



**EXAMINATION REPORT
OF**

MAPFRE Insurance Company of Florida

NAIC Company Code: 34932

Miami, Florida

as of

December 31, 2018

BY THE

FLORIDA

OFFICE OF INSURANCE REGULATION

May 28, 2020

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, 2018, of the financial condition and corporate affairs of

MAPFRE Insurance Company of Florida
5959 Blue Lagoon Drive, Suite 400
Miami, Florida 33126

hereinafter referred to as "the Company." Such report of examination is herewith respectfully submitted.

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SCOPE OF EXAMINATION

This examination covered the period from January 1, 2014, through December 31, 2018, and the fieldwork commenced with planning at the Florida Office of Insurance Regulation (“the Office”) on April 22, 2019 and concluded as of May 28, 2020. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2009, through December 31, 2013.

The examination was a coordinated multi-state examination 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 lead state for this exam was Massachusetts. Representatives of the following states also participated in this examination:

- California Department of Insurance
- New Jersey Department of Banking and Insurance
- New York Department of Financial Services
- Ohio Department of Insurance

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 material findings or exceptions noted during the examination as of December 31, 2018.

Previous Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination.

The Company's reserves for Losses and Loss Adjustment Expenses were determined to be deficient by approximately \$1,235,000 as of December 31, 2013.

Resolution: The examination reviewed the Company's reserves for 2018 and determined that the reserves were reasonably stated.

COMPANY HISTORY

General

The Company was incorporated on November 17, 1988, as a stock property and casualty insurer under the applicable provisions of the State of Florida as Consolidated Property and Casualty Insurance Company and commenced business on August 1, 1989. Mapfre Corporation of Florida Inc. received approval from the Office to purchase the Company on June 6, 2002, and the current name was adopted effective October 1, 2002. The Company merged with Mapfre Insurance Company of America on March 25, 2003. On July 1, 2009, Amstar was merged with and into the Company, with the Company being the surviving entity. Also, on July 1, 2009, the Company was acquired by an affiliate, The Commerce Insurance Company ("Commerce").

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2018, the Company's capitalization was recorded as follows:

Number of authorized common capital shares	30,000
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Number of shares issued and outstanding	20,000
Total common capital stock	\$2,000,000
Par value per share	\$100.00

Control of the Company was maintained by its parent, Commerce, which owned 100% of the stock issued by the Company. Commerce is 100% owned by Mapfre U.S.A. Corp., which is 100% owned by Mapfre Internacional S.A., which 100% is owned by Mapfre S.A., a financial services company domiciled in Spain. Mapfre S.A. is 68.7% owned by Fundación Mapfre, a non-profit foundation organized in Spain.

There were no capital contributions during the examination period.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

Directors serving as of December 31, 2018, are shown below:

Name	City, State	Principal Occupation, Company Name
Alfredo, Castelo ⁽¹⁾	Webster, Massachusetts	President & Chief Executive Officer MAPFRE U.S.A. Corp.
Francois Jean Facon	Webster, Massachusetts	Executive Vice President & Chief Financial Officer MAPFRE U.S.A. Corp.
Patrick Joseph McDonald	Webster, Massachusetts	Chief Executive Officer- Northwest Region MAPFRE U.S.A. Corp.
Daniel Patrick Olohan	Webster, Massachusetts	Vice President & Secretary, General Counsel MAPFRE U.S.A. Corp.
Robert Edward McKenna ⁽²⁾	Webster, Massachusetts	Vice President & Treasurer, Chief Accounting Officer MAPFRE U.S.A. Corp.
⁽¹⁾ Chairman		
⁽²⁾ Mr. Mckenna retired from the Company, effective January 3, 2020 and was replaced by John Meciak, former Senior Vice President & Comptroller.		

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

Name	City, State	Principal Occupation,
Alfredo, Castelo	Webster, Massachusetts	President & Chief Executive Officer
Michael Steven Sher	Webster, Massachusetts	Vice President & Secretary, Deputy General Council
Robert Edward McKenna ⁽¹⁾	Webster, Massachusetts	Senior Vice President & Treasurer, Chief Accounting Officer
Francois Jean Facon	Webster, Massachusetts	Executive Vice President & Treasurer, Chief Financial Officer
⁽¹⁾ Mr. Mckenna retired from the Company, effective January 3, 2020 and was replaced by John Meciak, former Senior Vice President & Comptroller.		

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2018. The chair for these committees is shown at the top of each list.

Audit Committee

Effective January 1, 2018, the MAPFRE USA Audit Committee was designated to serve as the Audit Committee for Mapfre Insurance Company of Florida. The MAPFRE USA Audit Committee was comprised of the following members as of December 31, 2018:

Name	City, State	Principal Occupation, Company Name
Edward Timmes	Webster, Massachusetts	Managing Director, Chief Financial Officer TCE Associates Consulting LLC
Randall V. Becker	Webster, Massachusetts	Chairman of the Board MAPFRE U.S.A. Corp.
Maureen Brundage	Webster, Massachusetts	Senior Advisor Baker Gilmore
Alan Solomont (1)	Webster, Massachusetts	Dean, Jonathan M. Tisch College of Citizenship and Public Service Tufts University
⁽¹⁾ Mr. Solomont resigned from the Board of Directors, effective December 31, 2018		

Investment Committee

During the examination period, the Company had an Investment Strategy Committee of the Board of Directors. However, as of December 31, 2018, this committee was dissolved and the responsibilities were assumed by the entire Board of Directors.

Holding Company System

The Company is a member of the holding company MAPFRE U.S.A. Corp. The following agreements were in effect between the Company and its affiliates:

Management Cost Allocation Agreement

The sixth amended and restated Management and Cost Allocation Agreement was effective January 1, 2018, and executed by and among the Company and its affiliates: Citation Insurance Company, MAPFRE Insurance Company of Florida, MAPFRE Insurance Company, Commerce West Insurance Company, American Commerce Insurance Company, Verti Insurance Company, and MAPFRE Insurance Company of New York. The terms of the agreement establish all parties as possible service providers on behalf of the others for Management Services, which include though are not limited to: analysis of company performance, strategic planning and budgeting, legal and regulatory support, governance, financial services, human resources, product development and distribution (i.e. underwriting and claims), and investment management services.

A service provider's compensation for non-investment services is comprised of actual costs and expenses incurred by the party performing the services. Loss adjustment expenses are apportioned to each party consistent with SSAP No. 70, Allocation of Expenses, and a compliant study; with other non-investment related expenses allocated based on direct written premiums of the parties. Investment related services compensation is determined based on the Investment Services Formula(s) outlined within the agreement.

This Agreement was amended and restated through the Seventh Amended and Restated Management Cost Allocation Agreement, effective January 1, 2019, to remove MAPFRE Insurance Company of New York as a party to the agreement following the sale of that Company to Plymouth Rock.

Tax Allocation Agreement

Effective January 1, 2018, MAPFRE U.S.A Corp. and affiliates Commerce, ACIC Holding Co. Inc., Citation Insurance Company, BFC Holding Corporation, MAPFRE Insurance Company of Florida, MAPFRE Insurance Company, Commerce West Insurance Company, American Commerce Insurance Company, Verti Insurance Company, MAPFRE Intermediaries, Inc., MAPFRE Tech, and MAPFRE Insurance Company of New York executed the Fourth Amended and Restated Tax Allocation Agreement. Under the terms of the agreement, each affiliate and any other member of the MAPFRE USA Affiliated Group will file a consolidated and combined return for the taxable year ending December 31, 2018. The liability of each affiliate will be based on the Separate

Company Liability calculation. Commerce is responsible to make the consolidated payments on behalf of the group and will be settled with the parties to the agreement based on the terms of the agreement.

This Agreement was amended and restated through the Fifth Tax Allocation Agreement, effective January 1, 2019, to remove MAPFRE Insurance Company of New York as a party to the agreement following the sale of that Company to Plymouth Rock.

Reinsurance Pooling Agreement

The Company is also a participant in a Reinsurance Pooling Agreement with affiliated insurance entities of the MAPFRE U.S.A Corp. See further discussion in the Reinsurance section below.

ACCOUNTS AND RECORDS

The Company's main operations are performed at Commerce's offices in Webster, Massachusetts. The Miami, Florida, office handles business development, marketing, and claims adjusting. The Company's accounting records were maintained electronically by affiliates of the Company pursuant to a Management Cost Allocation Agreement.

The Company and non-affiliates had the following agreements:

Custodial Agreement

Under terms of the Management Cost Allocation Agreement, the Company receives investment services from its direct parent, Commerce. Commerce maintained a global custody agreement with The Bank of New York which provided for safekeeping of securities.

Independent Auditor Agreement

An independent CPA, Ernst & Young, LLP, audited the Company's statutory basis financial statements annually for the year 2014. The independent CPA, KPMG, LLP, audited the Company's statutory basis financial statements annually for the years 2015, 2016, 2017, and

2018. Relevant work performed by the CPA firm during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies.

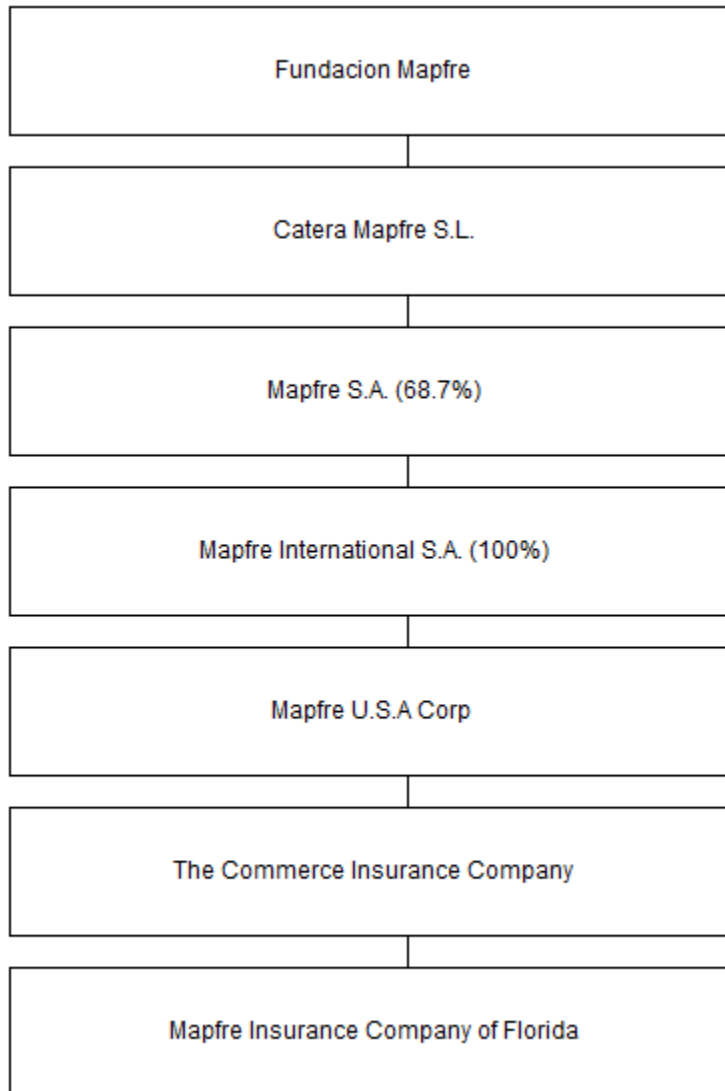
Corporate Records Review

The recorded minutes of the Shareholder, Board of Directors, and Audit Committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events. A review was made of the Shareholder, Board of Directors minutes and committee minutes for the period under examination. This examination determined that the recorded minutes adequately document its meetings and approval of Company transactions and events.

Simplified Organizational Chart

A simplified organizational chart as of December 31, 2018, reflecting the holding company system, is shown on the following page. A complete organizational chart of the holding company system was disclosed in the Company's 2018 annual statement (Schedule Y – Part 1).

**Mapfre Insurance Company of Florida
Simplified Organizational Chart
December 31, 2018**



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in Florida on August 1, 1989, and was authorized for the following lines of business as of December 31, 2018:

Commercial Automobile Liability	Commercial Auto Physical Damage
Aircraft	Other Liability
Inland Marine	Fidelity
Private Passenger Auto Physical Damage	Private Passenger Auto Liability
Glass	Allied Lines
Commercial Multi-Peril	Homeowners Multi-Peril
Fire	Burglary and Theft
Surety	

REINSURANCE

The Company operates under the Reinsurance Pooling Agreement with affiliated insurance entities of the MAPFRE U.S.A Corp.: Commerce, Citation Insurance Company, MAPFRE Insurance Company of Florida, MAPFRE Insurance Company, Commerce West Insurance Company, American Commerce Insurance Company, Verti Insurance Company, and MAPFRE Insurance Company of New York.

Commerce is the lead insurer in the pool and assumes 100% of premium written and loss insurance liabilities. The participation in the pool is dictated by the percentages included in the agreement which are updated from time to time.

As of December 31, 2018, participation percentages for affiliates within the pool were reported as follows:

Commerce Insurance Company	65.2%
Citation Insurance Company	7.7%
American Commerce Insurance Company	11.2%
Commerce West Insurance Company	5.6%
MAPFRE Insurance Company of New York	4.8%
MAPFRE Insurance Company of Florida	3.2%
MAPFRE Insurance Company	2.3%
Verti Insurance Company	0.0%

Effective January 1, 2019, the pooling agreement was amended to eliminate affiliate Mapfre Insurance Company of New York, since it was sold to Plymouth Rock Assurance Corporation. As a result, the Company's participation rate increased to 3.4%.

Reinsurance Assumed

The Company did not assume any business from non-affiliates.

Under the terms of the affiliated Reinsurance Pooling Agreement for 2018, the Company assumed 3.2% of pooled business, or \$64.6 million in premium and \$42.6 million in losses.

The majority of the premium assumed by the Company for 2018 consisted of Private Passenger Auto Liability (44.2%), Auto Physical Damage (35.5%), Homeowners Multi-Peril (12.6%), and Commercial Auto Liability (5.1%).

The majority of the losses assumed by the Company for 2018 consisted of Private Passenger Auto Liability (54.0%), Auto Physical Damage (33.9%), Homeowners Multi-Peril (5.5%), and Commercial Auto Liability (5.3%).

Reinsurance Ceded

The Company did not cede any business to non-affiliates.

Under the terms of the affiliated Reinsurance Pooling Agreement for 2018, the Company ceded 100% of its business to the pool, or \$54.4 million in premium and \$33.6 million in losses.

The majority of premium ceded by the Company for 2018 consisted of Commercial Auto Liability (43.9%), Private Passenger Auto Liability (24.7%), Auto Physical Damage (21.4%), and Commercial Multi-Peril (8.6%).

The majority of the losses ceded by the Company for 2018 consisted of Commercial Auto Liability (37.4%), Private Passenger Auto Liability (30.4%), Auto Physical Damage (19.5%), Commercial Multi-Peril (8.9%), and Other Liability (3.2%).

INFORMATION TECHNOLOGY REPORT

Phil Schmoyer, CISA, AES, CFE, CSM of Baker Tilly Virchow Krause, LLP evaluated the information technology and computer systems of the Company.

STATUTORY DEPOSITS

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

State	Description		Par Value	Market Value
FL	US Treasury Note	2.875%	\$ 20,000	\$ 20,211
FL	US Treasury Note	2.000%	\$300,000	\$296,121
Total FL Deposits			\$320,000	\$316,332
Total Other Deposits			\$0	\$0
Total All Deposits			\$320,000	\$316,332

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; the statutory Statement of Operations; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2018. 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, 2018. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Mapfre Insurance Company of Florida
Assets
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Bonds	\$69,095,763		\$69,095,763
Cash, cash equivalents and short-term investments	11,061,095		11,061,095
Interest income due and accrued	520,092		520,092
Agents' balances			
Uncollected premium	18,893,191		18,893,191
Accounts recoverable from reinsurers	3,436,114		3,436,114
Current federal and foreign income tax and interest	144,438		144,438
Net deferred tax asset	3,722,366		3,722,366
Totals	\$106,873,058	\$0	\$106,873,058

Mapfre Insurance Company of Florida

Liabilities, Surplus and Other Funds

December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Losses	\$28,385,988		\$28,385,988
Reinsurance payable on paid losses and loss adjustment expenses	3,098,531		3,098,531
Loss adjustment expenses	5,319,111		5,319,111
Commissions, contingent commissions and other similar charges	1,124,882		1,124,882
Other expenses	180,148		180,148
Taxes, licenses and fees	71,067		71,067
Unearned premiums	33,547,563		33,547,563
Advance premium	41,545		41,545
Ceded reinsurance premiums payable (net of ceding commission)	3,077,497		3,077,497
Payable to parent, subsidiaries and affiliates	778,797		778,797
Aggregate write-ins for liabilities	570,255		570,255
Total liabilities	\$76,195,354	\$0	\$76,195,354
Common capital stock	\$2,000,000		\$2,000,000
Gross paid in and contributed surplus	32,515,550		32,515,550
Unassigned funds (deficit)	(3,837,847)		(3,837,847)
Total capital and surplus	30,677,703		30,677,703
Total liabilities, capital and surplus	\$106,873,058	\$0	\$106,873,058

Mapfre Insurance Company of Florida

Statement of Income

December 31, 2018

Underwriting Income	
Premiums earned	\$64,619,261
Deductions:	
Losses Incurred	42,139,776
Loss adjustment expenses incurred	7,957,741
Other underwriting expenses incurred	18,505,233
Total Underwriting deductions	\$68,602,750
Net underwriting gain (loss)	(\$3,983,489)
Investment Income	
Net investment income earned	\$2,109,957
Net realized capital gains or (losses) less capital gains tax of (\$31,360)	36,387
Net investment gain or (loss)	\$2,146,343
Other Income	
Finance and service charges not included in premiums	117,376
Aggregate write-in for miscellaneous income	21,352
Total other income	138,728
Net income before dividends to policyholders and before federal & foreign income taxes	(1,698,418)
Dividends to policyholders	0
Net income, after dividends to policyholders, but before federal & foreign income taxes	(1,698,418)
Federal & foreign income taxes	223,582
Net Income	(\$1,474,836)

Capital and Surplus Account	
Surplus as regards policyholders December 31 prior year	\$30,178,138
Net Income	(\$1,474,836)
Change in net deferred income tax	(211,583)
Change in non-admitted assets	199,917
Aggregate write-ins for gains or losses in surplus	1,986,068
Examination adjustment	0
Change in surplus as regards policyholders for the year	499,565
Surplus as regards policyholders, December 31, current year	30,677,703

Mapfre Insurance Company of Florida
Reconciliation of Capital and Surplus
December 31, 2018

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, 2013, per Examination			\$36,065,225
	Increase	Decrease	
Net Income		(\$5,049,198)	(\$5,049,198)
Change in net unrealized capital gain (loss)	\$49,997		\$49,997
Change in net deferred income tax		(\$2,350,617)	(\$2,350,617)
Change in non-admitted assets	\$1,365,400		\$1,365,400
Aggregate write-in for gains and losses in surplus	\$596,897		\$596,897
Rounding		(\$1)	(\$1)
Net increase (or decrease) in surplus as regards policyholders			(\$5,387,522)
Surplus at December 31, 20018 per examination			\$30,677,703

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses

The December 31, 2018, loss and loss adjustment expense reserves were evaluated by Michael Solomon, FCAS, MAAA, examination actuary. Based on the analysis performed, the Company's reserves for losses and loss adjustment expenses were found to be reasonably stated and have been accepted for purposes of this examination.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$30,677,703 exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there was significant uncertainty on the effect that the pandemic would have on the insurance industry, economy, and society at large. Any impact to the Company will take time to assess and will be specific to the class and mix of business underwritten by the Company.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Mapfre Insurance Company of Florida as of December 31, 2018, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following individuals associated with the firm of Highland Clark, LLC participated in the examination: Sheri L. Kenney, CFE, MCM; Travis R. Harrison; Lori G. Jester; and Michael Solomon, FCAS, MAAA.

In addition to the undersigned, the following individuals from the Florida Office of Insurance Regulation participated in the examination: Jeffrey Rockwell, Examination Manager.

Respectfully submitted,



Tracy D. Gates, CISA, CFE
Examiner-In-Charge
Highland Clark, LLC



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
Florida Office of Insurance Regulation