



**EXAMINATION REPORT
OF
FLORIDA LAWYERS MUTUAL INSURANCE
COMPANY**

NAIC Company Code: 34150

**Oviedo, Florida
as of
December 31, 2016**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL	2
DIVIDENDS	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	2
SURPLUS NOTES	2
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	2
MANAGEMENT AND CONTROL	3
CORPORATE GOVERNANCE	3
HOLDING COMPANY SYSTEM	9
ORGANIZATIONAL CHART	10
ACCOUNTS AND RECORDS	11
CORPORATE RECORDS REVIEW.....	11
CONFLICT OF INTEREST.....	11
CUSTODIAL AGREEMENT	11
INDEPENDENT AUDITOR AGREEMENT	11
TERRITORY AND PLAN OF OPERATIONS	12
TREATMENT OF POLICYHOLDERS	12
REINSURANCE	12
REINSURANCE ASSUMED.....	12
REINSURANCE CEDED.....	12
INFORMATION TECHNOLOGY REPORT	13
STATUTORY DEPOSITS	14
FINANCIAL STATEMENTS	15
ASSETS.....	16
LIABILITIES, SURPLUS AND OTHER FUNDS	17
STATEMENT OF INCOME	18
RECONCILIATION OF CAPITAL AND SURPLUS.....	19
COMMENTS ON FINANCIAL STATEMENT ITEMS	20
LIABILITIES	20
CAPITAL AND SURPLUS	20
SUBSEQUENT EVENTS	21
CONCLUSION	22

March 23, 2018

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 690-138.005, 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, 2016, of the financial condition and corporate affairs of

Florida Lawyers Mutual Insurance Company
541 E. Mitchell Hammock Road
Oviedo, Florida 32765

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, 2012, through December 31, 2016, and commenced with planning at the Florida Office of Insurance Regulation ("Office") on October 30, 2017, to November 3, 2017. The fieldwork commenced on October 30, 2017, and concluded as of March 23, 2018. The Company's last full scope examination by representatives of the Office covered the period of January 1, 2007, through December 31, 2011.

The examination was a single 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, 2016.

Previous Examination Findings

There were no findings, exceptions, or corrective actions taken by the Company for the examination as of December 31, 2011.

COMPANY HISTORY

General

The Company was incorporated in Florida on May 27, 1987, and commenced business on November 25, 1988.

Dividends

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

Capital Stock and Capital Contributions

The Company was a mutual insurance company and, therefore, had no outstanding capital stock.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

Two wholly owned entities, FLMIC Real Property, LLC and FLMIC-RP, LLC were dissolved effective May 15, 2012.

MANAGEMENT AND CONTROL

Corporate Governance

The annual meeting of members for the election of Directors was held in accordance with Section 628.231, Florida Statutes. The Directors serving as of December 31, 2016, are shown below:

Directors

Name	City, State	Principal Occupation, Company Name
Donald Layton Braddock	Jacksonville, Florida	Lawyer, Retired
William Earl Loucks	Orange City, Florida	President, Florida Lawyers Mutual Insurance Company
Clyde Lawrence Stagg	Tampa, Florida	Lawyer, Bajo, Cuva, Cohen & Turkel
Juliet Murphy Roulhac	Plantation, Florida	Lawyer, Florida Power & Light Company
Philip Allan Disque	Fort Lauderdale, Florida	Lawyer, CPA Powers & Disque, Chartered
Lake Henry Lytal Jr.	North Palm Beach, Florida	Lawyer, Lytal & Reiter
Clyde Gary Williams	Tallahassee, Florida	Lawyer, Retired
Alan Bart Bookman	Pensacola, Florida	Lawyer, Emmanuel, Sheppard & Condon
Raymond Frank Ferrero Jr. ¹	Fort Lauderdale, Florida	Lawyer, Retired
Stephen Andrew Rappenecker	Gainesville, Florida	Lawyer, Stephen A. Rappenecker, P.A.
Ava Kirshenbaum Doppelt	Oriando, Florida	Lawyer, Allen, Dyer, Doppelt, Milbrath & Gilchrist, P.A.

Kimberly Alario Bald	Bradenton, Florida	Lawyer, Harlee & Bald, P.A.
John Dudley Goodlette	Naples, Florida	Lawyer, Retired
Robert Max Sondak	Miami, Florida	Lawyer, Cohen, Chase, Hoffman & Schimmel, P.A.
Craig Anthony Gibbs	Jacksonville, Florida	Lawyer, Law Office of Craig Gibbs

¹ Chairperson

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

Senior Officers

Name	City, State	Title
Jason Andrew Fogg	Oviedo, Florida	President
Raymond Frank Ferrero Jr.	Fort Lauderdale, Florida	Chairman
William Earl Loucks	Orange City, Florida	Vice Chairman
Philip Allan Disque	Fort Lauderdale, Florida	Treasurer
Ava Kirshenbaum Doppelt	Orlando, Florida	Secretary

The Company's Board appointed several internal committees. The principal internal board committees and their members as of December 31, 2016 are on the following pages:

Executive Committee

Name	City, State	Title, Company Name
Raymond Frank Ferrero Jr. ¹	Fort Lauderdale, Florida	Lawyer, Retired
William Earl Loucks	Orange City, Florida	President, Florida Lawyers Mutual Insurance Company
Juliet Murphy Roulhac	Plantation, Florida	Lawyer, Florida Power & Light Company
Philip Allan Disque	Fort Lauderdale, Florida	Lawyer, Powers & Disque, Chartered
Lake Henry Lytal Jr.	North Palm Beach, Florida	Lawyer, Lytal & Reiter
John Dudley Goodlette	Naples, Florida	Lawyer, Retired
Donald Layton Braddock	Jacksonville, Florida	Lawyer, Retired
Ava Kirshenbaum Doppelt	Orlando, Florida	Lawyer, Allen, Dyer, Doppelt, Milbrath & Gilchrist, P.A.

¹ Chairperson

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

Audit Committee

Name	City, State	Title, Company Name
Donald Layton Braddock ¹	Jacksonville, Florida	Lawyer, Retired
Alan Bart Bookman	Pensacola, Florida	Lawyer, Emmanuel, Sheppard & Condon
Robert Max Sondak	Miami, Florida	Lawyer, Cohen, Chase, Hoffman & Schimmel, P.A.
Kimberly Alario Bald	Bradenton, Florida	Lawyer, Harlee & Bald, P.A.
Craig Anthony Gibbs	Jacksonville, Florida	Lawyer, Law Office of Craig Gibbs

¹ Chairperson

Investment Committee

Name	City, State	Title, Company Name
Philip Allan Disque ¹	Fort Lauderdale, Florida	Lawyer, Powers & Disque, Chartered
Donald Layton Braddock	Jacksonville, Florida	Lawyer, Retired
Lake Henry Lytal Jr.	North Palm Beach, Florida	Lawyer, Lytal & Reiter
Alan Bart Bookman	Pensacola, Florida	Lawyer, Emmanuel, Sheppard & Condon

¹ Chairperson

Claims Committee

Name	City, State	Title, Company Name
Lake Henry Lytal Jr. ¹	North Palm Beach, Florida	Lawyer, Lytal & Reiter
Clyde Gary Williams	Tallahassee, Florida	Lawyer, Retired
Donald Layton Braddock	Jacksonville, Florida	Lawyer, Retired
Clyde Lawrence Stagg	Tampa, Florida	Lawyer, Bajo, Cuva, Cohen & Turkel
Alan Bart Bookman	Pensacola, Florida	Lawyer, Emmanuel, Sheppard & Condon
Craig Anthony Gibbs	Jacksonville, Florida	Lawyer, Law Office of Craig Gibbs
Juliet Murphy Roulhac	Plantation, Florida	Lawyer, Florida Power & Light Company
Stephen Andrew Rappenecker	Gainesville, Florida	Lawyer, Stephen A. Rappenecker, P.A.

¹ Chairperson

Underwriting Committee

Name	City, State	Title, Company Name
John Dudley Goodlette ¹	Naples, Florida	Lawyer, Retired
Kimberly Alario Bald	Bradenton, Florida	Lawyer, Harlee & Bald, P.A.
Lake Henry Lytal Jr.	North Palm Beach, Florida	Lawyer, Lytal & Reiter
Ava Kirshenbaum Doppelt	Orlando, Florida	Lawyer, Allen, Dyer, Doppelt, Milbrath & Gilchrist, P.A.

Alan Bart Bookman	Pensacola, Florida	Lawyer, Emmanuel, Sheppard & Condon
Robert Max Sondak	Miami, Florida	Lawyer, Cohen, Chase, Hoffman & Schimmel, P.A.
Stephen Andrew Rappenecker	Gainesville, Florida	Lawyer, Stephen A. Rappenecker, P.A.

¹ Chairperson

Business Development Committee

Name	City, State	Title, Company Name
Juliet Murphy Roulhac	Plantation, Florida	Lawyer, Florida Power & Light Company
Stephen Andrew Rappenecker	Gainesville, Florida	Lawyer, Stephen A. Rappenecker, P.A.
Kimberly Alario Bald	Bradenton, Florida	Lawyer, Harllee & Bald, P.A.
Ava Kirshenbaum Doppelt	Orlando, Florida	Lawyer, Allen, Dyer, Doppelt, Milbrath & Gilchrist, P.A.
John Dudley Goodlette	Naples, Florida	Lawyer, Retired
Robert Max Sondak	Miami, Florida	Lawyer, Cohen, Chase, Hoffman & Schimmel, P.A.
Clyde Lawrence Stagg	Tampa, Florida	Lawyer, Bajo, Cuva, Cohen & Turkel
Craig Anthony Gibbs	Jacksonville, Florida	Lawyer, Law Office of Craig Gibbs

¹ Chairperson

Nominating Committee

Name	City, State	Title, Company Name
Ava Kirshenbaum Doppelt ¹	Orlando, Florida	Lawyer, Allen, Dyer, Doppelt, Milbrath & Gilchrist, P.A.
Clyde Lawrence Stagg	Tampa, Florida	Lawyer, Bajo, Cuva, Cohen & Turkel
Juliet Murphy Roulhac	Plantation, Florida	Lawyer, Florida Power & Light Company
Clyde Gary Williams	Tallahassee, Florida	Lawyer, Retired
John Dudley Goodlette	Naples, Florida	Lawyer, Retired

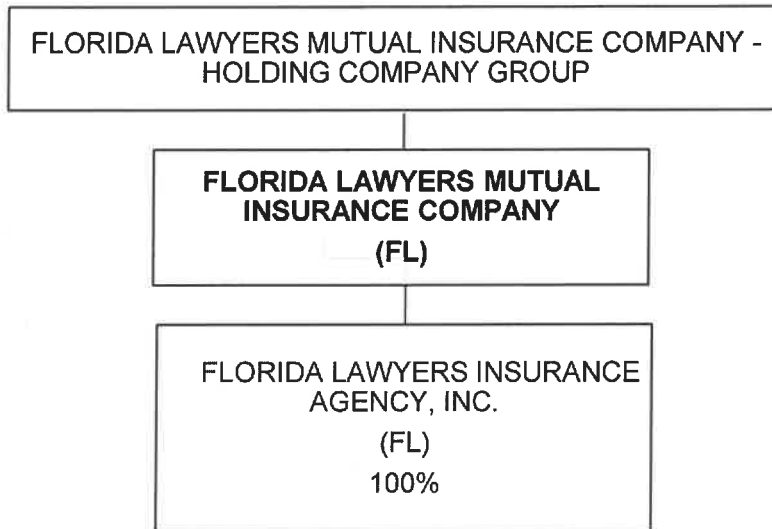
¹ Chairperson

Holding Company System

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest Holding Company Registration Statement was filed with the Office on March 28, 2018, in accordance with Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

Schedule Y of the Company's 2016 annual statement provided a list of all related companies of the holding company group. An organizational chart as of December 31, 2016, reflecting the holding company system, is shown on the following page.

Florida Lawyers Mutual Insurance Company
Organizational Chart
December 31, 2016



ACCOUNTS AND RECORDS

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

Corporate Records Review

The minutes of the Board of Directors ("Board") and certain internal committees were reviewed for the period under examination. The 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, in accordance with 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.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with Regions Bank executed on September 1, 2012.

Independent Auditor Agreement

An independent CPA, Strohm Ballweg, LLP, audited the Company's statutory basis financial statements annually for the years 2012, 2013, 2014, 2015 and 2016 in accordance with Section 624.424(8), Florida Statutes. Supporting workpapers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida on November 18, 1988, and is currently authorized for Other Liability coverage as of December 31, 2016:

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

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company ceded risk on an excess of loss basis under two (2) reinsurance treaties with excess layers of coverage. The ceded business included all claims-made policies written by the Company.

The Company ceded its cyber liability risk on a one hundred percent (100%) quota share basis. The Company earned a fifteen percent (15%) ceding commission.

The Company utilized JLT Re, as its reinsurance intermediary.

INFORMATION TECHNOLOGY REPORT

Francois Houde, CPA, CFE, CISA, AES, of Carr, Riggs and Ingram, LLC, 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:

State	Description	Par Value	Market Value
FL	Cash	<u>\$ 250,000</u>	<u>\$ 250,000</u>
TOTAL FLORIDA DEPOSITS		<u>\$ 250,000</u>	<u>\$ 250,000</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 250,000</u>	<u>\$ 250,000</u>

FINANCIAL STATEMENTS

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

Florida Lawyers Mutual Insurance Company

Assets

December 31, 2016

	Per Company	Examination Adjustments	Per Examination
Bonds	\$51,230,444		\$51,230,444
Stocks:			
Preferred Stocks	475,164		475,164
Common Stocks	22,653,175		22,653,175
Real estate:			
Properties occupied by the company	1,178,824		1,178,824
Cash, cash equivalents and short-term investments	5,368,700		5,368,700
Investment income due and accrued	445,661		445,661
Premiums and considerations:			
Uncollected premiums and agent's balances in the course of collection	25,865		25,865
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,629,128		1,629,128
Reinsurance:			
Amounts recoverable from reinsurers	4,675		4,675
Current federal and foreign income tax recoverable and interest thereon	412,816		412,816
Net deferred tax asset	116,577		116,577
Aggregate write-in for other-than-invested assets	173,411		173,411
Totals	<u>\$83,714,440</u>	<u>\$0</u>	<u>\$83,714,440</u>

Florida Lawyers Mutual Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2016

	Per Company	Examination Adjustments	Per Examination
Losses	\$12,533,712		\$12,533,712
Loss adjustment expenses	12,201,592		12,201,592
Commissions payable, contingent commissions and other similar charges	4,526		4,526
Other expenses	210,589		210,589
Unearned premiums	5,520,467		5,520,467
Advance premium	1,091,944		1,091,944
Ceded reinsurance premiums payable	1,478,882		1,478,882
Provision for reinsurance	95,718		95,718
Aggregate write-ins for liabilities	4,825,875		4,825,875
Total liabilities	\$37,963,304	\$0	\$37,963,304
Gross paid in and contributed surplus	299,235		299,235
Unassigned funds (surplus)	45,451,901		45,451,901
Surplus as regards policyholders	\$45,751,136	\$0	\$45,751,136
Totals	\$83,714,440	\$0	\$83,714,440

Florida Lawyers Mutual Insurance Company

Statement of Income

December 31, 2016

Underwriting Income

Premiums earned	\$11,360,525
Deductions:	
Losses incurred	\$3,338,564
Loss expenses incurred	4,460,421
Other underwriting expenses incurred	2,854,484
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	<u>\$10,653,469</u>
Net underwriting gain or (loss)	\$707,056

Investment Income

Net investment income earned	\$1,477,187
Net realized capital gains or (losses)	364,086
Net investment gain or (loss)	<u>\$1,841,273</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$0
Finance and service charges not included in premiums	183,464
Aggregate write-ins for miscellaneous income	0
Total other income	<u>\$183,464</u>

Net income before dividends to policyholders and before federal & foreign income taxes	\$2,731,793
Dividends to policyholders	0
Net income, after dividends to policyholders, but before federal & foreign income taxes	<u>\$2,731,793</u>
Federal & foreign income taxes	399,625
Net income	<u><u>\$2,332,168</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$42,680,863
Net income	\$2,332,168
Net unrealized capital gains or losses	881,284
Change in net deferred income tax	(165,824)
Change in non-admitted assets	2,723
Change in provision for reinsurance	19,922
Change in excess statutory over statement reserves	0
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>\$3,070,273</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$45,751,136</u></u>

Florida Lawyers Mutual Insurance Company
Reconciliation of Capital and Surplus
December 31, 2016

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

Capital/Surplus Change during Examination Period

Surplus at December 31, 2011, per Examination	<u>Increase</u>	<u>Decrease</u>	\$ 30,252,539
Net income (loss)	13,050,981		13,050,981
Change in net unrealized capital gain (loss)	1,670,545		1,670,545
Change in net deferred income tax		(646,136)	(646,136)
Change in non-admitted assets	1,117,239		1,117,239
Change in provision for reinsurance		(9,032)	(9,032)
Cumulative effect of changes in accounting principles	315,000		315,000
Net increase (or decrease)			<u>15,498,597</u>
Surplus at December 31, 2016, per Examination			<u>\$ 45,751,136</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Robert Walling III, FCAS, MAAA, CERA, Pinnacle Actuarial Resources, Inc. appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2016, 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, Chris Burkhalter, FCAS, MAAA, Bickerstaff, Whatley, Ryan & Burkhalter Consulting Actuaries, reviewed the loss and loss adjustment expense workpapers 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 \$45,751,136, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Ramon Alberto Abadin and John F. Harkness were added to the Board on January 1, 2017.

Jason Fogg resigned as President on September 22, 2017. William E. Loucks was elected as President on October 1, 2017.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Florida Lawyers Mutual Insurance Company** as of December 31, 2016, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards to policyholders was \$45,751,136, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Dale Miller, CPA, CFE, Examiner-in-Charge, and Sharon Stuber, CPA, Mackenzie Smith, Participating Examiners, of Carr, Riggs and Ingram, LLC, also participated in the examination. Members of the Office who participated in the examination include Connie Hare, AFE, CFE (Fraud), Financial Examiner/Analyst Supervisor, Examination Manager and Wytonia Dennis, APIR, Financial Examiner/Analyst II, Participating Examiner. Additionally, Chris Burkhalter, FCAS, MAAA, Bickerstaff, Whatley, Ryan & Burkhalter Consulting Actuaries and, Francois Houde, CPA, CFE, CISA, AES of Carr, Riggs and Ingram, LLC, are recognized for participation in the examination.

Respectfully submitted,



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