



MISSISSIPPI INSURANCE DEPARTMENT

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JACKSON, MISSISSIPPI 39201  
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MIKE CHANEY  
Commissioner of Insurance  
State Fire Marshal

MARK HAIRE  
Deputy Commissioner of Insurance

RICKY DAVIS  
State Chief Deputy Fire Marshal

June 20, 2017

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Mr. Craig Allen Johnson, President  
Brierfield Insurance Company  
6300 University Parkway  
Sarasota, FL 34240

Re: Brierfield Insurance Company  
Report of Examination as of December 31, 2015

Dear Mr. Johnson:

Enclosed is an Amended Order in the above-referenced matter.


Please note that the only purpose of the Amended Order is to correct the typographical error regarding the date of the examination period.

If you have any questions pertaining to this matter, please do not hesitate to contact this office.

Sincerely,

MIKE CHANEY  
COMMISSIONER OF INSURANCE

BY

  
Christina J. Kelsey  
Senior Attorney

MC/CJK/bs  
Enclosures

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF MISSISSIPPI**

**IN RE:   REPORT OF EXAMINATION OF  
          BRIERFIELD INSURANCE COMPANY**

**CAUSE NO. 17-7205**

**AMENDED ORDER**

**THIS CAUSE** came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

**JURISDICTION**

**I.**

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011).

**II.**

That Brierfield Insurance Company is a Mississippi-domiciled company licensed to write Accident and Health; Automobile Physical Damage/Liability; Boiler and Machinery; Casualty/Liability; Fidelity; Fire/Allied Lines; Home/Farm Owners; Industrial Fire; Inland Marine; Plate Glass; Surety; Trip Accident and Baggage; and Workers' Compensation coverages.

## **FINDINGS OF FACT**

### **III.**

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Brierfield Insurance Company and appointed Philip D. Engelhart, Examiner-In-Charge, to conduct said examination.

### **IV.**

That on or about April 18, 2017, the draft Report of Examination concerning Brierfield Insurance Company for the period of January 1, 2014 through December 31, 2015 was submitted to the Department by the Examiner-In-Charge, Philip D. Engelhart.

### **V.**

That on or about May 9, 2017, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. The Company responded by letter to the draft on or about May 12, 2017.

## **CONCLUSIONS OF LAW**

### **VI.**

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

**IT IS, THEREFORE, ORDERED**, after reviewing the Report of Examination, the written submission, and all relevant examiner work papers, that the Report of Examination of Brierfield Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

**IT IS FURTHER ORDERED** that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

**IT IS FURTHER ORDERED** that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

**IT IS FURTHER ORDERED**, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Brierfield Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

**IT IS FURTHER ORDERED** that Brierfield Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

**SO ORDERED**, this the 20<sup>th</sup> day of June 2017.



  
J. MARK HAIRE  
DEPUTY COMMISSIONER OF INSURANCE  
STATE OF MISSISSIPPI



**CERTIFICATE OF MAILING**

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 20<sup>th</sup> day of June 2017, to:

**Mr. Craig Allen Johnson, President  
Brierfield Insurance Company  
6300 University Parkway  
Sarasota, FL 34240-8424**



---

Christina J. Kelsey  
Senior Attorney

Christina J. Kelsey  
Senior Attorney  
Counsel for the Mississippi Department of Insurance  
Post Office Box 79  
Jackson, MS 39205-0079  
(601) 359-3577  
Miss. Bar No. 9853



# **Mississippi Insurance Department**

**Report of Examination**

**of**

**BRIERFIELD INSURANCE COMPANY**

**as of**

**December 31, 2015**

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND  
PROCEDURES USED IN AN EXAMINATION**

State of Georgia,

County of Gwinnett,

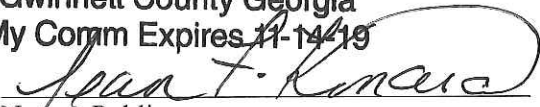
Philip D. Engelhart, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Brierfield Insurance Company as of December 31, 2015.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Brierfield Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

  
Philip D. Engelhart, CPA, AIAF, CFE

Subscribed and sworn before me by Philip D. Engelhart on this 4<sup>th</sup> day of May, 2017.

**Jean F Kinard**  
(SEAL) **Notary Public**  
**Gwinnett County Georgia**  
**My Comm Expires 11-14-19**  
  
Notary Public

My commission expires 11-14-19 [date].



**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

## MISSISSIPPI INSURANCE DEPARTMENT

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MAILING ADDRESS  
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TELEPHONE: (601) 359-3569  
FAX: (601) 576-2568

May 4, 2017

Honorable Mike Chaney  
Commissioner of Insurance  
Mississippi Insurance Department  
1001 Woolfolk Building  
501 North West Street  
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2015, of the affairs and financial condition of:

### **BRIERFIELD INSURANCE COMPANY**

1020 Highland Colony Parkway, Suite 800  
Ridgeland, MS 39157-2128

| License # | NAIC Group # | NAIC # | FEETS#          | MATS#      |
|-----------|--------------|--------|-----------------|------------|
| 9900035   | 474          | 10993  | 10993-MS-2015-5 | MS-MS099-8 |

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and was performed in Ridgeland, Mississippi, at the statutory home office of the Company, and the main administrative office of the Company in Sarasota, Florida. The report of examination is herewith submitted.

## **SCOPE OF EXAMINATION**

We have performed our multi-state examination of Brierfield Insurance Company (“Company”). The last exam was completed as of December 31, 2013. This examination covers the period January 1, 2014 through December 31, 2015.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination 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 Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

## **COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION**

There were no comments and/or recommendations deemed necessary for inclusion in the previous examination report.

## **HISTORY OF THE COMPANY**

The Company was incorporated and licensed under the laws of the State of Mississippi on September 1, 1999 for the purpose of transacting property and casualty insurance pursuant to Miss. Code Ann. §83-19-1 et seq. (Rev. 1999). The Company's initial ownership structure consisted of FCCI Insurance Group, Inc. ("FIG"), with eighty percent (80%) ownership, and Mississippi Insurance Managers, Inc. ("MIM"), an unaffiliated managing general agent, with twenty percent (20%) ownership. FIG, an intermediate holding company, was wholly owned by FCCI Insurance Company ("FCCI"), a Florida domiciled property and casualty insurer. On December 31, 2008, FIG purchased MIM, making the Company a wholly owned subsidiary of FIG. In December 2009, one hundred percent (100%) of MIM's stock in the Company was dividended to FIG.

## **CORPORATE RECORDS**

Articles of Incorporation, Bylaws and amendments thereto were reviewed and duly applied in other sections of this report where appropriate. The recorded minutes of the shareholder, Board of Directors ("Board"), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions, including the authorization of investments and the review of its audit, actuarial and examination reports.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

As of December 31, 2015, the Company had issued and outstanding all 1,000,000 shares of its authorized common capital stock with a par value of \$1.00 per share. The common capital stock was 100% owned by FIG. During the examination period, the Company paid \$0 in dividends to its stockholder.

### **Board of Directors**

The Articles of Incorporation and Bylaws vest the management and control of the Company's business affairs with the Board of Directors ("Board"). The members of the duly elected Board, along with their place of residence, number of years as Director, and principal occupation, at December 31, 2015, were as follows:

| Name and Residence                       | Year Elected/Appointed | Principal Occupation                                  |
|--|------------------------|---|
| Charles Robert Baumann<br>Sarasota, FL   | 2004                   | Shareholder, Kerkering, Baberio & Co.                 |
| John Joseph Cox<br>Sarasota, FL          | 2012                   | President & Owner of Halfacre<br>Construction Company |
| Robert Winthrop Flanders<br>Sarasota, FL | 1999                   | President & Owner of Quality Walls                    |
| Gordon William Jacobs<br>Sarasota, FL    | 1999                   | Former Insurance Executive                            |
| Craig Allan Johnson<br>Sarasota, FL      | 2011                   | President of FCCI Ins. Co.                            |
| John Thomas Stafford<br>Sarasota, FL     | 1999                   | Former Banking Executive, Chairman                    |
| Roy Allan Yahraus<br>Sarasota, FL        | 2007                   | Former Business Executive                             |

### **Committees**

FCCI Mutual Insurance Holding Company (Ultimate Parent), has established several internal committees. The following were the principal internal board committees and their members as of December 31, 2015:

#### **Committee Structure**

| <b>Executive</b>             | <b>Claims/Reserving</b>        | <b>Audit</b>                 | <b>Investment</b>            |
|------------------------------|--------------------------------|------------------------------|------------------------------|
| John T. Stafford<br>Chairman | Robert W. Flanders<br>Chairman | Gordon W. Jacobs<br>Chairman | Gordon W. Jacobs<br>Chairman |
| Craig A. Johnson             | Charles R. Baumann             | Charles R. Baumann           | Charles R. Baumann           |
|                              | Gordon W. Jacobs               | Robert W. Flanders           | Robert W. Flanders           |
|                              | Roy A. Yahraus                 | Roy A. Yahraus               | John J. Cox                  |

## **Officers**

| <b>Name</b>                | <b>Year Elected/Appointed</b> | <b>Title</b>             |
|----------------------------|-------------------------------|--------------------------|
| Craig Allan Johnson        | 2011                          | President                |
| Thomas Augustine Koval     | 2011                          | Secretary                |
| Christopher Samir Shoucair | 2011                          | Treasurer                |
| Lisa Patrizi Weiland       | 2015                          | Executive Vice President |
| Joseph Anthony Keene       | 2006                          | Executive Vice President |
| Lisa Ann Krouse            | 2014                          | Executive Vice President |
| Michelle Marie Jalbert     | 2011                          | Vice President           |

## **Conflict of Interest**

The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with the official duties of such persons. Written statements were signed annually by all officers and members of the Board.

## **Corporate Governance**

The risk-focused surveillance approach requires examiners to consider the insurer's corporate governance and established risk management processes. This evaluation included assessing the "tone-at-the-top", board of directors and management oversight and understanding and conveyance of the necessity of internal controls to employees. Strong corporate governance encompasses a clearly defined vision of ethics, appropriate goals, effective strategy, effective implementation of the strategy, and appropriate reporting systems emphasizing feedback and transparency.

The Company does not have any employees. All administration and management of the Company is performed by employees of its parent and /or affiliates through a Management Services Agreement.

The Board's involvement and oversight along with its independence from management was considered during the course of our examination. Other key variables in our consideration of the Board's involvement included but were not limited to factors such as: (1) the frequency of Board meetings, (2) the type of information communicated to the Board prior to meetings and the topics discussed along with the depth and quality of discussions and (3) key communication channels to and from management to the Board along with the overall "tone at the top". Information regarding the Board members, committees and other related information can be found in the Management and Control section of this report.

The appropriateness of the organizational structure, and its ability to provide the necessary information flow to manage activities were considerations in obtaining our understanding of the organizational structure of the Company and its affiliates. This included consideration of the entity's structure and its ability to communicate information upstream, downstream and across all business activities. Management's competence was also considered in the overall assessment of corporate governance. In our review of this area; we considered factors such as (1) experience level within key management, (2) management turnover and (3) previous experience of key management.

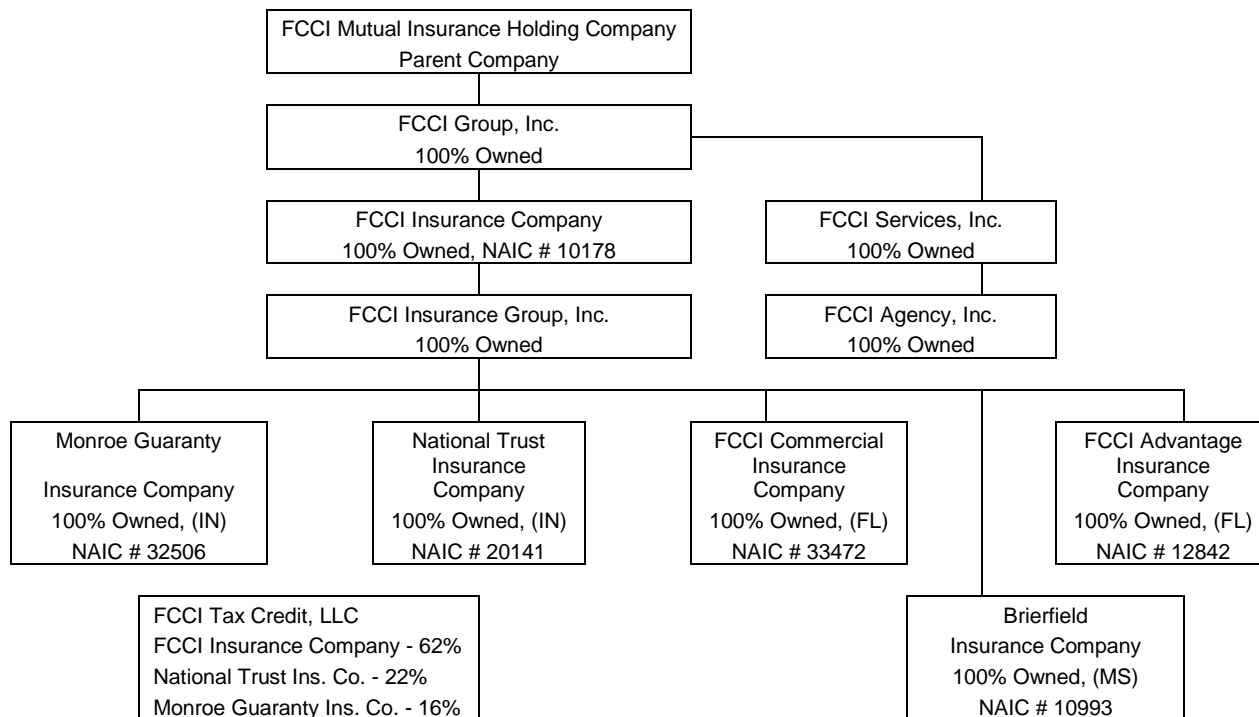
The Company outsourced their Internal Audit ("IA") function to Ernest & Young, until it was brought in-house in 2015. The Chief Auditor reported directly to the FCCI Mutual Insurance Holding Company Audit Committee ("AC") Chairman and the AC Committee was comprised of independent directors. The Board and AC meeting minutes were reviewed noting evidence of detailed discussion during meetings regarding IA activities. The IA Department provided input on operating and financial reporting risks and as well as internal controls.

### **HOLDING COMPANY STRUCTURE**

The Company is a member of an insurance holding company system as defined by Miss. Code Ann. §83-6-1. The Company was required to file with the MID, Holding Company Registration Statements in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. These filings set forth material changes in structure, identity or relationships of affiliates and any material transactions by and between the Company and its affiliates.



## Organizational Chart



## Affiliated and Related Party Transactions

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

### **Tax Allocation Agreement**

The Company, along with FCCI Insurance Company and its affiliates, file a consolidated federal income tax return. On December 31, 2015, the method of allocation between the Company and its parent was the “separate-entity” basis described in Internal Revenue Code (IRC) Section 1552(a) (2) and Treasury Regulation 1.1552-1(a) (2) on the basis of the percentage of the total tax which each member, if computed on a separate return would bear to the total taxes for all members.

### **Management Services Agreement**

The Company, along with its parents and affiliates, had a management services agreement with FCCI Services, Inc. (“FSI”), which provided insurance and general management services including, but not limited to: underwriting, premium formulation, collection services, accounting services, 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. The Company incurred expenses for these services of \$6,780,878 and \$6,414,153 in 2015 and 2014, respectively.

### **Capital Maintenance Agreement**

As a condition of authorization 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, Division of Longshore and Harbor Workers' Compensation, required the Company to enter into a capital maintenance agreement with FCCI Insurance Company. The agreement requires FCCI and the Company to maintain sufficient capital in the Company that will meet or exceed levels required by Mississippi law.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company's ultimate parent, FCCI Mutual Insurance Holding Company, maintained fidelity bond coverage, which included the Company, up to \$5,000,000 with a \$50,000 deductible, which meets the suggested minimum as recommended by the NAIC.

The Company also was a named insured on a commercial property and general liability policy, workers' compensation and employer's liability policy, commercial umbrella liability policy, and business auto policy.

### **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company and FSI, along with certain affiliated insurance companies, were members of a retirement and savings plan ("401k Plan", a defined 401k contribution and profit sharing plan) in which all employees were eligible to participate.

Also, certain members of the Board of Directors of FCCI Group Inc. ("FCCI Group"), an upstream parent of the Company, entered into a deferred compensation plan, which included a deferred compensation payment of three times the director's annual fees at retirement subject to certain vesting criteria.

Additionally, FCCI Group had established for members of the Board of Directors and officers of FSI a Long-Term Incentive Plan ("Incentive Plan") that offered two types of performance-based incentive awards, a Full Value Performance Unit Award ("Performance Units") and a Performance Unit Appreciation Rights Award ("Appreciation Rights"). After satisfaction or lapse of the restrictions, terms and conditions established by the Incentive Plan with respect to a grant of Performance Units, the Incentive Plan participant would receive a cash payment equal to the number of vested Performance Units multiplied by a Company Value as of the Exercise Date as defined in the Incentive Plan. Appreciation Rights may be exercised subject to the terms of the Incentive Plan and upon exercise, the Incentive Plan participant will receive the number of vested Appreciation Rights exercised multiplied by the increase in Company Value as of the Exercise Date compared to the Company Value on the Grant Date.

Costs for retirement and deferred compensation plans are allocated to the Company based on the direct written premiums and the level of claims transactions to the totals for the consolidated Company.

## **TERRITORY AND PLAN OF OPERATION**

The Company is licensed in the States of Alabama, Arkansas, Florida, Georgia, Mississippi and Tennessee, but only issued business in the States of Florida and Mississippi through the examination date.

## **GROWTH OF COMPANY**

Following is selected financial information as reported by the Company within the filed annual statements.

|                                   | <b>2015</b> | <b>2014</b> |
|-----------------------------------|-------------|-------------|
| Change in surplus                 | 259,445     | 240,933     |
| Net cash from operations          | 535,136     | 444,354     |
| Net income                        | 295,403     | 243,737     |
| Investment yield                  | 2.3%        | 2.3%        |
| Gross premiums written to surplus | 525.5%      | 468.7%      |

## **REINSURANCE**

The Company has a reinsurance program in place that is intended to reduce overall risks, including exposure to large losses and catastrophic events. The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting, and settlement information.

### **Quota Share Reinsurance Agreement**

The Company has a 100% quota share reinsurance contract with FCCI, an upstream parent through which the Company ceded 100% of the premiums written and earned and all loss and loss adjustment expenses incurred on or after January 1, 2005.

The reinsurance contract with FCCI included a provision for ceded commission income equal to 100% of operating expenses incurred. The Company recognized ceded commission income of \$13,916,632 and \$12,434,795 in 2015 and 2014, respectively, under this provision.

The Company's net reinsurance recoverable, including unearned premiums, at December 31, 2015 and 2014 was \$53,065,379 and \$48,756,525, respectively, and are presented as a reduction to direct and assumed loss and unearned premium reserves on the balance sheet. These amounts are due from FCCI and are unsecured.

The quota share agreement provides the Company the right to purchase facultative reinsurance on any of its policies which the Company utilizes from time to time.

The following table summarizes the effect of reinsurance on net premiums written for the period of this examination:

|                                 | <b>2015</b>      | <b>2014</b>      |
|---------------------------------|------------------|------------------|
| Direct premiums                 | \$45,333,864     | \$39,165,540     |
| Assumed premiums                | 270,818          | 292,462          |
| Ceded premiums to affiliate     | (45,494,416)     | (39,285,104)     |
| Ceded premiums to nonaffiliates | <u>(110,266)</u> | <u>(172,898)</u> |
| Net premiums                    | \$ -             | \$ -             |

### **ACCOUNTS AND RECORDS**

The Company maintains its principal operational offices in Sarasota, Florida. The Company's accounting records were maintained on a computerized system and balance sheet accounts were verified with the line items of the annual statement submitted to the Mississippi Insurance Department. The Company contracted with an external independent CPA firm to perform an annual audit of its financial statements.

## STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's total statutory deposits as held by the various states at December 31, 2015.

| <b>Description</b>                              | <b>State Deposited</b>   | <b>Carrying Value</b> | <b>Fair Value</b>   |
|---|--------------------------|-----------------------|---------------------|
| U.S. Treasury Note                              | Mississippi              | \$ 555,306            | \$ 551,810          |
| Total Held in Mississippi                       |                          | 555,306               | 551,810             |
|   |                          |                       |                     |
| State Bond                                      | Arkansas                 | 252,972               | 261,170             |
| U.S. Treasury Note                              | Florida                  | 219,940               | 219,617             |
| U.S. Treasury Note                              | Georgia                  | 100,763               | 105,259             |
| U.S. Treasury Note                              | U.S. Department of Labor | 504,823               | 501,645             |
| Total Held in all Other States or Jurisdictions |                          | 1,078,498             | 1,087,691           |
|   |                          |                       |                     |
| <b>Total of all States &amp; Jurisdictions</b>  |                          | <b>\$ 1,633,804</b>   | <b>\$ 1,639,501</b> |

## **FINANCIAL STATEMENTS**

### **Introduction**

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2015, a Summary of Operations for year ended December 31, 2015, and a Reconciliation of Capital and Surplus for the examination period ended December 31, 2015.

The following financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2015.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2015**

**Admitted Assets**

|   |                      |
|---|----------------------|
| Bonds   | \$ 12,173,173        |
| Cash and short-term investments                     | 567,073              |
| Investment income due and accrued                   | 128,451              |
| Funds held by or deposited with reinsured companies | 3,247                |
| Net deferred tax asset                              | 11,976               |
| Aggregate write-in:                                 |                      |
| Other assets  | 3,113                |
| <hr/>   |                      |
| <b>Total admitted assets</b>                        | <b>\$ 12,887,033</b> |

**Liabilities and Surplus**

|   |                      |
|---|----------------------|
| Reinsurance payable                               | \$ 1,552,604         |
| Commissions payable                               | 1,602,574            |
| Taxes, licenses, and fess                         | 460,353              |
| Current federal income taxes                      | 7,797                |
| Advance premiums                                  | 78,825               |
| Ceded reinsurance premiums payable                | 497,004              |
| Amounts withheld by Company for account of others | 9,563                |
| <hr/>   |                      |
| <b>Total liabilities</b>                          | <b>4,208,720</b>     |
| <hr/>   |                      |
| Common capital stock                              | 1,000,000            |
| Gross paid in and contributed surplus             | 4,000,000            |
| Unassigned funds                                  | 3,678,313            |
| <hr/>   |                      |
| <b>Surplus as regards policyholders</b>           | <b>8,678,313</b>     |
| <hr/>   |                      |
| <b>Total liabilities and surplus</b>              | <b>\$ 12,887,033</b> |



**SUMMARY OF OPERATIONS  
FOR YEAR ENDED DECEMBER 31, 2015**

|  |                   |
|--|-------------------|
| <b>Underwriting Income</b>   |                   |
| Other underwriting expenses incurred   | \$ 218,671        |
| Net underwriting loss  | (218,671)         |
| <hr/>  |                   |
| <b>Investment Income</b>   |                   |
| Net investment income earned   | 283,186           |
| Net realized capital gains   | 24,201            |
| Net investment gain  | 307,387           |
| <hr/>  |                   |
| <b>Other Income</b>  |                   |
| Net loss from agents' or premium balances charged off  | (46,088)          |
| Finance or service charges not included in premiums  | 248,160           |
| Total other income   | 202,072           |
| <hr/>  |                   |
| Net income before dividends to policyholders, after capital gains<br>tax and before all other federal income taxes | 290,788           |
| Dividends to policyholders   | -                 |
| <hr/>  |                   |
| Net income after dividends to policyholders, after capital gains<br>tax and before all other federal income taxes  | 290,788           |
| Federal income taxes   | 4,615             |
| <b>Net income</b>  | <b>\$ 295,403</b> |
| <hr/>  |                   |

**RECONCILIATION OF CAPITAL AND SURPLUS  
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2015**

|  | 2015         | 2014         |
|--|--------------|--------------|
| Capital and surplus, beginning of the year | \$ 8,418,868 | \$ 8,177,935 |
| Net Income                                 | 295,403      | 243,737      |
| Change in net deferred income tax          | (27,384)     | (12,503)     |
| Change in nonadmitted assets               | (8,574)      | 9,699        |
| Capital and surplus, end of the year       | \$ 8,678,313 | \$ 8,418,868 |

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS  
DECEMBER 31, 2015**

There were no changes made to the admitted assets, liabilities, or surplus balances reported by the Company for the year ended December 31, 2015. The surplus as regards policyholders, which totaled \$8,678,313 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31(1)(b).

## **MARKET CONDUCT ACTIVITIES**

### **Policyholder Services**

The Company maintained complaint documentation during the period under examination. All complaints appeared to have been appropriately resolved and no policyholder abuse was noted.

### **Underwriting and Rating**

It appeared that all cancellation, nonrenewal, discontinuance, and declination notices comply with policy provisions, state laws and the regulated entity's guidelines.

### **Claims Handling**

Claim files were reviewed for general indicators of policyholder treatment concerns. No significant areas of concerns noted.

### **Producer Licensing**

The Company was appropriately licensed to issue its products and agents writing business for the Company appeared to have been properly licensed and appointed.

### **Privacy**

Privacy notices were sent to the Company's policyholders

## **COMMITMENTS AND CONTINGENT LIABILITIES**

There were no commitments or other contingent liabilities noted during this examination.

## **SUBSEQUENT EVENTS**

During 2016, Lisa Ann Krouse was elected as a Director, Craig Allan Johnson was nominated as Chairman, Robert Winthrop Flanders was elected Vice Chairman, John Thomas Stafford retired as a Director, and Joseph Anthony Keene retired as Executive Vice President.

## **COMMENTS AND RECOMMENDATIONS**

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report

## ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

|                       |                                     |
|-----------------------|-------------------------------------|
| Examiner-in-Charge:   | Philip D. Engelhart, CPA, AIAF, CFE |
| IT Specialist:        | Joanna Latham, CISA, AES, CPA, CFE  |
| Actuary Specialist:   | Anthony Pipia, ACAS, MAAA           |
| Actuary Specialist:   | Gustave Krause, FCAS, MAAA, FCA     |
| Examiner:             | Chris Davis, CPA                    |
| Examiner:             | Paul Sliwinski, CPA, ARe            |
| Supervising Examiner: | Thomas Mayberry, CPA, CFE           |

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



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Philip D. Engelhart, CPA, AIAF, CFE  
Examiner-in-Charge