



**EXAMINATION REPORT  
OF  
BANKERS INSURANCE COMPANY**

**NAIC Company Code: 33162**

**St. Petersburg, Florida  
as of  
December 31, 2017**

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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January 24, 2019

David Altmaier  
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 ("NAIC"), we have conducted an examination as of December 31, 2017, of the financial condition and corporate affairs of

**Bankers Insurance Company**  
11101 Roosevelt Blvd. N.  
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, 2013 through December 31, 2017 and commenced with planning at the Florida Office of Insurance Regulation ("Office") on May 28, 2018 to June 1, 2018. The fieldwork commenced on May 28, 2018, and concluded as of January 24, 2019. The Company's last full scope exam by representatives of the Office covered the period of January 1, 2009 through December 31, 2012.

The examination was a multi-state/coordinated examination conducted in accordance with the NAIC Financial Condition Examiners Handbook ("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 lead state for this exam was Florida. Other states that participated in this exam are as follows: Louisiana.

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 Statements of Statutory Accounting Principles ("SSAP").

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes, and general information about the insurer and its financial condition. 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 material findings or exceptions noted during the examination as of December 31, 2017.

### Previous Examination Findings

There were no findings, exceptions, or corrective action to be taken by the Company for the examination as of December 31, 2012.

## 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. The Company is currently authorized to write in the following lines of business:

Bail bonds	Workers' Compensation
Allied Lines *	Other Liability *
Glass	Auto Physical Damage *
Commercial Multiple Peril *	Fidelity
Commercial Auto Physical Damage	Surety *
Inland Marine *	Burglary and Theft

Accident and Health

\* denotes current year premiums written.

### Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder(s) in 2014 in the amount of \$2,500,000.

### Capital Stock and Capital Contributions

As of December 31, 2017, the Company's capitalization was as follows:

Number of authorized common issued and outstanding 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**

A surplus note in the amount of \$5,000,000 was issued to G. D. van Wageningen Financial Services, Inc., an affiliate, on May 4, 2010, in exchange for cash. The surplus note was issued in compliance with Section 628.401, Florida Statutes, and was approved by the Office and the Board of Directors of the Company.

The surplus note accrued interest at 6% per year on the unpaid principal balance and was payable annually beginning December 31, 2010. Interest and principal payments may only be made with the prior approval of the Office.

At December 31, 2017, the carrying value of the Surplus Note was \$5,000,000. Interest paid during 2017 was \$202,192.

### **Acquisitions, Mergers, Disposals, Dissolutions**

The Company disposed of its subsidiary, Bankers Life Insurance Company ("BLIC") in 2016. The Company entered into a stock purchase agreement on December 24, 2015 to sell wholly owned life insurance subsidiary BLIC to Southland National Holdings, Inc., an unaffiliated third party. The sale required the approval of the Office and North Carolina. Final approval was received on December 2, 2016, and the sale closed on December 15, 2016. At closing, the Company received \$27,200,000 and a \$3,000,000 surplus note, to be paid out within ten (10) years. The Company's net gain on disposal was \$12,600,000.

## **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, 2017, are shown below:

## Directors

<b>Name</b>	<b>City, State</b>	<b>Principal Occupation, Company Name</b>
John Arthur Strong <sup>1</sup>	St. Petersburg, Florida	Chief Executive Officer, Bankers Financial Corporation
Connie Simmons Parker	Annapolis, Maryland	Chief Executive Officer, CSPARKERGROUP
Ted Taylor Devine	Glencoe, Illinois	Chief Executive Officer, Insureon
Brian Jay Kesneck	St. Petersburg, Florida	President, Bankers Surety Services, Inc.
Brett Miller Menke	St. Petersburg, Florida	Vice President of Corporate Culture, Bankers Financial Corporation
David Hamilton Reed	Tampa, Florida	Principal, Shepard Capital Partners

<sup>1</sup> Chairman

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

## Senior Officers

<b>Name</b>	<b>City, State</b>	<b>Title</b>
Judy Marie Copechal <sup>(a)</sup>	St. Petersburg, Florida	President
Richard Gerard Torra	St. Petersburg, Florida	Corporate Secretary/General Counsel
Lydia Oforiwah Boakye	St. Petersburg, Florida	Chief Financial Officer/Controller

<sup>(a)</sup> Resigned on February 6, 2018, and was replaced by Robert Menke as interim President on February 6, 2018, and President on November 7, 2018.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2017:



### **Audit, Compliance, & ERM Committee**

<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
David Hamilton Reed <sup>1</sup>	Tampa, Florida	Principal, Shepard Capital Partners
Ted Taylor Devine	Glencoe, Illinois	Chief Executive Officer, Insureon
Toan Cam Huynh	New York, New York	Venture Partner, Information Venture Partners
John Arthur Strong <sup>2</sup>	St. Petersburg, Florida	Chief Executive Officer, Bankers Financial Corporation

<sup>1</sup> Chairman

<sup>2</sup> Non- Voting Member

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

### **Compensation Committee**

<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Connie Simmons Parker <sup>(a)</sup>	Annapolis, Maryland	Chief Executive Officer, CSPARKERGROUP
Toan Cam Huynh <sup>1</sup>	New York, New York	Venture Partner, Information Venture Partners
John Arthur Strong	St. Petersburg, Florida	Chief Executive Officer, Bankers Financial Corporation

<sup>1</sup> Chairman

<sup>(a)</sup> Resigned from the board and all committees April 24, 2018.

## **Corporate Records Review**

The recorded minutes of the Shareholder(s), Board of Directors (Board), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

## **Conflict of Interest**

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

## **Holding Company System**

The Company was wholly owned by its 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 owns 100% of Bankers Specialty Insurance Company, 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.

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

## **Tax Allocation Agreement**

The Company, under an amended and restated agreement effective January 1, 2007, filed a consolidated federal income tax return with Bankers International Financial Corporation and affiliates. 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. The amount paid by the Company during 2017 was \$1,489,937.

## **Intercompany Affiliated Service Provider and Cost Allocation Agreement**

The Company participated in a cost allocation agreement with Bankers Insurance Group, Bankers Underwriters, Inc., Bankers Financial, Bintech Partners Inc., Bankers Specialty Insurance Company, First Community Insurance Company, and “any other affiliated commonly owned company which has executed a subscription addendum.” The original contract became effective in 2004 except for the Bintech Partners Inc. arrangement which became effective in 2008. An amendment occurred on July 8, 2016, to remove Bankers Life Insurance Company. The contract 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 being 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 agreement were to be billed each quarter within 30 days after quarter end. Balances payable were to be paid within 30 days after receipt of such billing. The amount paid by the Company for services during 2017 was \$4,278,509.

## **Master Agency Agreement**

Under an agreement effective July 31, 2000, the Company used Bankers Insurance Services Inc. (“Bankers Services”) 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 contract. The agreement could be terminated by either party upon 60 days written notice. The amount paid by the Company for services in 2017 was a credit of (\$7,801).

### **Managing General Agent Agreement**

Under an amended and restated agreement effective August 27, 2010, the Company used Bankers Underwriters Inc. ("Bankers Underwriters") as a managing general agent to produce and administer its casualty and liability business lines to independent agents. The original agreement was effective in 2005. The written agreement between the two affiliates specified the lines of business to be marketed and administered, maximum coverage limits, and the states Bankers Underwriters was allowed to operate in on the Company's behalf. Compensation to Bankers Underwriters by the Company was specified in the contract. The agreement also allowed Bankers Underwriters to appoint agents, provide policy and claims administration services, and negotiate facultative reinsurance. The agreement could be terminated by either party upon 90 days written notice. The amount paid by the Company for services in 2017 was \$1,085,533.

### **General Agency Agreement**

Under an amended and restated agreement dated January 1, 2009, the Company used Bankers Surety Services Inc. ("Bankers Surety") as a general agent to produce and administer its bail bonds and immigration bonds. The original agreement was effective in 2001. The written agreement between the two affiliates specified that the Company was the final authority on all matters pertaining to these policies. Bankers Surety may not allow its agents to issue policies without the Company's prior consent. The contract also requires Bankers Surety to adhere to specific policy underwriting and issuing standards and guidelines. The agreement could be terminated by either party upon 90 days written notice. The amounts paid by the Company for services in 2017 was \$5,655,080.

### **Marketing Agreement**

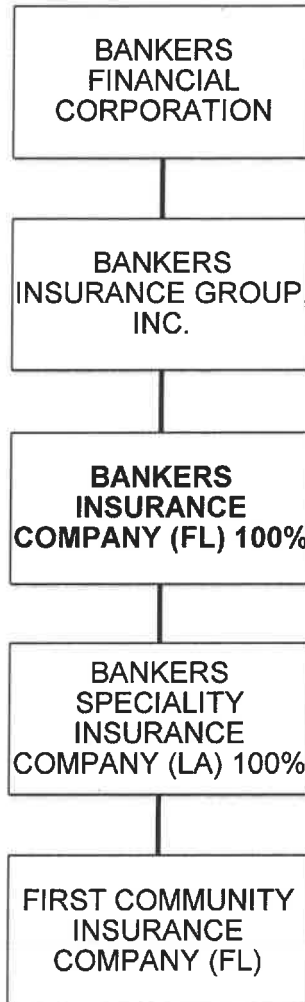
Under an agreement effective January 1, 2010, Bankers Surety was named by the Company, as a marketing agent and shall assist the Company in enlisting independent insurance agents and may engage in direct marketing. This agreement was initially effective for one year with automatic one-year renewals thereafter. The agreement could be terminated by either party upon 30 days written notice prior to the expiration of any one year term. The amounts paid by the Company for services in 2017 is included in the General Agency agreement amounts paid above.

## **Administrator Agreement**

Under an agreement effective April 2, 2012, the Company named BinTech Partners, Inc. as administrator for the following types of insurance policies: homeowners/dwelling and fire, excess flood, flood, business owners' policies, Vector, and builder/building contractor general liability in all states in which the Company writes. The amount paid by the Company for services in 2017 was \$925,200.

A simplified organizational chart as of December 31, 2017, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2017 annual statement provided a list of all related companies of the holding company group.

**Bankers Insurance Company  
Simplified Organizational Chart  
December 31, 2017**



## ACCOUNTS AND RECORDS

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

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained a custodial agreement with Northern Trust Company executed on June 5, 2007. The agreement did not comply with specific clauses of Rule 69O-143.042, Florida Administrative Code. **Subsequent Event:** The Company provided an updated agreement effective September 13, 2018, that complied with Rule 69O-143.042, Florida Administrative Code.

### **Reinsurance Intermediary Agreement**

The Company provided a compensation agreement dated April 26, 2012, and an engagement letter dated January 28, 2013, with reinsurance intermediary Aon Benfield.

### **Independent Auditor Agreement**

BDO USA, LLP ("BDO"), an independent CPA, audited the Company's statutory basis financial statements annually for the years 2016 and 2017 in accordance with Section 624.424(8), Florida Statutes. Deloitte, LLP, an independent CPA, audited the Company's statutory basis financial statements annually for the years 2013, 2014, and 2015, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

BDO's engagement letter contained an indemnification clause for the Company's GAAP and Statutory audits for the year ended December 31, 2017. This was not in compliance with Rule 69O-137.002(7)(a)2, Florida Administrative Code. **Subsequent Event:** BDO USA, LLP amended their 2017 Engagement letter to remove the indemnification clause.

## TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in all states except Rhode Island.

The Company became authorized to transact insurance business in Florida on June 4, 1976, and was authorized for the following coverage(s) as of December 31, 2017:

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

### **Treatment of Policyholders**

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)3.a., Florida Statutes. The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(j), Florida Statutes.

## 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**

During the period from 2004 to 2016, the Company assumed business from Home State County Mutual ("HSCM"), a Texas domiciled company, State National Insurance Company ("SNIC"), and AIX Specialty Insurance Company ("AIX"). The HSCM and SNIC business has been subsequently



discontinued, while the AIX business has been underwritten at renewal by First Community Insurance Company ("FCIC").

Additionally, the Company had assumed business from FCIC through several small programs, including Fire, Allied, Homeowners, Commercial Multiple Peril, and Other Liability. All FCIC reinsurance contracts had been terminated by the end of 2014.

### **Reinsurance Ceded**

The majority of the Company's ceded reinsurance involves excess of loss treaties subject to individual per claim retentions. In addition, the Company maintains excess of loss protection with a \$350,000 retention.

The Company also participates annually in a catastrophe reinsurance program to reduce the overall catastrophe exposure. The 2017 catastrophe reinsurance program, effective June 1, 2017, includes coverage for three events.

## **INFORMATION TECHNOLOGY REPORT**

Phil Schmoyer, CISA, AES, CFE, of Baker Tilly Virchow Krause, LLP, performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

## STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes, and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	AMAZON COM INC	300,000	299,846
FL	BEMIS INC	600,000	640,103
FL	CORN PRODS INTL INC	470,000	493,711
FL	CORNING INC	450,000	463,905
FL	GATX CORP	250,000	267,007
FL	GENERAL ELEC CAP CORP MTN BE	400,000	547,952
FL	MOODYS CORP	400,000	430,746
FL	PRICELINE GRP INC	300,000	304,912
FL	UNITED STATES TREAS NTS	1,000,000	990,898
FL	VERIZON COMMUNICATIONS INC 144A	398,000	399,503
TOTAL FLORIDA DEPOSITS		<u>\$ 4,568,000</u>	<u>\$ 4,838,583</u>
<b>All Other Special Deposits</b>			
FL	CERTIFICATES OF DEPOSIT	4,081,065	4,081,065
GA	UNITED STATES TREAS NTS	100,000	99,090
GA	CERTIFICATES OF DEPOSIT	125,000	125,000
MA	UNITED STATES TREAS NTS	500,000	495,938
NH	UNITED STATES TREAS NTS	500,000	495,449
NM	UNITED STATES TREAS NTS	350,000	349,563
NC	UNITED STATES TREAS NTS	1,500,000	1,491,855
OK	UNITED STATES TREAS NTS	500,000	495,938
OR	SOUTH JERSEY PORT CORP N J REV	260,000	269,160
PA	CERTIFICATES OF DEPOSIT	535,000	535,000
TN	CERTIFICATES OF DEPOSIT	1,137,818	1,137,818
TX	CERTIFICATES OF DEPOSIT	5,387,500	5,387,500
VA	GENERAL ELEC CAP CORP MTN BE	600,000	821,928
		13,686,766	14,017,487
TOTAL OTHER DEPOSITS		<u>\$ 29,263,148</u>	<u>\$ 29,802,788</u>

## **FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment was identified during course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Office, are reflected on the following pages.

## Bankers Insurance Company

### Assets

**December 31, 2017**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$64,801,876		\$64,801,876
Stocks:			
Common stocks	45,845,824		45,845,824
Real Estate:			
Properties held for the production of income	748,872		748,872
Properties held for sale	3,869,724		3,869,724
Cash, cash equivalents, and Short-Term Investments	17,539,199		17,539,199
Other invested assets	3,791,353		3,791,353
Investment Income due and accrued	633,330		633,330
Premiums and Considerations			
Uncollected premiums and agents' balances in the course of collection	160,085		160,085
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,561,679		3,561,679
Reinsurance			
Amounts recoverable from reinsurers	986,463		986,463
Funds held by or deposited with reinsured companies	321,755		321,755
Current Federal and Foreign income tax recoverable and interest thereon	4,326,647		4,326,647
Net Deferred Tax Asset	1,243,094		1,243,094
Electronic Data processing equipment and software	945,757		\$945,757
Receivables from parent, subsidiaries and affiliates	69,064		69,064
Aggregate write-ins for other than-invested-assets	586,165		586,165
Totals	\$149,430,887	\$0	\$149,430,887

**Bankers Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2017**

Losses	\$30,690,513		\$30,690,513
Reinsurance payable on paid losses and loss adjustment expenses	\$19,441		\$19,441
Loss adjustment expenses	12,266,160		12,266,160
Commissions payable, contingent commissions and other similar charges	1,146,953		1,146,953
Other expenses	1,299,129		1,299,129
Taxes, licenses and fees	(85,961)		(85,961)
Unearned premium	24,908,609		24,908,609
Advance premium	496,207		496,207
Ceded Reinsurance premiums payable	318,051		318,051
Funds held by company under reinsurance treaties	6,863		6,863
Amounts withheld or retained by company for account of others	103,690		103,690
Remittances and items not allocated	194,255		194,255
Payable to parent, subsidiaries and affiliates	153,213		153,213
Aggregate write-ins for liabilities	<u>0</u>		<u>0</u>
Total Liabilities	\$71,517,123	\$0	\$71,517,123
Common capital stock	\$4,500,000		\$4,500,000
Surplus notes	5,000,000		5,000,000
Gross paid in and contributed surplus	40,286,963		40,286,963
Unassigned funds (surplus)	<u>28,126,801</u>		<u>28,126,801</u>
Surplus as regards policyholders	<u>\$77,913,764</u>	<u>\$0</u>	<u>\$77,913,764</u>
Total liabilities, surplus and other funds	<u><u>\$149,430,887</u></u>	<u><u>\$0</u></u>	<u><u>\$149,430,887</u></u>

## Bankers Insurance Company

### Statement of Income

December 31, 2017

#### Underwriting Income

Premiums earned		\$34,318,389
	<b>Deductions:</b>	
Losses incurred		\$15,208,930
Loss expenses incurred		4,142,264
Other underwriting expenses incurred		23,621,912
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$42,973,106</u>
Net underwriting gain or (loss)		(\$8,654,717)

#### Investment Income

Net investment income earned	\$2,021,165
Net realized capital gains or (losses)	76,486
Net investment gain or (loss)	<u>\$2,097,651</u>

#### Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$50,519)
Finance and service charges not included in premiums	115,896
Aggregate write-ins for miscellaneous income	103,066
Total other income	<u>\$168,443</u>
Net income before dividends to policyholders and before federal & foreign income taxes	(\$6,398,623)
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	(\$6,398,623)
Federal & foreign income taxes	<u>(3,667,689)</u>
Net Income	<u><u>(\$2,730,934)</u></u>

#### Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$84,170,286
Net Income	(\$2,730,934)
Change in net unrealized capital gains or losses	(3,620,840)
Change in net deferred income tax	(2,359,295)
Change in non-admitted assets	2,452,571
Change in provision for reinsurance	1,975
Surplus adjustments: Paid in	0
Aggregate write-ins for gains and losses in surplus	0
Examination Adjustment	0
Change in surplus as regards policyholders for the year	<u>(\$6,256,523)</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$77,913,764</u></u>

**Bankers Insurance Company**  
**Reconciliation of Capital and Surplus**  
**December 31, 2017**

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

**Capital/Surplus Changes During Examination Period**

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders December 31, 2012 per Examination			\$56,176,119
Net Income (loss)	\$13,067,547		
Change in net unrealized capital gain (loss)	\$12,451,991		
Change in net deferred income tax		\$2,719,906	
Change in non-admitted assets	\$1,356,948		
Change in paid in surplus	\$81,065		
Dividends to stockholders		\$2,500,000	
 Total Gains and Losses	 <u>\$26,957,551</u>	 <u>\$5,219,906</u>	
 Net Increase/(Decrease) in surplus as regards policyholders			 <u>\$21,737,645</u>
 Surplus as regards policyholders December 31, 2017 per Examination			 <u><u>\$77,913,764</u></u>

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Liabilities**

#### **Losses and Loss Adjustment Expenses**

Leslie Marlo, FCAS MAAA, Consulting Actuary of Madison Consulting Group, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2017, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Michael C. Dubin, FCAS, FSA, MAAA, FCA, of Baker Tilly Virchow Krause, LLP, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

#### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$77,913,764, exceeded the minimum of \$6,838,779 required by Section 624.408, Florida Statutes.



## **SUBSEQUENT EVENTS**

### **Custodial Agreement**

The Company maintained a custodial agreement with Northern Trust Company executed on June 5, 2007. The agreement did not comply with specific clauses of Rule 69O-143.042, Florida Administrative Code. **Subsequent Event:** The Company provided an updated agreement effective September 13, 2018, that complied with Rule 69O-143.042, Florida Administrative Code.

### **Independent Auditor Agreement**

BDO's engagement letter contained an indemnification clause for the Company's GAAP and Statutory audits for the year ended December 31, 2017. This was not in compliance with Rule 69O-137.002(7)(a)2., Florida Administrative Code. **Subsequent Event:** BDO USA, LLP amended their 2017 engagement letter to remove the indemnification clause.

## 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, 2017, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards to policyholders was \$77,913,764, which exceeded the minimum of \$6,838,779 required by Section 624.408, Florida Statutes.

The following participated in the examination:

John Romano, CFE, CPA, CITP, CIA	Examiner-in-Charge	Baker Tilly Virchow Krause, LLP
Megan Jirsa	Participating Examiner	Baker Tilly Virchow Krause, LLP
Chris Prendergast	Participating Examiner	Baker Tilly Virchow Krause, LLP
Phil Schmoyer, CFE, CISA, AES	IT Specialist	Baker Tilly Virchow Krause, LLP
Michael Dubin, FCAS, FSA, MAAA, FCA	Actuarial Specialist	Baker Tilly Virchow Krause, LLP
Douglas Dee, ACAS, MAAA, ACA	Actuarial Specialist	Baker Tilly Virchow Krause, LLP
Dennis Schaefer, CISA	IT Specialist	Baker Tilly Virchow Krause, LLP
Jeff Rockwell	Examination Manager	Office
Paula Bowyer, APIR	Participating Examiner	Office
Chris Brown	Participating Examiner	Office

Respectfully submitted,



Brian Sewell, CFE, MCM  
Chief Examiner  
Florida Office of Insurance Regulation