

ORGANIZATIONAL EXAMINATION
OF
FCCI SPECIALTY INSURANCE COMPANY
AS OF
JANUARY 26, 2024

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION
OF
FCCI SPECIALTY INSURANCE COMPANY
AS OF
JANUARY 26, 2024

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, reading "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 5th day of March, 2024

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February 23, 2024

Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street, Suite 201
Dover, DE 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Examination Certification No. 23.920, dated December 4, 2023, an Organizational Examination has been conducted of

FCCI Specialty Insurance Company

hereinafter referred to as FCCI or the Company. The Company was incorporated under the laws of the State of Delaware as a stock property and casualty surplus lines insurance company.

The Company's registered agent is Registered Agent Solutions, Inc. with its registered office located at 838 Walker Road, Suite 21-2, Dover, Delaware 19904. The Company's administrative office address is located at 6300 University Parkway, Sarasota, Florida 34240.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

This organizational examination was conducted in conjunction with the Company's application for a domestic surplus lines insurer Certificate of Authority in the State of Delaware. The Company's corporate records, records applicable to and attendant with its application, as well as financial data as of January 26, 2024, have been reviewed.

HISTORY

The Company was incorporated on August 16, 2022, under the laws of the State of Delaware and is authorized to issue five thousand (5,000) common shares with \$200 par value per share. The Company issued the following common stock certificate to FCCI Insurance Group, Inc. (FIGI), a Florida corporation:

<u>Certificate</u>	<u>Shares</u>	<u>Date</u>	<u>Capital</u>	Gross Paid In and Contributed <u>Surplus</u>	<u>Total</u>
#1	2,500	Not Dated	\$500,000	\$14,350,000	\$14,850,000
#2	<u>750</u>	Not Dated	<u>150,000</u>	<u>0</u>	<u>150,000</u>
	<u>3,250</u>		<u>\$650,000</u>	<u>\$14,350,000</u>	<u>\$15,000,000</u>

MANAGEMENT AND CONTROL

Board of Directors

In accordance with its bylaws, adopted September 21, 2022, the business and affairs of the Company shall be managed by a Board of Directors (Board). The number of directors shall be no less than five members and shall be fixed by resolution of the Board. The directors are to be elected at the annual meeting of the Company’s stockholder and shall hold office until their successor shall be elected and qualified.

The director serving as of the examination date were as follows:

- John “Jack” Cox III, Chair
- James M. Welch, Vice Chair
- Charles R. Baumann
- Thomas A. Koval
- Lisa A. Krouse
- Christina D. Welch
- Roy A. Yahraus

Committees of the Board of Directors

The Company's Board appointed several internal committees. The following were the principal internal Board committees and their members as of December 31, 2023:

Executive Committee
John Cox, Chair
Charles Baumann
Roy Yahraus

Audit Committee
Thomas Koval, Chair
Lisa Krouse
Roy Yahraus

Investment Committee
John Cox, Chair
Charles Baumann
Thomas Koval

The Company also has a Budget, Claims & Reserves, Compensation, Internal Operations, Marketing & Underwriting and Nominating standing committees appointed by the Board.

Officers

In accordance with its bylaws, the officers of the Company shall be a President, Secretary, Treasurer, one or more Vice-Presidents, Assistant Secretaries, Assistant Treasurers and any other officers as deemed necessary, who shall be elected annually and hold office until their successors are elected and qualified. The officers serving as of the examination date were as follows:

<u>Officer</u>	<u>Office</u>
Christina Welch	President and Chief Executive Officer
Christopher Shoucair	Secretary and Executive Vice President
Christopher Shoucair	Treasurer and Chief Financial Officer
Michelle Jalbert	Senior Vice President, Controller, Assistant Treasurer

The Company completed the National Association of Insurance Commissioners (NAIC) Form 11 - Biographical Affidavit for the director and officer noted above.

The Company completed the NAIC Form 12 - Uniform Consent to Service of Process (Power of Attorney), dated and effective July 27, 2023.

A conflict of interest statement was completed by each of the directors and executive officers noted above. There were no material conflicts of interest disclosed.

HOLDING COMPANY SYSTEM

At formation, the Company became a member of an Insurance Holding Company System. 18 *Del. C.* §5001(3) states that “control shall be presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing 10% or more of the voting securities of any other person.”

The Company is the wholly-owned subsidiary of FIGI (a Florida corporation), which is the wholly-owned subsidiary of FCCI Insurance Company (FIC) (a Florida domestic insurer), which is the wholly-owned subsidiary of FCCI Group, Inc. (FGI) (a Florida corporation), which is the wholly-owned subsidiary of FCCI Mutual Insurance Holding Company (FMIHC) (a Florida mutual company). FMIHC is the ultimate controlling entity of the Company. Management has stated that there are no holders of greater than 10% of FMIHC.

FIDELITY BOND

The Company is covered by a financial institution bond with FMIHC with an aggregate liability limit of \$10,000,000 and a single loss deductible of \$50,000. Based on the Company’s pro forma information submitted by management, the minimum suggested coverage per the NAIC *Financial Condition Examiners Handbook – Exhibit R* is \$150,000 at year-end 2024, \$250,000 at year-end 2025 and \$350,000 at year-end 2026.

AGREEMENTS

Affiliated

The Company is party to a tax allocation agreement among FMIHC and affiliates effective for the tax year beginning 2022. The Company prepared a preliminary draft Form D of this proposed transaction on December 18, 2023, and will submit it to the Delaware Department of Insurance (Department) for approval upon issuance of the Certificate of Authority.

Upon licensure, the Company intends to become a party to the Amended and Restated Management Services Agreement (MSA) among FCCI Services, Inc. (FSI) and affiliates originally effective November 1, 2016, through a first amendment to this existing agreement. The Company prepared a preliminary draft Form D of this proposed transaction on December 21, 2023, and will submit it to the Department for approval upon issuance of the Certificate of Authority.

Affiliated agreements and significant affiliated transactions require a Form D filing with and approval from the Department prior to becoming effective.

Unaffiliated

As of the examination date, the Company is a party to a custodial agreement with U.S. Bank, N.A. (U.S. Bank) effective September 7, 2023.

PLAN OF OPERATION

The Company plans to write commercial property and casualty business only on an excess and surplus lines basis, with a focus on unique and specialized risks in the commercial general liability and commercial property segments.

REINSURANCE

As of the examination date, the Company is not a party to any reinsurance agreements, affiliated or unaffiliated.

However, upon licensure, the Company intends to become a party to a 100% quota share ceded reinsurance agreement with affiliate FIC. The Company prepared a preliminary draft Form D of this proposed transaction on January 4, 2024, and will submit it to the Department for approval upon issuance of the Certificate of Authority.

Affiliated agreements and significant affiliated transactions require a Form D filing with and approval from the Department prior to becoming effective.

CAPITAL AND SURPLUS REQUIREMENTS

18 *Del. C.* §511(a) requires \$650,000 as the minimum common capital stock for a stock insurance company authorized to write multiple lines property and casualty insurance. 18 *Del. C.* §1932(a) requires \$15,000,000 as the minimum policyholder surplus for a domestic surplus lines insurer. The Delaware Domestic/Foreign Insurers Bulletin No. 45 effective October 14, 2011, requires that newly-formed Delaware domestic surplus lines insurers have \$15,000,000 as the minimum capital and surplus. Consequently, the minimum required amounts for this examination are as follows:

Common Capital Stock	\$ 650,000
Gross Paid-in and Contributed Surplus	<u>14,350,000</u>
Capital and Surplus as Regards Policyholders	<u>\$15,000,000</u>

FINANCIAL DATA

The financial position of the Company as of January 26, 2024, as determined by this organizational examination, was as follows:

	<u>Assets</u>	<u>Note</u>
Bonds	\$ 2,354,600	1
Cash, Cash Equivalents and Short-term Investments	<u>12,887,122</u>	2
Total Admitted Assets	<u>\$15,241,722</u>	
 <u>Liabilities, Capital and Surplus</u> 		
General Expenses Due and Accrued	\$ 0	
Total Liabilities	<u>\$ 0</u>	
Common Capital Stock	\$ 650,000	
Gross Paid In and Contributed Surplus	14,350,000	
Unassigned Funds	<u>241,722</u>	
Capital and Surplus as Regards Policyholders	<u>\$15,241,722</u>	
Total Liabilities, Capital and Surplus	<u>\$15,241,722</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1	Bonds	\$2,354,600
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The reported balance of \$2,354,600 consists of long-term bonds with \$2,253,139 in a custodial account at U.S. Bank and \$101,461 in a Delaware special deposit account at U.S. Bank, both of which were confirmed directly with the financial institution.

Note 2	Cash, Cash Equivalents and Short-term Investments	\$12,887,122
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The reported balance of \$12,887,122 consists of cash equivalents held in a custodial account at U.S. Bank, which was confirmed directly with the financial institution.

RECOMMENDATIONS

The following recommendations are made as a result of this examination:

<u>Agreements - Affiliated</u>	Page 4
<u>Reinsurance</u>	Page 5

Affiliated agreements and significant affiliated transactions require a Form D filing with and approval from the Department prior to becoming effective.

CONCLUSION

Based on the organizational examination conducted as of January 26, 2024, the financial condition of the Company is as follows:

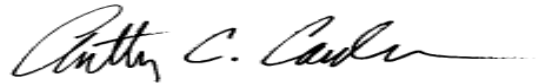
Assets	\$15,241,722
Liabilities	\$ 0
Capital and Surplus as Regards Policyholders	\$15,241,722

Upon completion of the organizational examination, the Company has complied with the capitalization requirements for the State of Delaware. The examination was conducted by the undersigned.

Respectfully submitted,



Andrew E. Chiodini, CFE
Examiner In-Charge
Delaware Department of Insurance



Anthony Cardone, CFE, CPA
Supervising Examiner
Delaware Department of Insurance

FCCI Specialty Insurance Company

I, Andrew E. Chiodini, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to examination authority 23.920.

A handwritten signature in black ink, reading "Andrew E. Chiodini". The signature is written in a cursive style with a prominent initial "A" and "E".

Andrew E. Chiodini, CFE