

**EXAMINATION REPORT**

**OF**

**FIRST FLORIDIAN AUTO AND HOME INSURANCE COMPANY**

**TAMPA, FLORIDA**

**AS OF**

**DECEMBER 31, 2014**

**BY THE**

**FLORIDA OFFICE OF INSURANCE REGULATION**

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February 11, 2016

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

Dear Sir:

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, 2014, of the financial condition and corporate affairs of

First Floridian Auto and Home Insurance Company  
1 North Dale Mabry Highway, Suite 1005  
Tampa, FL 33609

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, 2011, through December 31, 2014. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) covering the period of January 1, 2006 through December 31, 2010. This examination commenced with planning at the Office from March 30, 2015 to April 3, 2015. The fieldwork commenced on April 6, 2015, and concluded as of February 11, 2016.

The examination was a multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the examination is 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 Statutory Accounting Principles. The Connecticut Insurance Department's examination, as lead state, included a review of The Travelers Indemnity Company operations, systems and personnel which are the same as the Company's.

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 (e.g., subjective

conclusions, proprietary information, etc.), 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 findings or exceptions noted during this examination.

### **Prior Examination Findings**

There were no material findings or exceptions noted during the previous examination.

## **COMPANY HISTORY**

### **General**

The Company was incorporated in Florida on April 10, 1996 and commenced business on June 1, 1996.

The Company was authorized to transact the following insurance coverage in Florida on May 25, 1996 and continued to be authorized for the following lines of business as of December 31, 2014:

Homeowners Multiple-Peril  
Inland Marine  
Earthquake

Private Passenger Auto Liability  
PPA Physical Damage  
Other Liability

## **Dividends**

In accordance with Section 628.371, Florida Statutes, the Company declared and paid the following dividends to its stockholders in this examination period:

2011 - \$	25,600,000
2012 - \$	3,800,000
2013 - \$	7,600,000
2014 - \$	15,000,000

## **Capital Stock and Capital Contributions**

As of December 31, 2014, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	5,000,000
Total common capital stock	\$5,000,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, The Travelers Indemnity Company, who owned 100 percent of the stock issued by the Company, who in turn was 100 percent owned by Travelers Insurance Group Holdings Inc., a Delaware corporation, who in turn was 100 percent owned by Travelers Property Casualty Corp., a Connecticut corporation. The ultimate parent is a publicly traded company, The Travelers Companies, Inc., a Minnesota corporation.

## **Surplus Notes**

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

## **Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance**

The Company had no acquisitions, mergers, disposals, dissolutions, nor purchase or sales through reinsurance during the period of this examination.

## **CORPORATE RECORDS**

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 and events, in compliance with the NAIC Financial Condition Examiners 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 NAIC Financial Condition Examiners Handbook, adopted by Rule 69O-138.001, Florida Administrative Code.

## **MANAGEMENT AND CONTROL**

### **Management**

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2014 are shown on the following page.



## Directors

<b>Name and Location</b>	<b>Principal Occupation</b>
Hector Jaime Alaniz Hartford, Connecticut	President & CEO First Floridian Auto & Home Ins. Co.
Douglas Kenneth Russell Hartford, Connecticut	Senior Vice President and Corporate Controller The Travelers Companies, Inc.
Gregory Cheshire Toczydlowski Hartford, Connecticut	Executive Vice President Personal Insurance The Travelers Indemnity Company
Doreen Spadorcia Hartford, Connecticut	Vice Chairman The Travelers Indemnity Company
Brian William MacLean Hartford, Connecticut	Business Executive The Travelers Companies, Inc.
Kenneth Franklin Spence, III Hartford, Connecticut	Business Executive The Travelers Companies, Inc.
Behram Meheli Dinshaw Hartford, Connecticut	Chairman of the Board First Floridian Auto & Home Ins. Co.
Julio Osvaldo Martinez Hartford, Connecticut	Member, Board of Directors First Floridian Auto & Home Ins. Co.

## Senior Officers

In accordance with the Company's bylaws, the Board appointed the following senior officers.

<b>Name</b>	<b>Title</b>
Behram Meheli Dinshaw	Chairman of the Board
Hector Jaime Alaniz	President & Chief Executive Officer

Rene Hernandez	Secretary & Sr. V.P. General Counsel
James Raymond White	Chief Financial Officer & Treasurer
Douglas Keith Bell	Senior Vice President
Sheila Maureen Brown	Assistant Treasurer
Larry Jay Mills	Assistant Treasurer
Glenn Francis McNamara	Assistant Secretary

### **Audit Committee**

The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes. The Company's Board appointed an audit committee. Following were the members as of December 31, 2014:

Brian William MacLean  
Doreen Spadorcia  
Kenneth Franklin Spence, III, Chairman

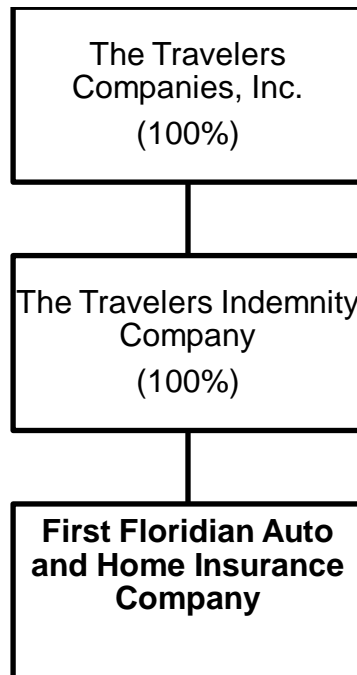
### **Affiliated Companies**

The most recent holding company registration statement was filed with the Office on April 23, 2015, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

**First Floridian Auto and Home Insurance Company**

**Simplified Organizational Chart**

**December 31, 2014**



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

### **Tax Allocation Agreement**

The Company, along with its ultimate parent, The Travelers Companies, Inc. and other affiliated companies filed a consolidated federal income tax return. The method of tax allocation between the companies was based upon calculations on a separate return basis.

### **Corporate Services Agreement**

The Company and its parent had a Corporate Services Agreement approved by the Office September 25, 2006, to perform services for each other. The services provided include policy processing, claims, accounting, actuarial, customer, human resources, information technology, legal, compliance, and operations services. Determination of the actual costs of charges and fees for services performed shall be reasonable. The fees for the services are the actual costs with the intention of no party realizing a profit or incurring a loss as a result of this agreement.

### **Reinsurance Allocation Agreement**

The Company and its parent had a reinsurance allocation agreement effective June 1, 2006 retroactive to January 1, 2006. The agreement was not a reinsurance agreement; rather the agreement was an allocation agreement that specified allocation principles that were followed when an external reinsurance agreement did not include an allocation by and between the St. Paul Travelers Reinsurance Pool, led by Travelers Indemnity Company, and the non-member insurers.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company is licensed to transact insurance in the state of Florida only.

## **REINSURANCE**

### **Assumed**

The Company did not assume any reinsurance during the period of this examination.

### **Ceded**

The Company ceded less than 5% of its direct premiums per year during the exam period. Florida requires insurers to participate in the Florida Hurricane Catastrophe Fund, which accounts for the largest portion of its reinsurance ceded. All but one of the reinsurers were authorized, and the premiums ceded to the unauthorized reinsurer was \$26,000.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Tampa, Florida. As part of the Travelers Holding Company Group, all significant operations were conducted in Hartford, Connecticut.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company joined its parent and other affiliates in an existing Global Custodial Services Agreement with Citibank executed November 2, 1999. The Company's Global Custodial Services agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

## **INFORMATION TECHNOLOGY REPORT**

The Connecticut Insurance Department (DOI), on behalf of the Division, engaged INS Services, Inc. (INS) to conduct an evaluation of IT controls. INS performed a risk-based assessment and review of the Company's IT General Controls (ITGCs) in accordance with NAIC requirements as outlined in the Financial Condition Examiners Handbook. Results of the evaluation were noted in the Information Technology Report provided to the Company.

## STATUTORY DEPOSITS

The following securities were on deposit with the state of Florida as required or permitted by law:

<u>State</u>	<u>Description</u>	<u>Book Value</u>	<u>Market Value</u>
Florida	General Purpose	\$353,518	\$381,714

## **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:



## First Floridian Auto and Home Insurance Company

### Assets

December 31, 2014

Bonds	\$251,827,780		\$251,827,780
Cash and Short-Term Investments	6,881,272		6,881,272
Interest and dividend income due & accrued	2,569,278		2,569,278
Agents' Balances:			
Uncollected premium	875,729		875,729
Deferred premium	12,614,768		12,614,768
Current federal and foreign income tax recoverable and interest	407,901		407,901
Net deferred tax asset	3,476,755		3,476,755
Aggregate write-in for other than invested assets	4,153		4,153
	<hr/>		
Totals	\$278,657,636	\$0	\$278,657,636
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**First Floridian Auto and Home Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2014**

	Per Company	Examination Adjustments	Per Examination
Losses	\$35,571,175		\$35,571,175
Loss adjustment expenses	10,923,948		10,923,948
Commissions payable	2,743,558		2,743,558
Other expenses	1,757,106		1,757,106
Taxes, licenses and fees	102,687		102,687
Unearned premium	27,531,449		27,531,449
Advance premium	530,180		530,180
Ceded reinsurance premiums payable	89,340		89,340
Amounts withheld	304,112		304,112
Remittances withheld	9,639		9,639
Payable to parent, subsidiaries and affiliates	765,265		765,265
Aggregate write-ins for liabilities	1,066,547		1,066,547
<b>Total Liabilities</b>	<b>\$81,395,006</b>	<b>\$0</b>	<b>\$81,395,006</b>
Common capital stock	\$5,000,000		\$5,000,000
Gross paid in and contributed surplus	129,350,000		129,350,000
Unassigned funds (surplus)	62,912,630		62,912,630
<b>Surplus as regards policyholders</b>	<b>\$197,262,630</b>	<b>\$0</b>	<b>\$197,262,630</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$278,657,636</b>	<b>\$0</b>	<b>\$278,657,636</b>

**First Floridian Auto and Home Insurance Company**  
**Statement of Income and Capital and Surplus Account**

**December 31, 2014**

**Underwriting Income**

Premiums earned		\$69,807,990
	<b>Deductions:</b>	
Losses incurred		\$33,613,986
Loss expenses incurred		14,465,223
Other underwriting expenses incurred		16,306,220
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$64,385,429
Net underwriting gain or (loss)		\$5,422,561

**Investment Income**

Net investment income earned		\$8,656,647
Net realized capital gains or (losses)		56,778
Net investment gain or (loss)		\$8,713,425

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		(\$65,076)
Finance and service charges not included in premiums		420,834
Aggregate write-ins for miscellaneous income		(107,522)
Total other income		\$248,236
Net income before dividends to policyholders and before federal & foreign income taxes		\$14,384,224
Dividends to policyholders		
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$14,384,224
Federal & foreign income taxes		3,751,601
Net Income		\$10,632,623

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$201,757,032
Net Income		\$10,632,623
Change in net deferred income tax		(178,725)
Change in non-admitted assets		51,700
Dividends to stockholders		(15,000,000)
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		
Change in surplus as regards policyholders for the year		(\$4,494,402)
Surplus as regards policyholders, December 31 current year		\$197,262,630

**First Floridian Auto and Home Insurance Company**  
**Comparative Analysis of Changes in Surplus**  
**December 31, 2014**

The following is a reconciliation of surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2014, per Annual Statement	\$197,262,630
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No Adjustment			
LIABILITIES:			
No Adjustment			
Net Change in Surplus:			_____
Surplus as Regards Policyholders December 31, 2014, Per Examination			\$197,262,630

## COMMENTS ON FINANCIAL STATEMENTS

### Capital and Surplus

The Surplus amount reported of \$197,262,630 exceeded the minimum required by Section 624.408, Florida Statutes, of \$7,562,330.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of First Floridian Auto and Home Insurance Company, Inc. as of December 31, 2014, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards to policyholders was \$197,262,630, which exceeded the minimum of \$7,562,330 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Jacqueline L. Gardner, CFE, FLMI; Chris Rushford, CFE, CPA, Examiners-in-Charge of Risk & Regulatory Consulting. Members of the Office who participated in the examination include Jonathan Frisard, Examination Manager and, Paula Bowyer, APIR, Participating Examiner. Additionally, James Coyle, of INS Regulatory Services, Inc., and Jason Pessel, FCAS, MAAA of Oliver Wyman Actuarial Consulting, Inc. participated in the examination.

Respectfully submitted,

Lamar Downs, CPA  
Deputy Chief Examiner  
Florida Office of Insurance Regulation