.
- Effective April 12, 2024, Mark Etnyre was elected Senior Vice President, Chief Financial and Strategy Officer of the Company.

### **Audit Committee**

The Company’s Board has appointed the audit committee of its parent, American Heritage Life Insurance Company (“AHL”), to serve as the audit committee of the Company in accordance with Section 624.424(8)(c), Florida Statutes. The following were members of the audit committee as of December 31, 2022. The first person listed is the chairman.

<b>Audit Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Principal Occupation, Company Name</b>
Terrance Williams <sup>(a)</sup>	New Albany, Ohio	President, Protection Products and Services The Allstate Corporation
David Allen Essary	Milton, Georgia	President, Allstate Benefits, Allstate Health Solutions and Allstate Digital Life/Disability The Allstate Corporation
John Charles Pintozzi	Chicago, Illinois	Senior Vice President, Chief Accounting Officer and Controller The Allstate Corporation

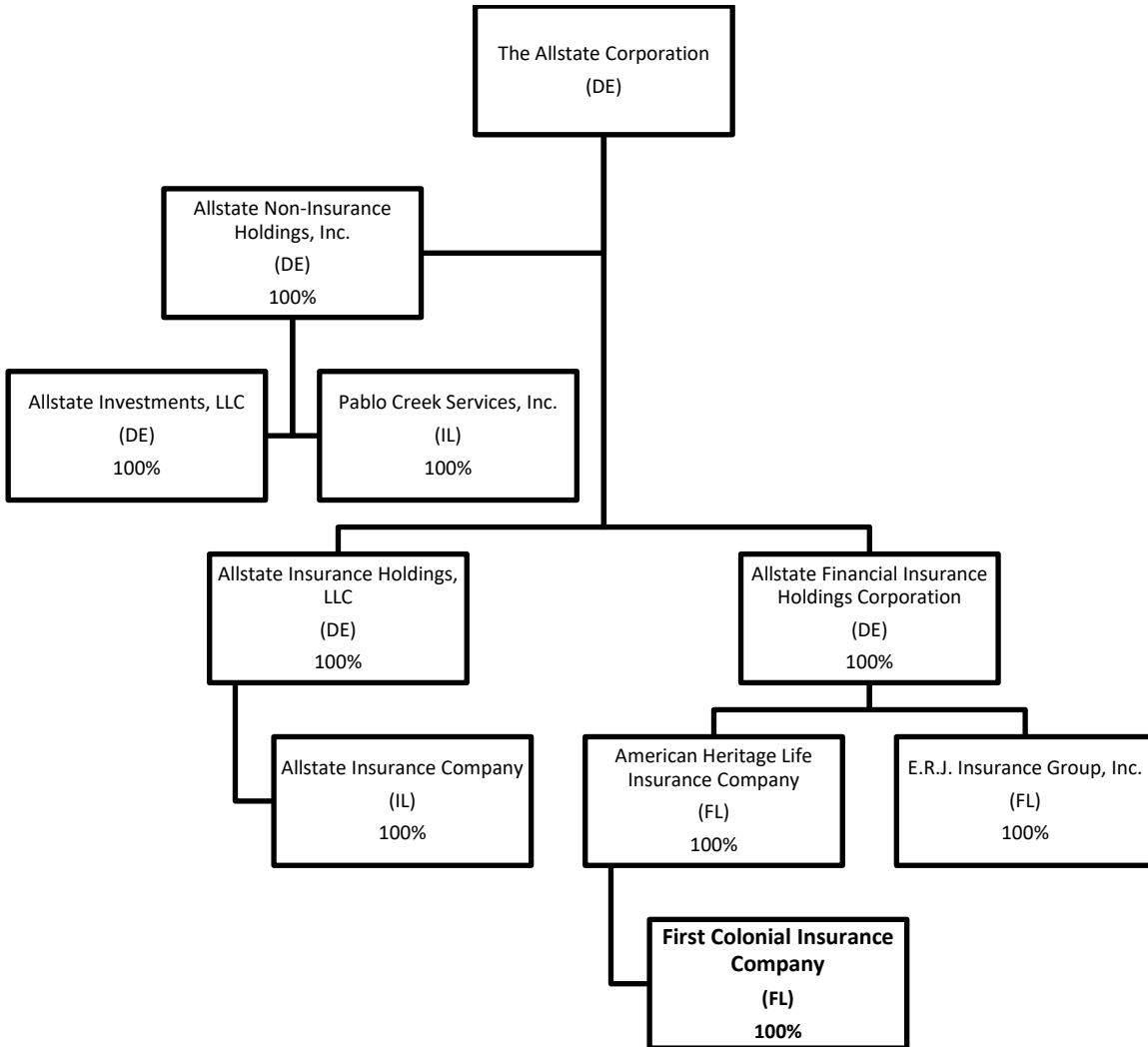
(a) Effective August 31, 2023, Suren Gupta was elected to the Audit Committee replacing Terrance Williams.

### **Holding Company System**

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



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

### **Tax Sharing Agreement**

Effective January 7, 2005, the Company entered into a Consolidated Tax Sharing Agreement with its ultimate parent, the Corporation, and its affiliates. The consolidated income tax liability is allocated based on each entity's federal income tax liability computed on a separate return basis, except all tax benefits resulting from operating losses and tax credits are allocated to the Company to the extent they can be utilized in the consolidated return. Final settlements for any return filed shall be made no later than 30 days after such return is filed except that, where a refund is due from the Government to the Corporation, payment by the Corporation to the appropriate member shall be made within five business days of the receipt of the refund.

### **Amended and Restated Service and Expense Agreement**

Effective January 1, 2004, the Company entered into an Amended and Restated Service and Expense Agreement with its ultimate parent, the Corporation, and its affiliates pursuant to which Allstate Insurance Company ("AIC") provides access to a variety of services, including the utilization of shared bank accounts for cash collections and disbursements in certain situations. The services provided by AIC include accounting, financial reporting, premium processing, information technology, legal counsel, and human resources. The agreement provides for cost sharing of expenses through direct charges, allocations, or by separate arrangements.

The Amended and Restated Service and Expense Agreement also included transactions between the Company and Pablo Creek Services, Inc., an affiliated service contract/warranty administrator/obligor, and E.R.J. Insurance Group, Inc., an affiliated Third Party Administrator. Pablo Creek Services, Inc. evaluates risk, collects premium, processes refunds, pays agent fees and settles claims related to CLPs that support vehicle service contracts and other automobile repair contracts. E.R.J. Insurance Group, Inc. collects premium, processes refunds, pays agent fees and settles claim activity related to CLPs that support the Guaranteed Asset Protection ("GAP") product, which covers the difference between the primary auto insurance settlement and the outstanding balance owed on the vehicle on the date of loss.

## Investment Management Agreement

Effective January 1, 2007, the Company entered into an Investment Management Agreement with Allstate Investments, LLC (“Allstate Investments”) whereby Allstate Investments provides investment management services and advice.

## ACCOUNTS AND RECORDS

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

## TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in all 50 states and the District of Columbia as of December 31, 2022.

The Company is currently authorized for the following lines of business as of December 31, 2022:

- Ocean Marine
- Auto Warranties
- Private Passenger Auto Physical Damage
- Service Warranties (Non-Auto)
- Inland Marine
- Other Liability
- Credit
- Miscellaneous Casualty

The states with the highest direct premium written in 2022 were:

State	Direct Premiums Written
Illinois	\$154,559,620
Texas	10,157,583
Massachusetts	10,047,763
California	4,548,734
Ohio	3,781,270

The Company primarily writes contractual liability insurance policies that provide automotive warranty and credit related property and casualty insurance coverages to support the sale of vehicle service contracts, guaranteed asset protection reimbursement policies and various other automobile repair contracts. The Company also writes contractual liability insurance policies for consumer product protection plan warranties.

## **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 assumed risk from its affiliate, Allstate Northbrook Indemnity Company (ANIC), to write guaranteed asset protection reimbursement policies, vehicle service contracts, and credit property products in states where the Company previously did not have a license or regulatory approval to sell these products. The Company is now licensed in all 50 states and the District of Columbia and no longer writes and assumes new business through ANIC.

### **Reinsurance Ceded**

In the normal course of business, the Company offers reinsurance programs to producer and agent owned reinsurance companies to allow them to participate in the underwriting results of designated products and to limit aggregate and single exposures to losses on certain risks. The Company ceded risk on a quota share basis to producer-affiliated reinsurance companies, which were primarily unauthorized reinsurers. The reinsurance contracts varied by producer and product. The Company requires each unauthorized reinsurer to maintain a trust account and/or letter of credit at least equal to their statutorily required reserves, including incurred but not reported claim and unearned premium reserves.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, statutory Statement of Liabilities, Surplus and Other Funds; statutory Statement of Income; and statutory Statement of Changes in Capital and 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 Colonial Insurance Company**  
**Assets**  
**December 31, 2022**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$253,774,697		\$253,774,697
Cash, cash equivalents and short-term investments	8,016,861		8,016,861
Receivable for securities	335,399		335,399
Subtotals, cash and invested assets	\$262,126,957		\$262,126,957
Investment income due and accrued	1,771,752		1,771,752
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	874,100	576	873,524
Reinsurance:			
Amounts recoverable from reinsurers	9,566,771	898,587	8,668,184
Other amounts receivable under reinsurance contracts	249,438		249,438
Net deferred tax asset	4,066,219	31,902	4,034,317
Receivables from parent, subsidiaries and affiliates	12,795,600		12,795,600
Accounts receivable	642,807		642,807
<b>Total</b>	<b>\$292,093,644</b>	<b>\$931,065</b>	<b>\$291,162,579</b>

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

	Per Company
Losses	\$ 4,106,578
Loss adjustment expenses	292,720
Commissions payable, contingent commissions and other similar charges	4,065,279
Other expenses	20,818,984
Current federal and foreign income taxes	1,586,095
Unearned premiums	90,823,229
Ceded reinsurance premiums payable	15,925,256
Provision for reinsurance	6,967,524
Payable to parent, subsidiaries and affiliates	13,065,387
Accounts payable	181,521
Reserve for uncashed checks	159,996
Deferred gain on investments	90,737
Total liabilities	\$158,083,306
Common capital stock	2,500,000
Gross paid-in and contributed surplus	126,261,672
Unassigned funds (surplus)	4,317,601
Surplus as regards policyholders	133,079,273
Totals	<u>\$291,162,579</u>

**First Colonial Insurance Company**  
**Statement of Income**  
**December 31, 2022**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$32,576,772
<b>Deductions:</b>	
Losses Incurred	\$13,940,521
Loss adjustment expenses incurred	2,500,716
Other underwriting expenses incurred	14,530,580
Total underwriting deductions	\$30,971,816
Net underwriting gain (loss)	\$1,604,956
<b>Investment Income</b>	
Net investment income earned	\$ 5,588,658
Net realized capital gains (losses)	(1,867,899)
Net investment gain (loss)	\$ 3,720,759
<b>Other Income</b>	
Net gain (loss) from agents' or premium balances charged off	\$ 2,101
Allocated share of gain (loss) on sale of fixed assets	2,390
Fines and penalties	(597)
Total other income	\$ 3,894
Net income before federal and foreign income taxes	\$ 5,329,609
Federal and foreign income taxes incurred	2,066,934
Net Income	\$ 3,262,675
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	
	\$134,776,669
Net Income	
	3,262,675
Change in net unrealized capital gains or (losses), less capital gains tax	(101,606)
Change in net deferred income tax	567,052
Change in nonadmitted assets	121,718
Change in provision for reinsurance	(5,547,234)
Change in surplus as regards policyholders for the year	(1,697,396)
Surplus as regards policyholders, December 31, current year	<u>\$133,079,273</u>



**First Colonial Insurance Company**  
**Changes in Capital and Surplus**  
**December 31, 2022**

<b>Capital and Surplus Change during Examination Period</b>			
Surplus as regards policyholders, December 31, 2018, per Company			\$128,016,329
	Increase	Decrease	
Net income (loss)	\$2,880,579		
Change in net unrealized capital gain (loss)		\$ 91,410	
Change in net deferred income tax	4,041,920		
Change in non-admitted assets		711,571	
Change in provision for reinsurance		1,056,574	
Net increase (decrease)			\$ 5,062,944
Surplus as regards policyholders, December 31, 2022, per Company			<u>\$133,079,273</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 \$133,079,273, exceeded the minimum of \$10,262,231 required by Section 624.408, Florida Statutes.

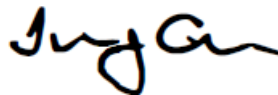
## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of First Colonial 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 Examination Resources, LLC ("ER") also participated in the examination:

<u>Name</u>	<u>Function</u>	<u>Organization</u>
Rachelle Gowins, CFE, MCM	Exam Supervisor	ER
James Gowins, CISA, AES, AFE, MCM	IT Supervisor	ER
Ryan Carroll, Security+	IT Examiner	ER

Respectfully submitted,



Thomas J. Allen, CPA, CIA, CFE  
Examiner-in-Charge  
Examination Resources, LLC  
Representing the Florida Office of Insurance Regulation



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