



**EXAMINATION REPORT
OF**

**BRIDGEFIELD CASUALTY INSURANCE
COMPANY**

NAIC Company Code: 10335

**Lakeland, 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
PRIOR EXAMINATION FINDINGS.....	2
COMPANY HISTORY.....	2
GENERAL	2
DIVIDENDS	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS	3
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	3
MANAGEMENT AND CONTROL.....	3
CORPORATE GOVERNANCE.....	3
HOLDING COMPANY SYSTEM.....	6
TAX ALLOCATION AGREEMENT	6
INVESTMENT SERVICES AGREEMENT	7
MANAGING GENERAL AGENT AGREEMENT	7
GENERAL SERVICES AGREEMENT	7
AMENDED AND RESTATED SERVICES AGREEMENT.....	8
REINSURANCE POOLING AGREEMENT	8
SIMPLIFIED ORGANIZATIONAL CHART	9
ACCOUNTS AND RECORDS	10
CORPORATE RECORDS REVIEW	10
CONFLICT OF INTEREST.....	10
CUSTODIAL AGREEMENT	10
INDEPENDENT AUDITOR AGREEMENT.....	10
TERRITORY AND PLAN OF OPERATIONS.....	11
TREATMENT OF POLICYHOLDERS.....	11
REINSURANCE	11
REINSURANCE ASSUMED	11
REINSURANCE CEDED.....	11
INFORMATION TECHNOLOGY REPORT.....	12
STATUTORY DEPOSITS.....	13
FINANCIAL STATEMENTS	14
ASSETS.....	15
LIABILITIES, SURPLUS AND OTHER FUNDS	16
STATEMENT OF INCOME	17
RECONCILIATION OF CAPITAL AND SURPLUS.....	18
COMMENTS ON FINANCIAL STATEMENT ITEMS	19

LIABILITIES	19
CAPITAL AND SURPLUS	19
CONCLUSION.....	20

December 19, 2017

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

Bridgefield Casualty Insurance Company
2310 Commerce Point Drive
Lakeland, Florida 33801

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 April 11, 2017, to April 14, 2017. The fieldwork commenced on April 11, 2017, and concluded as of December 19, 2017. 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 coordinated multi-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. The lead state for this examination was Ohio; states that participated in this examination are as follows: Missouri, Texas, New York, California, Delaware, and Florida.

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 for the examination period.

Prior Examination Findings

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

COMPANY HISTORY

General

The Company was incorporated in Florida on October 7, 1994, and commenced business on February 16, 1995. As of December 31, 2016, the Company is authorized to provide workers compensation coverage, which is their only line of business.

Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholders in 2016 in the amount of \$5,000,000. There were no dividends paid to stockholders in the prior years during examination.

Capital Stock and Capital Contributions

As of December 31, 2016, the Company's capitalization was as follows:

Number of authorized common capital shares	25,000
Number of shares issued and outstanding	25,000
Total common capital stock	\$2,500,000
Par value per share	\$100.00

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

The Company was acquired on April 1, 2014, by American Financial Group Inc. ("AFG"), an Ohio Corporation, from Liberty Mutual Insurance Company.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting 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
Gary John Gruber ¹	Cincinnati, Ohio	Executive Vice President, Great American Insurance Company
Michael Eugene Sullivan, Jr.	Cincinnati, Ohio	Senior Vice President, Great American Insurance Company
Ronald James Brichler	Cincinnati, Ohio	Senior Vice President, Great American Insurance Company

Carol Prevatt Sipe	Lakeland, Florida	President and Chief Executive Officer, Summit Consulting, LLC
David John Witzgall	Villa Hills, Kentucky	Senior Vice President, Chief Financial Officer and Treasurer, Great American Insurance Company
Donald Dumford Larson (a)	Cincinnati, Ohio	President and Chief Operating Officer American Financial Group

¹ Chairperson

(a) Donald Larson retired on March 10, 2017.

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Senior Officers:

Senior Officers

Name	City, State	Title
Carol Prevatt Sipe	Lakeland, Florida	President and Chief Executive Officer
David John Witzgall	Villa Hills, Kentucky	Senior Vice President, Chief Financial Officer and Treasurer
David John Conway	Lakeland, Florida	Vice President and Chief Financial Officer
Eve Cutler Rosen	Cincinnati, Ohio	Secretary

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

Executive Committee

Name	City, State	Title, Company Name
Ronald James Brichler	Cincinnati, Ohio	Director and Senior Vice President, Great American Insurance Company
Gary John Gruber	Cincinnati, Ohio	Director and Executive Vice President, Great American Insurance Company
Donald Dumford Larson (a)	Cincinnati, Ohio	Director, President and Chief Operating Officer, American Financial Group

(a) Donald Larson Retired on March 10, 2017, and was replaced by Michael E. Sullivan Jr.

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

Audit Committee

Name	City, State	Title, Company Name
Terry Jacobs ¹	Cincinnati, Ohio	Chairman and Chief Executive Officer, JFP Group, LLC
Gregory Joseph	Cincinnati, Ohio	Executive Vice President, Attorney and Principal, Joseph Automotive Group
Virginia Gina Drosos	Cincinnati, Ohio	Chief Executive Officer and President, Assurex Health
John Von Lehman	Cincinnati, Ohio	(Retired) Executive Vice President, Chief Financial Officer, Secretary and Director, Midland Company

¹ Chairperson

Finance Committee

Name	City, State	Title, Company Name
Ronald James Brichler	Cincinnati, Ohio	Director and Senior Vice President, Great American Insurance Company
Gary John Gruber	Cincinnati, Ohio	Director and Executive Vice President, Great American Insurance Company
David John Witzgall	Villa Hills, Kentucky	Director, Senior Vice President, Chief Financial Officer and Treasurer, Great American Insurance Company

Holding Company System

Control of the Company is maintained by its parent, Bridgefield Employers Insurance Company ("BEIC"). Summit Holding Southeast, Inc. ("Summit Holding") owns one hundred percent (100%) of the stock issued by BEIC. Summit Holding is one hundred percent (100%) owned by Great American Holding, Inc. ("GAH"), which, in turn is one hundred percent (100%) owned by AFG, an Ohio Corporation.

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

Tax Allocation Agreement

The Company entered into a Tax Allocation Agreement with AFG upon affiliation April 1, 2014. The Company participates in a consolidated federal income tax return. On December 31, 2016, the Company's method of allocation was on a separate-entity basis. Each member of the group recorded an inter-company income tax payable with AFG. Quarterly estimated tax payments are required to be paid to AFG at least three (3) days prior to the due date of the payment to the Internal Revenue Service. Annually, any adjustments to the quarterly payments are required to be paid by each member at least twenty-four (24) hours prior to the due date of such tax return.

Investment Services Agreement

The Company entered into an Investment Services Agreement with American Money Management Corporation on April 1, 2014, to provide investment services. This would include counseling, advising and managing the investment of the Company's portfolio, objectives, directions, and guidelines, as established by the Board. The agreement shall remain in effect until terminated by any party at any time as long as ninety (90) days written notice was provided. The agreement is subject to a renegotiation upon request of either party every three (3) years. Services for rendering management services will be charged and paid quarterly on a prorated basis based on the proportion of the Company's portfolio. The expenses are determined to be estimated and subject to a year-end review and final adjustment if necessary to reflect actual costs and expenses incurred. Any balances should be settled within sixty (60) days after termination of the calendar year. Fees incurred under this agreement during 2016 were \$7,758.

Managing General Agent Agreement

The Company entered into a Managing General Agency ("MGA") Agreement with Summit Consulting LLC ("Summit Consulting") on April 1, 2014. The agreement shall remain in effect until terminated as long as either party provides ninety (90) days written notice. If the contract is terminated, Summit Consulting will provide transitional services to the Company, including services and terms necessary to fulfill the obligations of the agreement. For services provided by Summit Consulting, the Company agrees to pay an MGA fee of thirteen percent (13%) of the earned normal premium (annual premium less any approved discounts, credits, or adjustments) during any month with payment to be provided by the 15th of the following month. Fees incurred under this agreement during 2016 amounted to \$34,389,672.

General Services Agreement

The Company entered into a General Services Agreement with GAH and Summit Holding on April 1, 2014, to provide services including, but not limited to, printing, office duplicating, telecommunications, purchasing, personnel, data processing, administrative, consultative, etc. The agreement shall remain in force and can be terminated at any time as long as thirty (30) days written notice is provided to GAH. Fees are charged based on the services furnished based on the cost as long as the cost is no greater than what the payer would expend if they provided such services for itself. Each performing party shall prepare statements of all services performed and

fees charged and submitted to the requesting party no less than quarterly. The payment must be paid thirty (30) days from the date of the statement. The Company does not pay for fees for the General Services Agreement. The fees incurred on the Company's behalf are charged to the MGA, Summit Consulting, which passes them onto the Company as part of their MGA fees.

Amended and Restated Services Agreement

The Company entered into a Management Agreement with Republic Indemnity Company of America ("Republic America"), on April 1, 2014, to provide services including, but not limited to, actuarial services, telecommunication services, facilities, software programming, hardware utilization, legal services, purchasing, payroll, and employee relations. The agreement shall remain in force for a term of three (3) years, unless otherwise terminated wholly or partially by mutual consent by any party within the guidelines of the agreement. Republic America does not charge a management fee for the services provided within this agreement.

Reinsurance Pooling Agreement

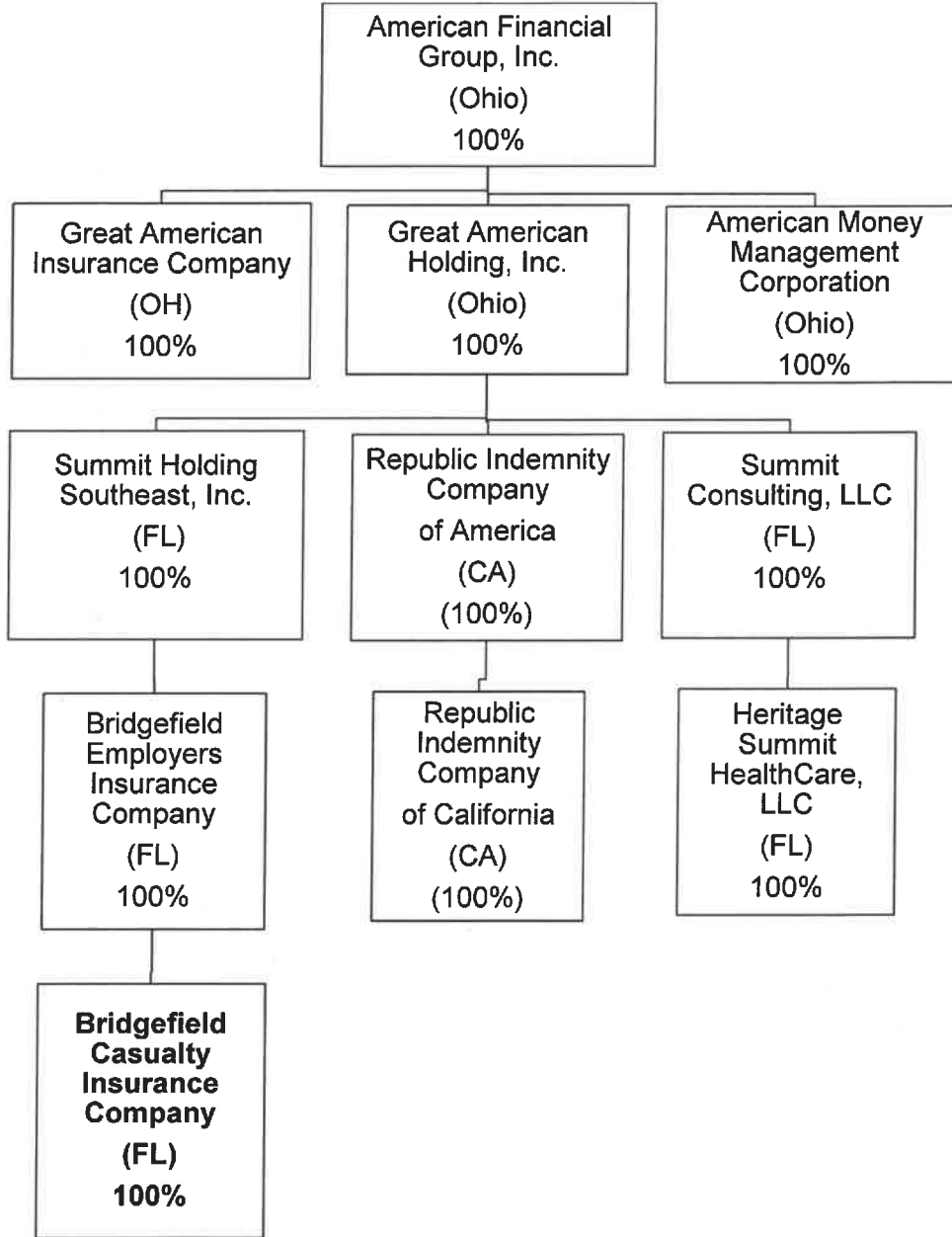
The Company entered into a Reinsurance Pooling Agreement with Republic America, on April 1, 2014. The agreement continues to be in force unless otherwise terminated within the guidelines of the agreement. The participating companies agree to cede and transfer to Republic America all premiums and losses and Republic America agrees to assume and reinsure all underwriting liabilities. Republic America may secure reinsurance as it may deem necessary or appropriate for liabilities assumed. Expenses that are related to the operation of insurance, taxes and MGA are paid by the Company and reimbursed by Republic America. The Company is responsible for settling accounts within fifteen (15) days following the receipt of the monthly statement provided by Republic America. Republic America does not charge a management fee for the pooling of reinsurance or services therein.

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

Bridgefield Casualty Insurance Company

Simplified Organizational Chart

December 31, 2016



ACCOUNTS AND RECORDS

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

Corporate Records Review

The recorded minutes of the Shareholders, the Board and certain internal committees were reviewed for the period under examination. The recorded 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, as required by 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 Bank of New York Mellon executed on March 24, 2014. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, Ernst and Young ("EY"), audited the Company's statutory basis financial statements annually for the years 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 in the following states:

Alabama	Indiana	North Carolina
Arkansas	Kentucky	South Carolina
Florida	Louisiana	Tennessee
Georgia	Mississippi	Texas

The Company was authorized to transact insurance in Florida on February 16, 1995, and is authorized for Workers' Compensation 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 has reinsurance in place to cede risk on a quota share and excess of loss basis to related and unrelated reinsurers.

The Company and BEIC entered into a quota share and excess of loss agreement with Safety National Casualty Corporation ("Safety National") on January 1, 2012, through April 1, 2017.

As aforementioned, the Company entered into a Reinsurance Pooling Agreement to cede all premium and losses to Republic America on April 1, 2014.

INFORMATION TECHNOLOGY REPORT

Rich Sowalsky, CISA, IT Senior Manager, of Baker Tilly, 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, and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	USTNTS	\$ 1,580,566	\$ 1,579,253
TOTAL FLORIDA DEPOSITS		<u>\$ 1,580,566</u>	<u>\$ 1,579,253</u>
GA	USTNTS	\$ 100,049	\$ 100,047
NC	USTNTS	\$ 320,059	\$ 319,450
TOTAL OTHER DEPOSITS		<u>\$ 420,108</u>	<u>\$ 419,497</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 2,000,674</u>	<u>\$ 1,998,750</u>

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during the 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 Florida Office of Insurance Regulation, are reflected on the following pages.

Bridgefield Casualty Insurance Company

Assets

December 31, 2016

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 38,990,498		\$ 38,990,498
Stocks:			
Preferred Stocks	\$ 917,500		\$ 917,500
Cash, cash equivalents and short-term investments	\$ 7,075,591		\$ 7,075,591
Other invested assets	\$ 2,884,046		\$ 2,884,046
Subtotals, cash and invested assets	\$ 49,867,635		\$ 49,867,635
Investment income due and accrued	\$ 617,733		\$ 617,733
Premiums and Considerations:			
Uncollected premiums and agents' balances in the course of collection	\$ 3,437,727		\$ 3,437,727
Deferred premiums, agents' balances and installments booked but deferred and not yet due	\$ 1,379,502		\$ 1,379,502
Net deferred tax asset	\$ 52,432		\$ 52,432
TOTAL	\$ 55,355,028	\$0	\$ 55,355,028

Bridgefield Casualty Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2016

	Per Company	Examination Adjustments	Per Examination
Reinsurance payable on paid losses and loss adjustment expenses	\$ 1,214,219		\$ 1,214,219
Net deferred tax liability	\$ 6,641		\$ 6,641
Payable to parent, subsidiaries and affiliates	\$ 8,301,948		\$ 8,301,948
Total Liabilities	\$ 9,522,808		\$ 9,522,808
Common capital stock	\$ 2,500,000		\$ 2,500,000
Gross paid in and contributed surplus	\$ 30,013,722		\$ 30,013,722
Unassigned funds (surplus)	<u>\$ 13,318,498</u>	<u> </u>	<u>\$ 13,318,498</u>
Surplus as regards policyholders	<u>\$ 45,832,220</u>	<u> </u>	<u>\$ 45,832,220</u>
TOTAL	<u>\$ 55,355,028</u>	<u> </u>	<u>\$ 55,355,028</u>

Bridgefield Casualty Insurance Company

Statement of Income

December 31, 2016

Investment Income

Net investment income earned	\$916,138
Net investment gain or (loss)	\$916,138

Other Income

Net income before dividends to policyholders, after capital gains tax and before all other federal & foreign income taxes	\$916,138
Net Income, after dividends to policyholders, after capital gains tax and before all other federal & foreign income taxes	\$916,138
Federal & foreign income taxes incurred	<u>260,258</u>
Net Income	<u><u>\$655,880</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$50,049,734
Net Income	\$655,880
Change in net unrealized capital gains or (losses)	(53,662)
Change in net deferred income tax	180,268
Dividends to stockholders	(5,000,000)
Examination Adjustment	<u>0</u>
Change in surplus as regards policyholders for the year	<u>(\$4,217,514)</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$45,832,220</u></u>

Bridgefield Casualty 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			\$45,450,583
	<u>Increase</u>	<u>Decrease</u>	
Net Income	\$4,858,039		\$4,858,039
Change in Net Unrealized Cap Gain		(\$53,662)	(\$53,662)
Change in net deferred income tax	\$63,538		\$63,538
Capital Changes - Paid In	\$700,000		\$700,000
Paid in Surplus - Adjustments		(\$186,278)	(\$186,278)
Dividends on stockholders		(\$5,000,000)	(\$5,000,000)
Net increase (or decrease)			<u>\$381,637</u>
Surplus at December 31, 2016, per Examination			<u><u>\$45,832,220</u></u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Lisa A. Hays, Vice President and Actuary of GAIC, 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 examination team was a participating state in a coordinated examination with Ohio (lead state), on the parent Company GAIC, and the overall parent AFG. The examination team noted that the Company relies on the actuarial services of the parent; as such, Florida did not perform independent actuarial services, but relied on the lead state's conclusion.

Thomas Botsko, Property and Casualty Chief Actuary of the Ohio Insurance Department, 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 \$45,832,220 exceeded the minimum of \$4,000,000 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 **Bridgefield Casualty 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 policyholders was \$45,832,220, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, John Romano, CPA, CFE, CIA, Examiner-In-Charge, and Rachel Myslinski, CPA, Michael Costa and Michelle January, Participating Examiners, of Baker Tilly, also participated in the examination. Members of the Office who participated in the examination include Jeffrey Rockwell, MBA, FCCM, Financial Examiner/Analyst Supervisor, Examination Manager and Paula Bowyer, APIR, Financial Examiner/Analyst II, Participating Examiner. Additionally, Rich Sowalsky, CISA, IT Senior Manager of Baker Tilly, is recognized for participation in the examination.

Respectfully submitted,



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