



**EXAMINATION REPORT
OF
FFVA SELECT INSURANCE CO.**

NAIC Company Code: 16236

**Maitland, Florida
as of
December 31, 2018**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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February 11, 2020

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2018, of the financial condition and corporate affairs of

FFVA Select Insurance Co.
800 Trafalgar Court, Suite 200
Maitland, Florida 32751

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

SCOPE OF EXAMINATION

This examination covered the period of August 16, 2017 through December 31, 2018 and commenced with planning at the Florida Office of Insurance Regulation (“Office”) on July 29, 2019 to August 2, 2019. The fieldwork commenced on July 29, 2019, and concluded as of February 11, 2020.

The examination was a 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included 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 was no documentation of the investment transactions being reviewed and approved by the Board of Directors for the Company. This is a violation of Section 625.304, Florida Statutes.

Previous Examination Findings

There were no findings from a previous examination, as this is the first one.

COMPANY HISTORY

General

The Company was incorporated in Florida on August 16, 2017 and commenced business on October 26, 2017.

Dividends

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

Capital Stock and Capital Contributions

The Company is a wholly-owned subsidiary of FFVA Mutual Insurance Company ("FFVA Mutual"). The Company's common capital stock consisted of 15,000 shares issued to its parent with a par value of \$100 a share for a total of \$1.5 million. In addition, the parent contributed \$3.6 million as paid-in capital.

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

Number of authorized common capital shares	15,000
Number of shares issued and outstanding	15,000
Total common capital stock	\$ 1,500,000
Par value per share	\$ 100
Paid in capital	\$ 3,600,000

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

The Company was incorporated and capitalized on August 16, 2017. The Company was not a party to any other acquisitions, mergers, disposals, or dissolutions during the period of this examination.

MANAGEMENT AND CONTROL

Corporate Governance

The Company's Board of Directors ("Board") serving as of December 31, 2018, are shown below:

Directors			
Name	City	State	Principal Occupation, Company Name
Leslie Woodrow Dunson III ⁽¹⁾	Winter Haven	Florida	President, Dunson Harvesting, Inc.
Robert Charles Barrett	Orlando	Florida	Attorney, Rissman, Barrett, Hurt, Donahur & McLain, PA
Peter Stuart Harlee, Jr.	Palmetto	Florida	President, Harlee Farms, Inc.
Craig Menzl ^(a)	Longwood	Florida	President & CEO, FFVA Mutual Insurance Company
Charles Thomas Ranson	Vero Beach	Florida	Retired
Morgan Henderson Roe	Winter Haven	Florida	Business Consultant
Glenn Roy Rogers	Mount Dora	Florida	President, Zellwin Farm Company
Michael Joseph Stuart	Longwood	Florida	President, Florida Fruit & Vegetable Association
James Walter Warmus	Windermere	Florida	Owner, Caribbean Resort Management Company, Inc.
⁽¹⁾ Chairman			
^(a) Resigned as Director and was replaced by Alan Hair, effective January 10, 2020.			

Senior Officers elected and serving the Company as of December 31, 2018 are shown below:

Senior Officers			
Name	City	State	Title
Craig Menzl ^(a)	Longwood	Florida	President & CEO, FFVA Mutual Insurance Co.
Alan Ernest Hair ^(b)	Orlando	Florida	Secretary/Treasurer & CFO Financial Officer
<p>^(a) Resigned on January 10, 2020 and was replaced by Alan Hair as President on January 10, 2020.</p> <p>^(b) Mr. Hair was appointed as President on January 10, 2020 and was replaced by Bruce Clement as Treasurer and Halston Fernandez as Secretary on January 10, 2020.</p>			

The Company maintained an audit committee during the period of examination. The following were members of the audit committee as of December 31, 2018:

Audit Committee			
Name	City	State	Principal Occupation, Company Name
Leslie Woodrow Dunson III ⁽¹⁾	Winter Haven	Florida	President, Dunson Harvesting, Inc.
Robert Charles Barrett	Orlando	Florida	Attorney, Rissman, Barrett, Hurt, Donahur & McLain, PA
Peter Stuart Harlee, Jr.	Palmetto	Florida	President, Harlee Farms, Inc.
Craig Menzl ^(a)	Longwood	Florida	President & CEO, FFVA Mutual Insurance Co.
Charles Thomas Ranson	Vero Beach	Florida	Retired
Morgan Henderson Roe	Winter Haven	Florida	Business Consultant
Glenn Roy Rogers	Mount Dora	Florida	President, Zellwin Farm Company
Michael Joseph Stuart	Longwood	Florida	President, Florida Fruit & Vegetable Association
James Walter Warmus	Windermere	Florida	Owner, Caribbean Resort Management Company, Inc.
⁽¹⁾ Chair			
^(a) Resigned and was replaced by Alan Hair, effective January 10, 2020.			

Holding Company System

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

Management Contract Agreement

The Company is party to a Managing General Agency Agreement (“MGAA”) with FFVA-AIM, Inc. (“AIM”) effective August 25, 2017. As detailed in the MGAA, AIM is responsible for managing and administering the affairs of the Company. This includes, but is not limited to, marketing, underwriting, billing, collection, claims administration, safety and loss prevention, reinsurance placement, issuance of evidence of coverage, accounting, regulatory reporting, investment oversight, auditing, budgeting, IT support, and general administration. The Company is under common control with AIM as defined in Section 624.10, Florida Statutes and AIM is classified as an affiliate of the Company. Expenses incurred under the MGAA during 2018 amounted to approximately \$6 thousand.

Medical Management and Cost Containment Agreement

The Company is party to a Medical Management and Cost Containment Agreement (“MMCCA”) with AIM under AIM’s doing business as (“dba”) name of Innovative Risk Consulting (“IRC”), effective June 21, 2017. According to the MMCCA, IRC provides the management of medical costs through the provision of precertification, utilization review, bill review, and other cost containment services as defined in the MMCCA. IRC provides managerial expertise and other specified administrative functions, including the negotiation of a preferred provider network contract. The Company did not pay any claims during the period under examination and hence did not incur any expenses under the MMCCA in 2018.

Cost Sharing Agreement

The Company entered into a Cost Sharing Agreement (“CSA”) with FFVA Mutual effective August 25, 2017. The Companies perform certain services on behalf of the other, and each Company shares office facilities, and utilize certain personnel, furniture, equipment, computer hardware and software, and other property and assets. The CSA allows for the allocation of expenses paid by one entity on behalf of the other. Costs incurred by the Company under this agreement during 2018 amounted to approximately \$47 thousand.

ACCOUNTS AND RECORDS

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

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with The Bank of New York, executed on September 5, 2017.

The Company maintained a custodial agreement with SunTrust Bank, executed on October 3, 2017.

Investment Advisory Agreement

The Company was a covered entity through an investment advisory agreement entered between FFVA Mutual and Burgess Chambers and Associates, Inc. (“Burgess”), whereas Burgess provides investment advisory and consulting services. FFVA Mutual pays for the services under the investment advisory agreement. The Company is covered under a consolidated basis as the Company is a wholly-owned subsidiary of FFVA Mutual.

Independent Auditor Agreement

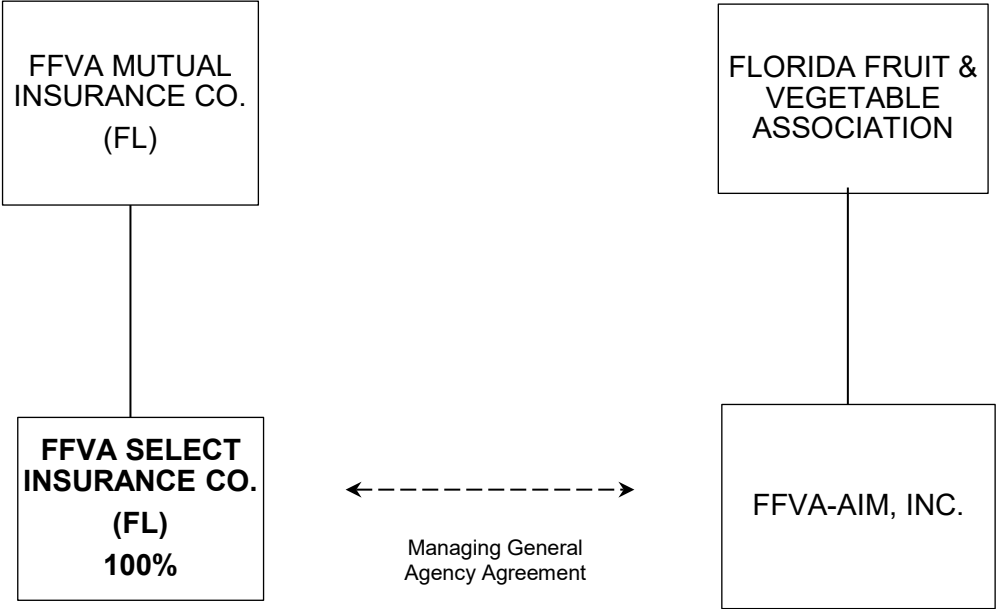
An independent CPA, Withum Smith & Brown, PA, audited the Company’s statutory basis financial statements annually for the years 2017 and 2018.

Corporate Records Review

The recorded minutes of the Shareholder(s), Board of Directors (Board) and the Audit Committee were reviewed for the period under examination. There was no documentation of the Company’s investment transactions being reviewed and approved by the Board of Directors for the Company, which violates Section 625.304, Florida Statutes.

A simplified organizational chart as of December 31, 2018, reflecting the holding company system, is shown on the following page. Schedule Y of the Company’s 2018 annual statement provided a list of all related companies of the holding company group.

FFVA Select Insurance Co.
Organizational Chart
December 31, 2018



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states as of December 31, 2018:

Florida	Georgia	North Carolina
Tennessee	Virginia	

The Company was authorized to write workers' compensation as of December 31, 2018.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards concerning 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 examination period.

Reinsurance Ceded

The Company was party to a 100% quota share agreement with its parent, FFVA Mutual. Under the agreement, the Company ceded 100% of premiums, claims and claim adjustment expenses.

INFORMATION TECHNOLOGY REPORT

Joanna Latham, CISA, and Jenny Jeffers, CISA, of Jennan Enterprises, and Lindsey Pittman, CISA, AES, of Lewis & Ellis, Inc., evaluated the information technology and computer systems of the Company. The results of the evaluation are in the Information Technology Report provided to the Company.

STATUTORY DEPOSITS

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

State	Description		Par Value	Market Value
FL	BOND	1.88%	650,000	604,793
FL	BOND	1.88%	300,000	279,135
TOTAL FLORIDA DEPOSITS			\$ 950,000	\$ 883,928
GA	USTNTS	2.25%	\$ 75,000	\$ 73,749
NC	USTNTS	2.25%	250,000	245,830
VA	MONEY MARKET		6,100	6,100
TOTAL OTHER DEPOSITS			\$ 331,100	\$ 325,679
TOTAL SPECIAL DEPOSITS			\$ 1,281,100	\$ 1,209,607

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; the statutory Statement of Income; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2018. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2018.

FFVA Select Insurance Co.
Assets
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 4,651,371		\$ 4,651,371
Cash and Short-Term Investments	570,099		570,099
Investment income due and accrued	23,110		23,110
Agents' Balances:			
Uncollected premium	7,334		7,334
Deferred premium	368,680		368,680
Aggregate write-in for other than invested assets	-	_____	-
Totals	<u>\$ 5,620,594</u>	<u>\$ -</u>	<u>\$ 5,620,594</u>

**FFVA Select Insurance Co.
Liabilities, Surplus and Other Funds
December 31, 2018**

	Per Company	Examination Adjustments	Per Examination
Losses	\$ -		\$ -
Loss adjustment expenses	-		-
Commissions payable	48,975		48,975
Other expenses	6,491		6,491
Taxes, licenses and fees	21,196		21,196
Current federal and foreign income taxes	26,050		26,050
Ceded reinsurance premiums payable	262,099		262,099
Payable to parent, subsidiaries, and affiliates	<u>47,394</u>	<u> </u>	<u>47,394</u>
Total Liabilities	<u>\$ 412,205</u>	<u>\$ -</u>	<u>\$ 412,205</u>
Common capital stock	1,500,000		1,500,000
Gross paid in and contributed surplus	3,600,000		3,600,000
Unassigned funds (surplus)	<u>108,389</u>	<u> </u>	<u>108,389</u>
Surplus as regards policyholders	<u>\$ 5,208,389</u>	<u>\$ -</u>	<u>\$ 5,208,389</u>
Total liabilities, surplus and other funds	<u>\$ 5,620,594</u>	<u>\$ -</u>	<u>\$ 5,620,594</u>

**FFVA Select Insurance Co.
Statement of Income
December 31, 2018**

Underwriting Income

Premiums earned	\$ -
Deductions	
Losses incurred	\$ -
Loss expenses incurred	2,576
Other underwriting expenses incurred	(7,408)
Aggregate write-ins for underwriting deductions	-
Total underwriting deductions	<u>\$ (4,832)</u>
Net underwriting gain or (loss)	<u>\$ 4,832</u>

Investment Income

Net investment income earned	\$ 121,203
Net realized capital gains or (losses)	(1,995)
Net investment gain or (loss)	<u>\$ 119,208</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ -
Finance and service charges not included in premiums	-
Aggregate write-ins for miscellaneous income	-
Total other income	<u>\$ -</u>

Net income before dividends to policyholders and before federal & foreign income taxes	\$ 124,040
Dividends to policyholders	-
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$ 124,040
Federal & foreign income taxes	<u>25,994</u>
Net Income	<u>\$ 98,046</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$ 5,110,343
Net Income	\$ 98,046
Net unrealized capital gains or losses	-
Change in non-admitted assets	-
Examination Adjustment	-
Change in surplus as regards policyholders for the year	<u>\$ 98,046</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$ 5,208,389</u></u>

**FFVA Select Insurance Co.
Reconciliation of Capital and Surplus
December 31, 2018**

No adjustments were made to surplus as regards policyholders as a result of this examination.

Capital & Surplus Change during Examination Period

Surplus as regards policyholders December 31, 2017		<u>\$ 5,110,343</u>
	<u>Increase</u>	<u>Decrease</u>
Net Income (loss)	\$ 98,046	
Net Increase/(Decrease) in surplus as regards policyholders		<u>\$ 98,046</u>
Surplus as regards policyholders December 31, 2018 per Examination		<u><u>\$ 5,208,389</u></u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$5,208,389, exceeded the minimum of \$4 million required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

During 2019, the Company became licensed in Alabama, Indiana, Kentucky, Mississippi, South Carolina, and Virginia.

SUMMARY OF RECOMMENDATIONS

We recommend the Company document the approval of the investments within its Board of Directors meeting minutes, as required by Section 625.304, Florida Statutes.

CONCLUSION

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

In addition to the undersigned, the following also participated in the examination:

Marie Stuhlmuller	Examination Manager	Office
David Palmer, CFE	Participating Examiner	Lewis & Ellis, Inc.
Novalene Forbes, CFE	Participating Examiner	Lewis & Ellis, Inc.
Jessica Lynch, AFE	Participating Examiner	Lewis & Ellis, Inc.
Mario Ascic	Participating Examiner	Lewis & Ellis, Inc.
Jenny Jeffers, AES, CISA, CFE (Fraud)	IT Specialist	Jennan Enterprises, LLC
Joanna Latham, AES, CISA, CPA, CRISC, CFE	IT Specialist	Jennan Enterprises, LLC
Katie Koch, FCAS, MAAA	Actuary	Lewis & Ellis, Inc.

Respectfully submitted,



Ryne Davison, CFE
Examiner-in-Charge
Lewis & Ellis



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