



**EXAMINATION REPORT
OF**

FCCI INSURANCE COMPANY

NAIC Company Code: 10178

SARASOTA, FLORIDA

**as of
December 31, 2015**

**BY THE
FLORIDA OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	1
CURRENT EXAMINATION FINDINGS	1
PRIOR EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	3
CONTROL	3
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS AND PURCHASE OR SALES THROUGH REINSURANCE	4
CORPORATE RECORDS	4
CONFLICT OF INTEREST.....	4
MANAGEMENT AND CONTROL	4
MANAGEMENT	4
AFFILIATED COMPANIES	7
SIMPLIFIED ORGANIZATIONAL CHART	8
TAX ALLOCATION AGREEMENT.....	9
MANAGEMENT AGREEMENT	9
REINSURANCE AGREEMENT.....	9
CAPITAL MAINTENANCE AGREEMENT	10
OPERATING AGREEMENT OF FCCI TAX CREDIT, LLC.....	10
TERRITORY AND PLAN OF OPERATIONS	11
TREATMENT OF POLICYHOLDERS	11
REINSURANCE	11
REINSURANCE ASSUMED.....	11
REINSURANCE CEDED.....	12
ACCOUNTS AND RECORDS	12
CUSTODIAL AGREEMENT	12
COLLATERAL REINSTATEMENT AGREEMENT - LINE OF CREDIT	13
FEDERAL HOME LOAN BANK OF ATLANTA	13
INDEPENDENT AUDITOR AGREEMENT	13
INFORMATION TECHNOLOGY REPORT	13
STATUTORY DEPOSITS	14
FINANCIAL STATEMENTS	15
ASSETS	16
LIABILITIES, SURPLUS AND OTHER FUNDS	17

STATEMENT OF INCOME AND CAPITAL AND SURPLUS ACCOUNT	18
RECONCILIATION OF CAPITAL AND SURPLUS.....	19
COMMENTS ON FINANCIAL STATEMENTS.....	20
LIABILITIES	20
CAPITAL AND SURPLUS	20
SUBSEQUENT EVENTS.....	21
DIVIDENDS	21
MANAGEMENT AGREEMENT	21
COLLATERAL REINSTATEMENT AGREEMENT - LINE OF CREDIT	21
FEDERAL HOME LOAN BANK OF ATLANTA (FHLB).....	21
CONCLUSION.....	22

March 28, 2017

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, 2015, of the financial condition and corporate affairs of

FCCI Insurance Company
6300 University Parkway
Sarasota, Florida 34240

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, 2011 through December 31, 2015 and commenced with planning at the Office on October 25, 2016 to October 27, 2016. The fieldwork commenced on October 31, 2016 and concluded as of March 28, 2017. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of January 1, 2006 through December 31, 2010

The examination was a multi-state 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.

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 adverse findings, significant non-compliance findings or material changes in the financial statements, noted during the examination as of December 31, 2015.

Prior Examination Findings

There were no material adverse findings, significant non-compliance findings or material changes in the financial statements in the Office's prior examination report as of December 31, 2010.

COMPANY HISTORY

General

The Company was organized in Florida on April 1, 1959, as Florida Construction Commerce & Industry Self-Insurers Fund and converted in 1994, to FCCI Mutual Insurance Company. FCCI Mutual Insurance Company was converted in 1998, to FCCI Insurance Company, a stock Company, which was wholly-owned by FCCI Group, Inc.

The Company was authorized to transact insurance in Florida on November 16, 1994, and is currently authorized for the following coverages as of December 31, 2015:

Allied Lines	Boiler and Machinery
Burglary and Theft	Commercial Auto Physical Damage
Commercial Automobile Liability	Commercial Multi-Peril
Earthquake	Farmowners Multi-Peril
Fidelity	Fire
Glass	Inland Marine
Other Liability	PPA Physical Damage
Surety	Workers' Compensation

In 2014, the Company's amended and restated Bylaws were approved by the Office. The amended and restated Bylaws addressed the issues of: 1) Special Meetings, 2) Notice of Meetings, 3) Business at Meetings, 4) Qualifications of Voters, 5) Voting, 6) Proxies and Proxy Solicitation, 7) Number and Qualifications of Directors, 8) Term of Office, 9) Removal of Directors, 10) Compensation, 11) First Meeting of Newly Elected Directors, 12) Notice of Special Meetings of Directors, 13) Participation of Directors by means of Communication Equipment, 14) Director Incapacity, 15) Officers Enumerated, 16) Restrictions on Stock Transfers, 17) Notices, 18)

Investments and Disbursements of Funds, 19) Condition of Indemnification, 20) Determination of Indemnification, 21) Additional Rights of Those Indemnified, and 22) Corporate Insurance.

Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its parent, FCCI Group, Inc., in 2011, 2012, 2013, 2014 and 2015 in the amounts of \$6,000,000, \$14,358,289, \$12,000,000, \$12,000,000, and \$20,000,000, respectively.

Capital Stock and Capital Contributions

As of December 31, 2015, the Company's capitalization was as follows:

Number of authorized class A common capital shares	10,000,000
Number of shares class A issued and outstanding	5,000,000
Number of authorized class B common capital shares	500,000,000
Number of class B common capital shares issued and outstanding	0
Number of preferred stock authorized	10,000,000
Number of preferred stock issued and outstanding	0
Total common capital stock issued	\$5,000,000
Par value per share	\$1

Control

Control of the Company was maintained by its parent, FCCI Group, Inc., which owned one hundred percent (100%) of the stock issued by the Company, and which in turn was one hundred percent (100%) owned by FCCI Mutual Insurance Holding Company, a Florida corporation.

Surplus Notes

The Company did not have any surplus notes during the period of this examination.

Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the period of this examination.

CORPORATE RECORDS

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.

MANAGEMENT AND CONTROL

Management

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, 2015 are shown on the following page.

Directors

Name	City, State	Principal Occupation, Company Name
Charles Robert Baumann	Sarasota, Florida	Shareholder, Kerkering, Baberio & Co.
John Joseph Cox	Sarasota, Florida	President & Owner, Halfacre Construction Company
Robert Winthrop Flanders	Sarasota, Florida	President & Owner, Quality Walls
Gordon William Jacobs	Sarasota, Florida	Former Insurance Executive
Craig Allan Johnson	Sarasota, Florida	President, FCCI Ins. Co.
John Thomas Stafford ^(a)	Sarasota, Florida	Chairperson, Former Banking Executive
Roy Allan Yahraus	Sarasota, Florida	Former Business Executive

(a) John Thomas Stafford retired as Director on October 19, 2016

Subsequent Event: Lisa Ann Krouse was elected as a Director of the Company effective April 27, 2016.

The following were changes in Directors during the examination period:

- Timothy Joseph Clarke resigned as Director on September 19, 2012.
- Marvin Stephen Haber resigned as Director on September 24, 2012.
- Robert Weld Benjamin was removed as Director on September 24, 2014.

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

Senior Officers

Name	City, State	Title
Craig Allan Johnson	Sarasota, Florida	President, Chief Executive Officer
Lisa Patrizi Weiland	Longboat Key, Florida	Executive Vice President, Chief Operating Officer
Joseph Anthony Keene	Sarasota, Florida	Executive Vice President

Lisa Ann Krouse	Lakewood Ranch, Florida	Executive Vice President, Chief Human Resources Officer
Michelle Marie Jalbert	Bradenton, Florida	Vice President, Controller and Assistant Treasurer
Christopher Samir Shoucair	Lithia, Florida	Executive Vice President, Chief Financial Officer and Treasurer
Thomas Augustine Koval	Sarasota, Florida	Executive Vice President, Chief Legal Officer and Secretary

- Rupert Lee Willis retired as Executive Vice President on July 10, 2015.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2015:

Executive Committee

Name	City, State	Title
John Thomas Stafford ¹	Sarasota, Florida	Director
Craig Allan Johnson	Sarasota, Florida	President, Chief Executive Officer

¹ Chairperson

Audit Committee

Name	City, State	Title
Gordon William Jacobs ¹	Sarasota, Florida	Director
Charles Robert Baumann	Sarasota, Florida	Director
Robert Winthrop Flanders	Sarasota, Florida	Director
Roy Allan Yahraus	Sarasota, Florida	Director

¹ Chairperson

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

Investment Committee

Name	City, State	Title
Gordon William Jacobs ¹	Sarasota, Florida	Director
Charles Robert Baumann	Sarasota, Florida	Director
Robert Winthrop Flanders	Sarasota, Florida	Director
John Joseph Cox	Sarasota, Florida	Director

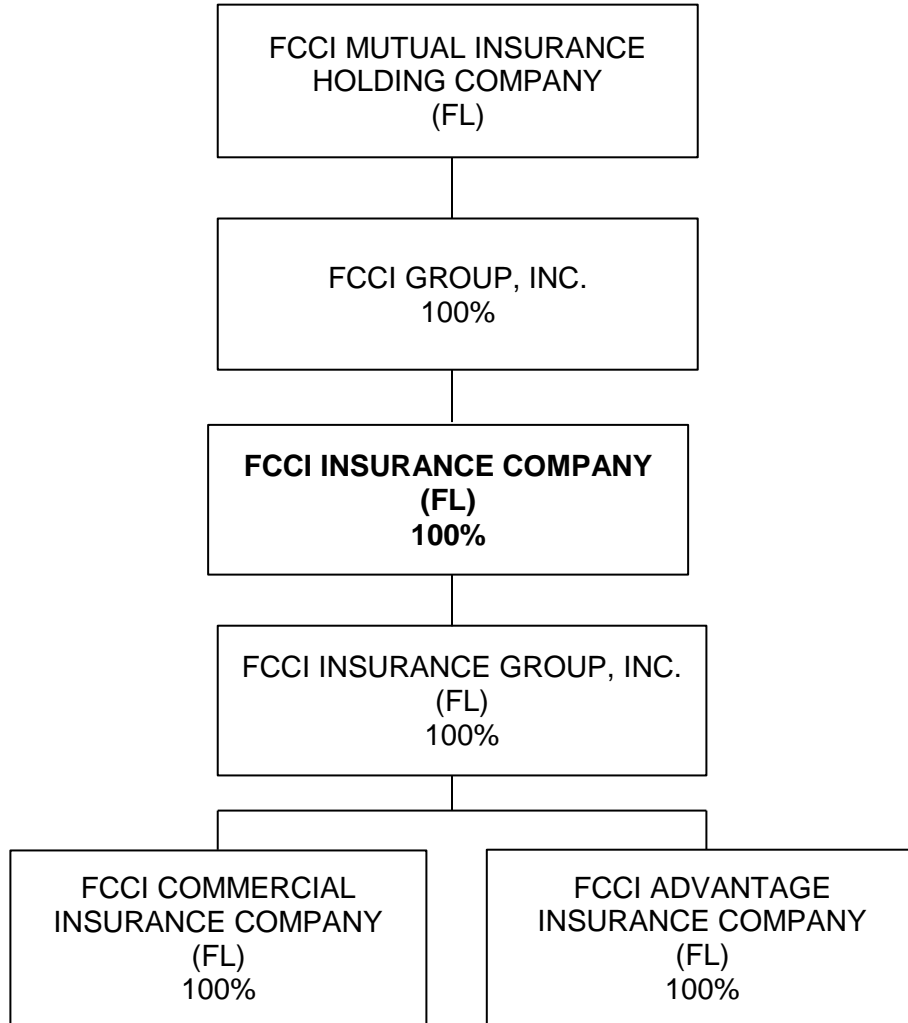
¹ Chairperson

Affiliated Companies

The most recent Holding Company Registration Statement was filed with the Office on March 20, 2017, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2015, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2015 annual statement provided a list of all related companies of the holding company group.

**FCCI Insurance Company
Simplified Organizational Chart
December 31, 2015**



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

Tax Allocation Agreement

The Company, along with its affiliates, filed a consolidated federal income tax return. On December 31, 2015, the method of allocation was the “separate-entity” basis described in Internal Revenue Code Section 1552(a)(2) and Treasury Regulation 1.1552-1(a)(2) which was the percentage of tax each member would bear compared to the total tax of all members, if computed on separate returns. Each member will pay to the Company or another member, as the case may be, the amount assessed to the payor member within ninety (90) days of the filing of the consolidated federal and state tax return.

Management Agreement

The Company, along with its parent and affiliates, had a management services agreement with FCCI Services, Inc., an affiliate, which provided insurance and general management services including, but not limited to: underwriting, premium formulation, collection services, loss control, claims management, portfolio investment management, actuarial services, accounting services, internal auditing, treasury and banking services, legal services, regulatory affairs, internal operations, personnel, information systems, marketing, facilities management, tax services, reinsurance services, corporate governance, and other services related to the effective management of the Company’s business. Fees incurred under this agreement during 2015, amounted to \$83,090,928.

Reinsurance Agreement

The Company had a one hundred percent (100%) quota share assumption reinsurance and loss portfolio transfer agreement with each of its insurance company affiliates.

Capital Maintenance Agreement

Effective June 15, 2009, the Company entered into a capital maintenance agreement with affiliates Brierfield Insurance Company and Monroe Guaranty Insurance Company. The agreements require the Company to maintain specified capital levels in both companies as a condition of their ability to write workers' compensation coverage under the Longshore and Harbor Workers' Compensation Act and its extensions, the Department of Labor, Office of Workers' Compensation Programs, and the Division of Longshore and Harbor Workers' Compensation.

Operating Agreement of FCCI Tax Credit, LLC

Effective November 23, 2010, the Company entered into an operating agreement to form FCCI Tax Credit, LLC with affiliates Monroe Guaranty Insurance Company and National Trust Insurance Company. The purpose of FCCI Tax Credit, LLC is to invest in low-income housing property in order to obtain low-income housing tax credits in the state of Georgia.

Effective December 20, 2012, the membership in FCCI Tax Credit, LLC was amended so that the Company owns sixty-two percent (62%), Monroe Guaranty Insurance Company owns sixteen percent (16%), and National Trust Insurance Company owns twenty-two percent (22%).

Effective June 22, 2015, the Operating Agreement of FCCI Tax Credit, LLC was amended to conform to changes in Florida law regarding limited liability companies in accordance with Section 10.1. The amendment is not anticipated to have any financial impact on any of the companies. The agreement will be in effect until amended or terminated by the parties or until FCCI Tax Credit, LLC is dissolved.

TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Arizona	Arkansas
Colorado	Florida	Georgia
Illinois	Indiana	Iowa
Kansas	Kentucky	Louisiana
Maryland	Michigan	Mississippi
Missouri	Nebraska	North Carolina
Ohio	Oklahoma	Pennsylvania
South Carolina	Tennessee	Texas
Virginia		

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.954(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

The Company provided reinsurance to five (5) indirectly owned subsidiaries - Monroe Guaranty Insurance Company, National Trust Insurance Company, FCCI Commercial Insurance Company,

FCCI Advantage Insurance Company, and Brierfield Insurance Company - under various quota share and loss portfolio transfer reinsurance contracts. The Company reinsured one hundred percent (100%) of the exposures. The quota share reinsurance contracts included a provision for assumed commission equal to one hundred percent (100%) of the subsidiaries' operating expenses incurred. The Company also assumed business from mandatory pools in states where it was licensed.

Reinsurance Ceded

The Company limits its exposure through the purchase of excess of loss and quota share reinsurance agreements with a current retention of \$10,000,000 for workers' compensation, \$3,000,000 for property and seventy percent (70%) of the first \$5,000,000 for umbrella.

The Reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

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

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had a Custodial Agreement with Northern Trust Company dated July 1, 2005. It was amended September 7, 2006 and January 1, 2009. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

Collateral Reinstatement Agreement - Line of Credit

On May 11, 2007, the Company entered into a Collateral Reinstatement Agreement with Northern Trust Company and pledged assets as collateral. The Company has renewed the line of credit each subsequent year. The line of credit had a limit of \$20,000,000. As of December 31, 2015, there was no outstanding balance.

Federal Home Loan Bank of Atlanta

On April 4, 2008, the Company was accepted as a member of the Federal Home Loan Bank of Atlanta (FHLB). As a requirement of membership, the Company owns FHLB stock in an amount that is adjusted annually based on the asset size of the Company. In addition to membership stock requirements, the FHLB also requires members to purchase additional FHLB stock in amounts equal to four & five tenths percent (4.5%) of each advance. The Company's overall FHLB credit limit can fluctuate based on the Company's financial condition, and all balances must be adequately collateralized. It is the Company's strategy to utilize these funds for operations.

Independent Auditor Agreement

An independent CPA, BDO USA, LLP, audited the Company's statutory basis financial statements annually for the years 2011, 2012, 2013, 2014, and 2015, in accordance with Section 624.424(8), Florida Statutes. Supporting workpapers were prepared by the CPA firm as required by Rule 690-137.002, Florida Administrative Code.

INFORMATION TECHNOLOGY REPORT

Joanna J. Latham, CPA, CFE, AES, CISA, CRISC, Jenny Jeffers, CISA, AES, CFE (Fraud), and Brandon C. Thomas, HISP, MCM 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	FHLMC, 5.125%, 11/17/2017	<u>\$ 2,500,000</u>	<u>\$ 2,684,625</u>
TOTAL FLORIDA DEPOSITS		\$ 2,500,000	\$ 2,684,625
AZ	Dreyfus Treasury Cash Mg Inst	\$ 120,003	\$ 120,003
GA	US Treasury Note, 2.250%, 4/30/2021	100,000	102,008
GA	Wells Fargo ADV TR PL MM	47,477	47,477
NC	First American Treasury Oblig. Fund	575,001	575,001
OH	US Treasury Note, 1.625%, 8/15/2022	275,000	267,955
VA	US Treasury Note, 4.500%, 2/15/2016	225,000	226,091
VA	Wells Fargo ADV TR PL MM	5,063	5,063
USDL	US Treasury Note, 2.250%, 4/30/2021	<u>1,100,000</u>	<u>1,122,088</u>
TOTAL OTHER DEPOSITS		\$ 2,447,544	\$ 2,465,686
TOTAL SPECIAL DEPOSITS		<u>\$ 4,947,544</u>	<u>\$ 5,150,311</u>

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during the 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.

FCCI Insurance Company

Assets

December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Bonds	\$1,163,750,069		\$1,163,750,069
Stocks:			
Common	270,269,842		270,269,842
Real Estate:			
Properties occupied by Company	30,425,911		30,425,911
Cash and Short-Term Investments	23,255,450		23,255,450
Other invested assets	754,589		754,589
Receivables for securities	7,510		7,510
Investment income due and accrued	9,522,728		9,522,728
Agents' Balances:			
Uncollected premium	26,713,059		26,713,059
Deferred premium	226,187,173		226,187,173
Accrued retrospective premiums	3,294,525		3,294,525
Reinsurance recoverable	888,588		888,588
Funds held by reinsured companies	35,434		35,434
Net deferred tax asset	39,329,882		39,329,882
Receivable from parents, subsidiaries and affiliates	7,746,545		7,746,545
Aggregate write-in for other than invested assets	58,782		58,782
Totals	<u>\$1,802,240,087</u>	<u>\$0</u>	<u>\$1,802,240,087</u>

FCCI Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2015

	Per Company	Examination Adjustments	Per Examination
Losses	\$560,254,569		\$560,254,569
Reinsurance payable on paid loss and loss adjustment expenses	3,185,448		3,185,448
Loss adjustment expenses	148,363,061		148,363,061
Commissions payable	15,133,890		15,133,890
Other expenses	21,202,898		21,202,898
Taxes, licenses and fees	5,802,763		5,802,763
Current federal income taxes	5,844,998		5,844,998
Borrowed money	131,905,128		131,905,128
Unearned premium	316,415,296		316,415,296
Advance premium	1,950,836		1,950,836
Ceded reinsurance premiums payable	3,160,308		3,160,308
Amounts withheld	1,862,222		1,862,222
Remittances and items not allocated	1,830		1,830
Provision for reinsurance	3		3
Payable to parent, subsidiaries and affiliates	850,516		850,516
Payable for securities	3,190,875		3,190,875
Aggregate write-ins for liabilities	1,983,012		1,983,012
	<hr/>		
Total Liabilities	\$1,221,107,653	\$0	\$1,221,107,653
Common capital stock	\$5,000,000		\$5,000,000
Unassigned funds (surplus)	576,132,434		576,132,434
	<hr/>		
Surplus as regards policyholders	\$581,132,434	\$0	\$581,132,434
	<hr/>		
Total liabilities, surplus and other funds	\$1,802,240,087	\$0	\$1,802,240,087
	<hr/> <hr/>		

FCCI Insurance Company
Statement of Income and Capital and Surplus Account
December 31, 2015

Underwriting Income

Premiums earned	\$675,876,731
Deductions:	
Losses incurred	\$366,266,329
Loss expenses incurred	78,746,469
Other underwriting expenses incurred	217,994,965
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	<u>\$663,007,763</u>
Net underwriting gain or (loss)	\$12,868,968

Investment Income

Net investment income earned	\$38,384,757
Net realized capital gains or (losses)	5,379,851
Net investment gain or (loss)	<u>\$43,764,608</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$1,409,973)
Finance and service charges not included in premiums	1,070,371
Aggregate write-ins for miscellaneous income	210,458
Total other income	<u>(\$129,144)</u>
Net income before dividends to policyholders and before federal & foreign income taxes	\$56,504,432
Dividends to policyholders	<u>6,965,843</u>
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$49,538,589
Federal & foreign income taxes	<u>14,067,621</u>
Net Income	<u><u>\$35,470,968</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$578,707,882
Net Income	\$35,470,968
Change in net unrealized capital gains or losses	(12,181,629)
Change in net deferred income tax	3,068,191
Change in non-admitted assets	(3,932,975)
Change in provision for reinsurance	(3)
Dividends to stockholders	(20,000,000)
Change in surplus as regards policyholders for the year	<u>\$2,424,552</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$581,132,434</u></u>

FCCI Insurance Company
Reconciliation of Capital and Surplus
December 31, 2015

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

Surplus as regards policyholders			
December 31, 2010, per Examination			\$479,119,400
	<u>Gain in</u>	<u>Loss in</u>	
	<u>Surplus</u>	<u>Surplus</u>	
Net Income	158,393,289		
Change in net unrealized capital gain	4,590,189		
Change in net deferred income tax	1,931,323		
Change in non-admitted assets	1,295,789		
Change in provision for reinsurance	160,733		
Dividends to stockholders		64,358,289	
Total Gains and Losses	<u>166,371,323</u>	<u>64,358,289</u>	
Net increase in surplus as regards policyholders			<u>102,013,034</u>
Surplus as regards policyholders			
December 31, 2015, per Examination			<u><u>\$581,132,434</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses

\$708,617,630

An actuarial firm, Willis Towers Watson, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2015, 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, Gustave A. Krause, FCAS, MAAA, FCA of Actuaries, Inc., 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 as of December 31, 2015, in the amount of \$581,132,434, exceeded the minimum of \$100,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Dividends

The Company declared and paid dividends to its parent, FCCI Group, Inc. in 2016 in the amount of \$7,000,000.

Management Agreement

On December 29, 2015, the Company advanced \$17,000,000 to FCCI Services, Inc., which advanced the funds to its non-insurance affiliate, FCCI Group, Inc. On February 10, 2016, the advance was repaid to the Company. In December 2016, the Company filed an Amended and Restated Management Services Agreement with the Office to clarify that advances to affiliates may be made without prior approval of the Office, but only for use in providing the services defined in the Amended and Restated Management Services Agreement.

Collateral Reinstatement Agreement - Line of Credit

On January 22, 2016, and January 20, 2017, the Company renewed its line of credit with Northern Trust Company in the amount of \$20,000,000. The new maturity date is January 19, 2018. On March 8, 2016, and March 1, 2017, the Company entered into a \$25,000,000 line of credit with Bank of America, with a maturity date of March 1, 2019.

Federal Home Loan Bank of Atlanta (FHLB)

On January 29, 2016, and February 17, 2017, the Company renewed its 1-month fixed rate credit facility with the FHLB. The new maturity date is March 17, 2017.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **FCCI Insurance Company** as of December 31, 2015, consistent with the insurance laws of the State of Florida.

The Company's surplus as regards policyholders was \$581,132,434, which exceeded the minimum of \$100,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Philip D. Engelhart, CPA, AIAF, CFE, Examiner-in-Charge, of EWM Group, PC, also participated in the examination. Members of the Office who participated in the examination include Connie Hare, AFE, (CFE) Fraud, Financial Examiner/Analyst Supervisor and Wytonia Weston, APIR, Financial Examiner/Analyst II, Participating Examiner. Additionally, Tracy D. Gates, CISA, CFE of Highland Clark, LLC, served as the Exam Manager. Jenny L. Jeffers, CISA, AES, CFE (Fraud), and Joanna J. Latham, CPA, CFE, AES, CISA, CRISC, IT Specialists with Jennan Enterprises, LLC, and Brandon C. Thomas, HISP, MCM, IT Specialists with The Thomas Consulting Group, Inc., Anthony Pipia, ACAS, MAAA and Gustave Krause, FCAS, MAAA, FCA, Actuarial Specialists with Actuaries, Inc., are recognized for participation in the examination.

Respectfully submitted,

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