



**EXAMINATION REPORT
OF**

**Courtesy Insurance Company
Deerfield Beach, Florida**

NAIC Company Code: 26492

**as of
December 31, 2020**

**By
The Florida Office of Insurance Regulation**

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June 14, 2022

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 ("the NAIC"), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

Courtesy Insurance Company
500 Jim Moran Boulevard
Deerfield Beach, Florida 33442

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, 2016 through December 31, 2020 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on August 5, 2021 to August 9, 2021. The fieldwork concluded as of June 14, 2022. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2011 through December 31, 2015.

The examination was a 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.

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 significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on December 21, 1987 and commenced business on May 24, 1988.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2020, the Company's capitalization was as follows:

Number of authorized common capital shares	50,000
Number of shares issued and outstanding	30,000
Total common capital stock	\$3,000,000
Par value per share	\$100.00

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

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

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Most of the directors worked for the following related parties:

- (1) the Company,
- (2) Jim Moran & Associates, Inc.
- (3) JM Family Enterprises, Inc., and
- (4) Fidelity Warranty Services, Inc.

Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Position With Related Party or Work Status
Forrest W. Heathcott III ^(a)	Boca Raton, Florida	President ^{(1), (2), (4)} Executive Vice President ⁽³⁾
Michael D. Pritchard	Boca Raton, Florida	Group Vice President, Chief Financial Officer and Assistant Treasurer ^{(1), (2)}
Maria K. Guttuso	Boca Raton, Florida	Vice President, General Counsel and Secretary, ^{(1), (2), (4)}
Chris W. Costello ^(b)	Boca Raton, Florida	Vice President ^{(1), (2), (4)}
Colin W. Brown	Lighthouse Point, Florida	Board Chair ⁽³⁾
Brent D. Burns	Sea Lakes Ranch, Florida	President and Chief Executive Officer ⁽³⁾
Scott T. Gunnell	Boca Raton, Florida	Group Vice President ^{(1), (2), (4)}
Donna C. McWilliams	Boca Raton, Florida	Retired
Larry D. McGinnes	Wildwood, Missouri	Retired

(a) Resigned on January 1, 2021, and was replaced by Daniel M. Chait as Director on January 1, 2021.

(b) Resigned on August 15, 2021, and was not replaced.

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

Senior Officers		
Name	City, State	Title
Forrest W. Heathcott III ^(a)	Boca Raton, Florida	President
Michael D. Pritchard	Boca Raton, Florida	Group Vice President, Chief Financial Officer and Assistant Treasurer
Maria K. Guttuso	Boca Raton, Florida	Vice President, General Counsel and Secretary
Chris W. Costello ^(b)	Boca Raton, Florida	Vice President
Patrick H. Sreenan	Lighthouse Point, Florida	Vice President
Kimberly M. Magner	Lake Worth, Florida	Vice President, Corporate Taxes
Eric M. Gebhard	Delray Beach, Florida	Treasurer
Dana E. Foster	Jupiter, Florida	Assistant Secretary
Caren Snead-Williams	Parkland, Florida	Assistant Secretary
Scott T. Gunnell	Boca Raton, Florida	Group Vice President

(a) Resigned on January 1, 2021, and was replaced by Daniel M. Chait as President on January 1, 2021.

(b) Resigned on August 15, 2021, and was replaced by Mark V. Barovitch as Vice President on July 1, 2021.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2020. The first person listed on the left of each committee listing is the chairperson.

Risk Committee		
Maria K. Guttuso	Scott T. Gunnell	Michael D. Pritchard

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

Audit Committee	
Donna C. McWilliams	Brent D. Burns
Colin W. Brown	Larry D. McGinnes

Investment Committee	
Michael D. Pritchard	Scott T. Gunnell

The following individuals all worked for the following related parties and assisted the board members on the Investment Committee in their responsibilities:

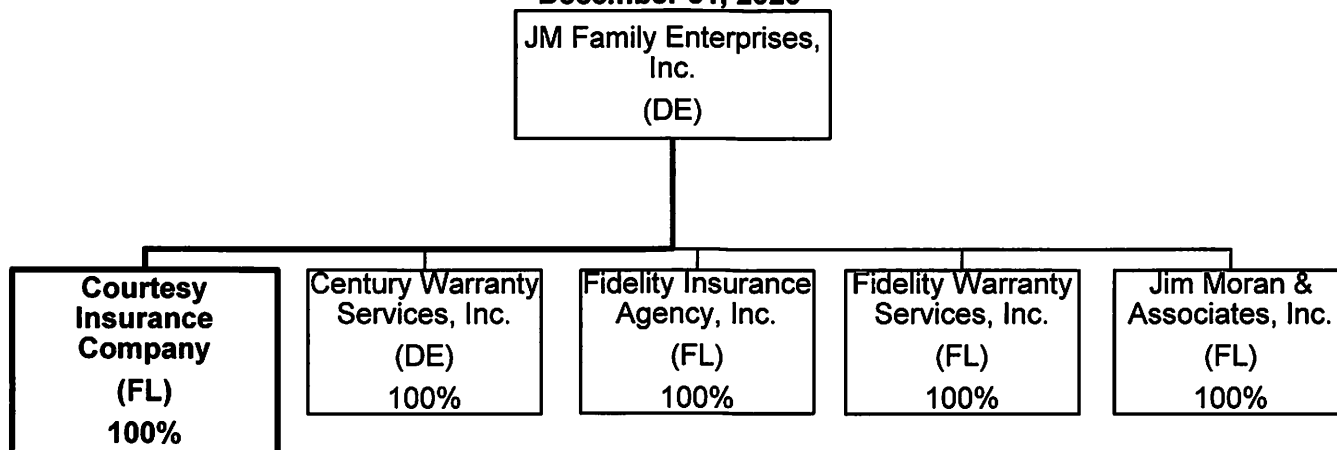
- (1) the Company,
- (2) Jim Moran & Associates, Inc.
- (3) JM Family Enterprises, Inc., and
- (4) Fidelity Warranty Services. Inc.

Name	City, State	Title
Scott H. Argersinger	Boca Raton, Florida	Assistant Treasurer ^{(2), (3)}
Alan J. Browdy	Coral Springs, Florida	Assistant Treasurer ⁽²⁾ Vice President, Corporate Controller and Assistant Treasurer ⁽³⁾
James M. Burdin	Boynton Beach, Florida	Assistant Vice President of Finance ^{(1), (2), (4)}
Carolyn A. Nigro	Deerfield Beach, Florida	Director of Financial Reporting ^{(1), (2), (4)}
David W. Reid	Boca Raton, Florida	Vice President, Direct Investing ⁽³⁾

Holding Company System

A simplified organizational chart as of December 31, 2020, reflecting the holding company system, is shown below. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

**Courtesy Insurance Company
Simplified Organizational Chart
December 31, 2020**



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

Tax Sharing Agreement

The Company, along with its parent, JM Family Enterprises, Inc. ("JMFE"), and other affiliates, filed a consolidated federal income tax return. On December 31, 2020, the method of allocation between the Company and JMFE was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with JMFE. Within fifteen (15) days of the remittance by JMFE of any income tax payment to taxing authorities, all inter-company tax receivables/payables were settled.

Administrative Services Agreement

The Company entered into an Administrative Services Agreement with JMFE on December 18, 2000. The agreement continues in force for a term of one (1) year and will automatically renew for successive one (1) year periods, unless otherwise terminated within the guidelines of the agreement. The service fee paid by the Company was allocated according to the service provided and cost allocation basis provided by the agreement. Fees incurred under this agreement during 2020 amounted to \$27,381,264.

Contractual Liability Insurance Agreements

The Company issued contractual liability policies to two of its affiliates, FWS and Century Warranty Services, Inc. ("CWS"). Both policies issued to CWS had effective dates of September 15, 2002, and were continuous until canceled. Policies issued to FWS had effective dates of April 15, 1996, and June 1, 1997, and were continuous until canceled. Automotive Mechanical and Motor Vehicle Service Agreements sold by FWS and CWS are insured by these policies. The Company agreed to pay one hundred percent (100%) of the reasonably incurred costs. The aggregate premium for the policies was the sum of the designated contract premiums attributable to each designated contract issued by the Company during the policy term. Auto warranty premiums received during 2020 amounted to \$452,152,000.

Services Agreement

The Company entered into a Services Agreement with Jim Moran & Associates, Inc. ("JMA") on April 4, 2019. The agreement continues in force unless otherwise terminated within the guidelines of the agreement. Under the agreement, JMA provided services related to the centralized use of the Accounts Payable and Accounts Receivable functions for the disbursement of certain payments and receipt of premiums, including GAP premiums. GAP premiums received during 2020 amounted to \$119,364,000. No fees were incurred under this agreement.

Reinsurance Administration Expense Recovery Agreement

The Company entered into a Reinsurance Administration Expense Recovery Agreement with JMA on January 1, 2017. The agreement continues in force for a term of one (1) year and will automatically renew for successive one (1) year periods, unless otherwise terminated within the guidelines of the agreement. Under the agreement, JMA compensated the Company for making available and administering Contract Liability Policy Reinsurance Structures permitting JMA to remain competitive in the marketplace. Cost and expenses recovered by the Company were allocated based on the percentage of ceded written premium multiplied by the other underwriting expenses and LAE expenses. Cost and expenses recovered under this agreement during 2020 amounted to \$18,482,084.

Third Party Administration Agreement

The Company entered into a Third Party Administration Agreement with FWS on January 1, 1996. Under the agreement, the Company designated FWS to administer service contracts, including cancellations and adjustments of claims. No fees were incurred under this agreement.

Resource Allocation Agreement

The Company entered into a Resource Allocation Agreement with FWS on August 1, 2012. Under the agreement, under-utilized Company associates are utilized for the administration of FWS claims. FWS paid an allocated fee based on direct expenses incurred plus an allocation of corporate overhead. Fees billed under this agreement during 2020 amounted to \$6,277,060. Subsequent to the examination period, this agreement was terminated effective January 1, 2021.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Deerfield Beach, Florida.

TERRITORY AND PLAN OF OPERATIONS

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

• Alabama	• Kentucky	• Ohio
• Alaska	• Louisiana	• Oklahoma
• Arizona	• Maine	• Oregon
• Arkansas	• Maryland	• Pennsylvania
• California	• Massachusetts	• Rhode Island
• Colorado	• Minnesota	• South Carolina
• Connecticut	• Mississippi	• South Dakota
• Delaware	• Missouri	• Tennessee
• District of Columbia	• Montana	• Texas
• Florida	• Nebraska	• Utah
• Georgia	• Nevada	• Vermont
• Hawaii	• New Hampshire	• Virginia
• Idaho	• New Jersey	• Washington
• Illinois	• New Mexico	• West Virginia
• Indiana	• New York	• Wisconsin
• Iowa	• North Carolina	• Wyoming
• Kansas	• North Dakota	• Puerto Rico

The Company was authorized to transact insurance in Florida on May 24, 1988, and is currently authorized for the following lines of business as of December 31, 2020:

• Auto Warranty	• Miscellaneous Casualty
• Surety	

The Company primarily writes Auto Warranty and Miscellaneous Casualty policies in the states where it is licensed or eligible. As of December 31, 2020, the top five (5) largest states by written premium volume were as follows:

State	Direct Written Premium
Florida	\$459,711,549
California	\$14,159,392
New Jersey	\$12,354,683
Texas	\$9,578,530
Georgia	\$8,974,009

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 assumed risk on a one hundred percent (100%) quota share basis from two unaffiliated insurance companies.

Reinsurance Ceded

The Company ceded risk on a quota share basis to various unauthorized reinsurers. Unauthorized reinsurers utilized a trust agreement, letter of credit, or other allowable collateral.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2020. 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, 2020. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Courtesy Insurance Company
Assets
December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	876,138,439		876,138,439
Stocks			
Common stocks	120,878,004		120,878,004
Cash and short-term investments	61,370,981		61,370,981
Receivables for securities	1,360,259		1,360,259
Subtotals, cash and invested assets	1,059,747,683		1,059,747,683
Investment income due and accrued	5,718,955		5,718,955
Premiums and considerations			
Uncollected premiums and agents' balances	1,086,070		1,086,070
Reinsurance			
Amounts recoverable from reinsurers	9,807,148		9,807,148
Net deferred tax asset	16,795,261	2,064,580	14,730,681
Receivable from parent, subsidiaries and affiliates	29,001,861		29,001,861
Aggregate write-in for other than invested assets	32,687		32,687
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	1,122,189,665	2,064,580	1,120,125,085
Total	1,122,189,665	2,064,580	1,120,125,085

Courtesy Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2020

	Per Company
Losses	18,355,565
Loss adjustment expenses	1,087,622
Other expenses	1,341,114
Taxes, licenses and fees	3,594,524
Current federal and foreign income taxes	5,022,902
Unearned premiums	472,208,101
Ceded reinsurance premiums payable	31,506,096
Funds held by company under reinsurance treaties	25,974,096
Provision for reinsurance	1,287,360
Payable for securities	2,815,000
Aggregate write-in for liabilities	324,754
Total liabilities excluding protected cell liabilities	563,517,134
Total liabilities	563,517,134
Common capital stock	3,000,000
Gross paid-in and contributed surplus	1,650,000
Unassigned funds (surplus)	551,957,951
Surplus as regards policyholders	556,607,951
Totals	1,120,125,085

**Courtesy Insurance Company
Statement of Income
December 31, 2020**

	Per Company
Underwriting Income	
Premiums earned	203,146,765
Deductions	
Losses incurred	147,263,888
Loss adjustment expenses incurred	5,451,547
Other underwriting expenses incurred	9,124,735
Total underwriting deductions	161,840,170
Net underwriting gain (loss)	41,306,595
Investment Income	
Net investment income earned	23,435,709
Net realized capital gains or (losses)	8,432,484
Net investment gain or (loss)	31,868,193
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	73,174,788
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	73,174,788
Federal & foreign income taxes incurred	13,516,309
Net income	59,658,479
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	485,232,931
Net income	59,658,479
Change in net unrealized capital gains or losses less capital gains tax	8,427,660
Change in net deferred income taxes	309,140
Change in non-admitted assets	874,802
Change in provision for reinsurance	2,104,939
Change in surplus as regards policyholders for the year	71,375,020
Surplus as regards policyholders, December 31, current year	556,607,951

**Courtesy Insurance Company
Reconciliation of Capital and Surplus
December 31, 2020**

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, 2015, per Company			360,104,184
	Increase	Decrease	
Net income	193,003,498		
Change in net unrealized capital gain (loss)	5,820,828		
Change in net deferred income tax		4,677,363	
Change in non-admitted assets	3,356,130		
Change in provision for reinsurance		999,334	
Net increase (or decrease)			196,503,767
Surplus at December 31, 2020 per Company			556,607,951

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$556,607,951, exceeded the minimum of \$51,923,750 required by Section 624.408, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Courtesy Insurance Company as of December 31, 2020, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following individuals from Florida Office of Insurance Regulation ("The Office"), Carr, Riggs & Ingram, LLC ("CRI"), The NOVO Consulting Group, LLC ("NOVO"), and Merlinos & Associates, Inc. ("Merlinos") also participated in the examination:

Joseph May, CPA, CMA, CFE, CIE	Exam Manager	CRI
Chad Mason, PIR	Exam Supervisor	The Office
Robert Ficken, CPA, CFE, CISA, AES, CRISC, CISSP	IT Specialist	NOVO
Robert P. Daniel, ACAS, MAAA	Examination Actuary	Merlinos
Jeremy Hoch, ACAS, MAAA	Examination Actuary	Merlinos
Greg Fanoe, ACAS, MAAA	Examination Actuary	Merlinos
Sharon Stuber, CPA	Participating Examiner	CRI
Caroline Edmonson	Participating Examiner	CRI

Respectfully submitted,



Dale Miller, CPA, CFE, CFF
Examiner-in-Charge
Carr, Riggs & Ingram, LLC
Representing the Florida Office of Insurance Regulation



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