



**EXAMINATION REPORT
OF
FRANK WINSTON CRUM INSURANCE COMPANY**

NAIC Company Code: 11600

**Clearwater, Florida
as of
December 31, 2016**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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October 31, 2018

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, 2016, of the financial condition and corporate affairs of

Frank Winston Crum Insurance Company
100 South Missouri Avenue
Clearwater, Florida 33756

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 August 22, 2017, to August 24, 2017. The fieldwork commenced on August 22, 2017, and concluded as of March 13, 2018. 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 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 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

The following is a summary of significant findings of fact (material adverse findings, significant non-compliance findings or material changes in the financial statements).

Holding Company Registration Statement and Enterprise Risk Report

The 2015 Holding Company Registration Statement ("HCRS") was filed on April 7, 2016, and the 2015 Enterprise Risk Report ("Form F") was filed on May 21, 2016. The Company was not in compliance with Section 628.801(1) and (2), Florida Statutes, which requires the HCRS and Form F be filed on or before April 1 of each year.

Independent CPA/Awareness Letter

The Company filed its Independent CPA/Awareness Letter after December 31 from 2013 to 2015. The Company was not in compliance with Rule 69O-137.002(6)(a), Florida Administrative Code, which requires each insurer to file an Independent CPA/Awareness Letter by December 31 of the year subject to audit.

Actuarial Opinion Summary

The Company filed its 2012 Actuarial Opinion Summary on March 19, 2013, and its 2015 Actuarial Opinion Summary on March 22, 2016. The Company was not in compliance with 624.424(1)(b)2, Florida Statutes, which states the Actuarial Opinion Summary must be filed in accordance with NAIC property and casualty annual statement instructions.

Managing General Agent

The Company entered into a contract with an MGA on August 1, 2013 and did not notify the Office within the required thirty (30) days. The Company did not comply with Section 626.7454(5), Florida Statutes, which stipulates that within thirty (30) days after entering into or terminating a contract with a managing general agent, the insurer shall provide written notification of the appointment or termination to the Office.

Loss Reserve Development

The Company's loss and loss adjustment expense reserves were deficient by approximately \$4,792,000 on a net basis.

The actuarial report produced by the Company's appointed actuary did not contain a written component, necessary for the Office to gain an understanding of the actuarial work,

summarizing aspects of the Overall Loss and LAE indications. The Company's reserving methods do not fully reflect the way the losses are expected to develop.

Previous Examination Findings

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

COMPANY HISTORY

General

The Company was incorporated in Florida on January 23, 2003, and commenced business on April 29, 2003.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2016, 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

Frank Winston Crum Insurance Holdings Corp ("FWCIH") contributed \$5,000,000 to the Company on June 29, 2016.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this 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. The Directors serving as of December 31, 2016, are shown below:

Directors

Name	City, State	Principal Occupation, Company Name
Frank Winston Crum Jr. ¹	Odessa, Florida	Chief Executive Officer and Secretary, Frank Winston Crum Insurance Company
Matthew Christopher Crum	Clearwater, Florida	President, Frank Winston Crum Insurance Company
Brian Murphy Boales	Snellville, Georgia	Director, Frank Winston Crum Insurance Company
James Michael Carr	Tampa, Florida	Vice President and Treasurer, Frank Winston Crum Insurance Company
John Robert Dixon	Tampa, Florida	President, Dixon & Associates

¹ Chairperson

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

Senior Officers

Name	City, State	Title
Matthew Christopher Crum	Clearwater, Florida	President
Frank Winston Crum Jr.	Odessa, Florida	Chief Executive Officer and Secretary
James Michael Carr	Tampa, Florida	Vice President, and Treasurer
Brigitte Boraks Becker	Clearwater, Florida	Vice President of Claims

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

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

Audit Committee

Name	City, State	Title, Company Name
Frank Winston Crum, Jr. ¹	Odessa, Florida	Chief Executive Officer and Secretary, Frank Winston Crum Insurance Company
Brian Murphy Boales	Snellville, Georgia	Director, Frank Winston Crum Insurance Company
John Robert Dixon	Tampa, Florida	President Dixon & Associates

¹ Chairperson

Investment Committee

Name	City, State	Title, Company Name
Frank Winston Crum, Jr. ¹	Odessa, Florida	Chief Executive Officer and Secretary, Frank Winston Crum Insurance Company
Matthew Christopher Crum	Clearwater, Florida	President, Frank Winston Crum Insurance Company
Brian Murphy Boales	Snellville, Georgia	Director, Frank Winston Crum Insurance Company

¹ Chairperson

Holding Company System

The 2015 HCRS was filed on April 7, 2016, and the 2015 Form F was filed on May 21, 2016. The Company was not in compliance with Section 628.801(1) and (2), Florida Statutes, which requires the HCRS and Form F be filed on or before April 1 of each year.

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

Employee Leasing Agreement

The Company maintained an employee leasing agreement with FrankCrum 2, Inc., effective April 29, 2003, to provide leased employees. Fees incurred under this agreement during 2016 amounted to \$2,440,677.

Managing General Agent Agreement

The Company entered into a Managing General Agent Agreement ("MGA Agreement") with FrankCrum General Agency, Inc. ("FCGA"), on August 1, 2013, which provided underwriting and policy processing services. The MGA Agreement would continue in force for a term of five (5) years and would automatically renew for successive five (5) year periods, unless otherwise terminated within the guidelines of the agreement. MGA fees were based on twenty-five percent (25%) of premium due under a commercial policy and included a \$25 policy fee. Claims administration fees were seventy-five hundredths percent (.75%) of the premium earned under a commercial lines policy. Fees incurred under this agreement during 2016 amounted to \$2,980,722.

The MGA Agreement was not in compliance with Section 626.7451(3), Florida Statutes because it did not contain the following contract provision the statute requires: "The managing general agent may retain no more than sixty (60) days of estimated claims payments and allocated loss adjustment expenses."

Subsequent Event: On February 21, 2018, the Company submitted a corrected agreement.

When the Company entered into the contract with the MGA on August 1, 2013, it did not notify the Office within the required thirty (30) days. The Company did not comply with Section 626.7454(5), Florida Statutes, which stipulates that within thirty (30) days after entering into or terminating a contract with a managing general agent, the insurer shall provide written notification of the appointment or termination to the Office.

Agency Producer Agreement

The Company entered into an Agency Producer Agreement with FrankCrum Insurance Agency, Inc. on January 15, 2010. The agreement continues in force unless otherwise amended, terminated or suspended within the guidelines of the agreement. The commission paid by the Company is twelve percent (12%) of premiums. Fees incurred under this agreement during 2016 amounted to \$21,405.

ACCOUNTS AND RECORDS

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

The following Company's form and rate filings were not updated with the Office:

1. Standard Workers' Compensation Form Filing should be updated due to a name change and the Florida Workers' Compensation Insurance Guaranty Association Assessment ("FWCIGA") surcharge.
2. Standard Workers' Compensation Rate Filing should be updated due to a name change.
3. Workers' Compensation Large Deductible Form Filing should be updated due to a name change and FWCIGA surcharge.
4. Workers' Compensation Large Deductible Rate Filing should be updated due to a name change.

The Company was not in compliance with Rule 69O-189.016(5)(d), Florida Administrative Code, which requires insurers to file proposed changes to previous approved filings.

Subsequent Events:

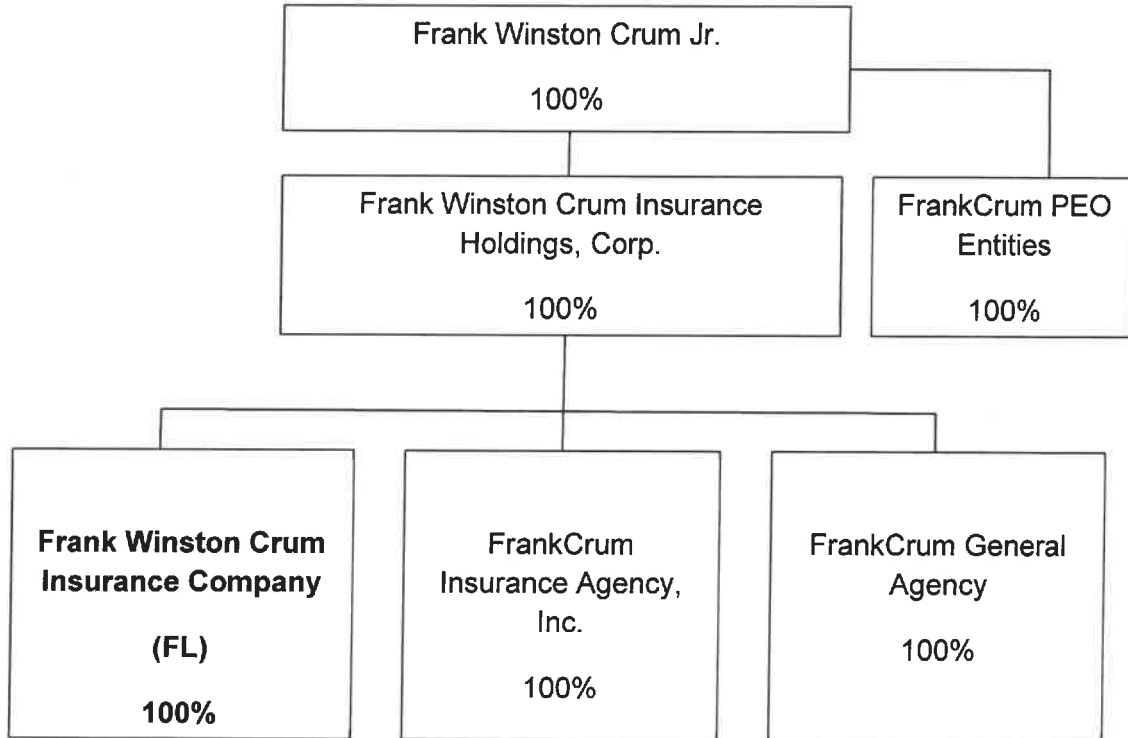
- Standard Workers' Compensation Form Filing was updated for a name change and the Florida Workers' Compensation Insurance Guaranty Association Assessment ("FWCIGA") surcharge with filing 18-02322, which was filed on January 20, 2018. The Office approved the filing on April 6, 2018.
- Standard Workers' Compensation Rate Filing was submitted for a name change with filing 18-02471 on February 22, 2018. The Office approved the filing on April 6, 2018.
- Workers' Compensation Large Deductible Form Filing was submitted on May 7, 2018 for a name change and FWCIGA surcharge with filing 18-05922.

- Workers' Compensation Large Deductible Rate Filing was submitted for a name change with filing 18-05923 on May 7, 2018.

The Company filed its Independent CPA/Awareness Letter after December 31 from 2013 to 2015. The Company was not in compliance with Rule 69O-137.002(6)(a), Florida Administrative Code, which requires each insurer to file an Independent CPA/Awareness Letter by December 31 of the year subject to audit.

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

**Frank Winston Crum Insurance Company
Organizational Chart
December 31, 2016**



The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company was party to a Custodial Agreement with U.S. National Bank effective November 27, 2006. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Asset Management Agreement

The Company had an Asset Management Agreement with Conning Asset Management, effective August 1, 2006. The agreement provides investment management services to the Company.

Back Office Service Agreement

The Company maintained a Back Office Service Agreement with MIS Insurance Services, Inc., effective January 1, 2005, to provide policy administration for the Company. The services provided included policy rating, policy preparation, policy issuance, policy accounting and unit statistical reporting.

Back Office Operations Agreement

The Company acceded to a Back Office Operations Agreement with MIS Insurance Services, Inc., effective February 1, 2011, to develop a policy quoting software.

Claims Services Agreement (PEO)

The Company kept a Claims Services Agreement with Broadspire Services, Inc., effective April 30, 2003, with amendments on April 30, 2004 and April 30, 2007. Claims administration services under this agreement pertained to the affiliate Professional Employer Organization ("PEO") business written.

Claims Services Agreement (Guaranteed Cost/Open Market)

The Company and TriStar Risk Enterprise Management Inc., acceded to a Claims Services Agreement effective May 23, 2011, to transfer claims adjusting services of the guaranteed cost/open market policies.

Service Agreement

The Company and Cannon Cochran Management Services, Inc., entered into a Service Agreement effective September 21, 2015, to effectively transfer claims adjusting services of the guaranteed cost/market policies.

Master Service Agreement (TriStar)

Effective June 1, 2012, the Company entered into a Master Service Agreement with Tristar Risk Enterprise Management, Inc. for claims specific to policies in Oregon.

Master Service Agreement (Cannon Cochran)

The Company was party to a Master Service Agreement with Cannon Cochran Management Services, Inc., effective September 21, 2015, for claims specific to policies in Oregon.

Reinsurance Brokerage Agreement

The Company had a Reinsurance Brokerage Agreement with Beach Re Limited, effective January 14, 2016, for the purpose of placing reinsurance.

Corporate Records Review

The minutes of the Shareholders, Board and certain internal committees were reviewed for the period under examination. The 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's conflict of interest form did not have an adequate policy statement requiring periodic disclosure of conflicts of interest in accordance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

TERRITORY AND PLAN OF OPERATIONS

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

Alabama	Arizona	Arkansas
Connecticut	Delaware	Florida
Georgia	Idaho	Illinois
Indiana	Iowa	Kansas
Kentucky	Louisiana	Maryland
Michigan	Mississippi	Missouri
Montana	Nebraska	Nevada
New Hampshire	New Jersey	New Mexico
North Carolina	Oklahoma	Oregon
Pennsylvania	Rhode Island	South Carolina
South Dakota	Tennessee	Texas
Utah	Virginia	West Virginia
District of Columbia		

The Company was authorized to transact insurance in Florida on April 29, 2003, and is authorized for the following coverages as of December 31, 2016:

Workers' Compensation
Inland Marine

Commercial General Liability

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 were reviewed for compliance 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 entered into a one hundred percent (100%) reinsurance assumption agreement with Clear Blue Insurance Company Inc. ("Clear Blue"), effective September 1, 2016, in which the Company agrees to accept one hundred percent (100%) of Clear Blue's gross liability under all new and renewal policies. In addition, the Company assumed risk based on their participation in the National Workers' Compensation Reinsurance Pool that is administered by National Council on Compensation Insurance, Inc., ("NCCI").

Reinsurance Ceded

The Company ceded risk on a quota share and excess of loss basis to authorized and unauthorized reinsurers. The primary reinsurers were Maiden Re, Safety National Casualty Corp., and Lloyd's Syndicates.

The Company had reinsurance recoverable balances with two (2) unauthorized reinsurers; JRG Reinsurance Company, Ltd. and Piccadilly Insurance Company, Ltd. The Company received a letter of credit from each unauthorized reinsurer as collateral for the unauthorized amounts.

A review of the letter of credit found required sections related to the beneficiary missing. The Company was not in compliance with Rule 69O-144.005(6)(6a-b), Florida Administrative Code, which requires the definition of 'beneficiary' to include without limitation any liquidator, rehabilitator, receiver or conservator even if a court of law appoints a successor in the interest of the named beneficiary.

Subsequent Event: The Company submitted an amended letter of credit effective February 27, 2018.

INFORMATION TECHNOLOGY REPORT

Taylor Harvey, CISA, PCI QSA, Security+, IT Specialist of Dixon Hughes Goodman, 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	FMMA	1.500%	1,000,000	1,000,992
FL	FHLMC	0.750%	350,000	350,120
FL	USTNT	1.625%	1,000,000	1,000,031
FL	USTNT	1.625%	<u>250,000</u>	<u>248,923</u>
TOTAL FLORIDA DEPOSITS			<u>\$ 2,600,000</u>	<u>\$ 2,600,066</u>
AZ	USTNT	0.875%	\$ 125,000	\$ 125,083
AZ	USTNT	0.625%	\$ 200,000	\$ 200,005
DEL	USTNT	0.625%	\$ 125,000	\$ 125,083
GA	Wells Fargo	n/a	\$ 75,000	\$ 75,037
ID	USTNT	1.375%	\$ 700,000	\$ 706,110
ID	USTNT	0.625%	\$ 300,000	\$ 299,505
MO	Wells Fargo	n/a	\$ 25,000	\$ 25,000
NEV	BONDS	5.00%	\$ 400,000	\$ 472,490
NH	USTNT	0.138%	\$ 550,000	\$ 548,153
NM	USTNT	0.163%	\$ 125,000	\$ 125,859
NC	USTNT	0.088%	\$ 250,000	\$ 250,000
ORE	USTNT	1.625%	\$ 125,000	\$ 124,462
TX	BONDS	5.00%	\$ 500,000	\$ 595,320
VA	BONDS	5.00%	<u>\$ 450,000</u>	<u>\$ 463,600</u>
TOTAL OTHER DEPOSITS			<u>\$ 3,950,000</u>	<u>\$ 4,135,707</u>

FINANCIAL STATEMENTS

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

Frank Winston Crum Insurance Company

Assets

December 31, 2016

	Per Company	Examination Adjustments	Per Examination
Bonds	\$38,205,860		\$38,205,860
Stocks:			
Common stocks	1,519,489		1,519,489
Real Estate:			
Cash, cash equivalents and short-term investments	31,683,552		31,683,552
Investment income due and accrued	310,105		310,105
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	622,233		622,233
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,343,859		6,343,859
Reinsurance:			
Amounts recoverable from reinsurers	980,822		980,822
Net deferred tax asset	744,643		744,643
Receivables from parent, subsidiaries and affiliates	574,779		574,779
Aggregate write-ins for other-than-invested assets	1,525,151		1,525,151
Total	\$82,510,493		\$82,510,493

Frank Winston Crum Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2016

	Per Company	Examination Adjustments	Per Examination
Losses	\$18,337,109		\$18,337,109
Reinsurance payable on paid losses and loss adjustment expenses	\$192,813		\$192,813
Loss adjustment expenses	2,652,135		2,652,135
Commissions payable, contingent commissions and other similar charges	982,043		982,043
Other expenses (excluding taxes, licenses and fees)	1,115,856		1,115,856
Taxes, licenses and fees (excluding federal and foreign income taxes)	981,101		981,101
Current federal and foreign income taxes	653,254		653,254
Unearned premiums	7,717,212		7,717,212
Advance premium	76,382		76,382
Ceded reinsurance premiums payable	864,180		864,180
Funds held by company under reinsurance treaties	688,821		688,821
Amounts withheld or retained by company for account of others	27,240,331		27,240,331
Aggregate write-ins for liabilities	1,316,735		1,316,735
Total Liabilities	\$62,817,972	\$0	\$62,817,972
Common capital stock	\$3,000,000		\$3,000,000
Gross paid in and contributed surplus	9,000,000		9,000,000
Unassigned funds (surplus)	7,692,521	0	7,692,521
Surplus as regards policyholders	\$19,692,521	\$0	\$19,692,521
Total liabilities, surplus and other funds	\$82,510,493		\$82,510,493

Frank Winston Crum Insurance Company

Statement of Income

December 31, 2016

Underwriting Income

Premiums earned		\$19,378,356
	Deductions:	
Losses incurred		\$9,235,038
Loss adjustment expenses incurred		940,654
Other underwriting expenses incurred		8,865,811
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$19,041,503</u>
Net underwriting gain or (loss)		\$336,853

Investment Income

Net investment income earned	\$893,123
Net realized capital gains or (losses)	341,044
Net investment gain or (loss)	<u>\$1,234,167</u>

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$143,000)
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	395,514
Total other income	<u>\$252,514</u>
Net income before dividends to policyholders and before federal & foreign income taxes	\$1,823,534
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	<u>\$1,823,534</u>
Federal & foreign income taxes	<u>573,861</u>
Net Income	<u><u>\$1,249,673</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$13,764,208
Net Income	\$1,249,673
Change in net unrealized capital gains or losses	134,591
Change in net deferred income tax	95,637
Change in nonadmitted assets	(551,588)
Surplus adjustments: Paid in	5,000,000
Change in surplus as regards policyholders for the year	<u>\$5,928,313</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$19,692,521</u></u>

Frank Winston Crum Insurance Company
Reconciliation of Capital and Surplus
December 31, 2016

	<u>Increase</u>	<u>Decrease</u>	
Net Income	\$2,592,121		\$2,592,121
Net unrealized capital gain or loss		(\$171,006)	(\$171,006)
Change in net deferred taxes	\$410,804		\$410,804
Changed in non-admitted asset		(\$1,581,402)	(\$1,581,402)
Paid in Surplus	\$5,000,000		\$5,000,000
 Net increase (or decrease)			 <u>\$6,250,517</u>
Surplus at December 31, 2016, per Examination			<u>\$19,692,521</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

George T. Dunlap, ACAS, of Cornerstone Actuarial Solutions, LLC, was appointed by the Board. An opinion was rendered 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 Office consulting actuary, Greg Fanoë, FCAS, of Merlinos and Associates reviewed the loss and loss adjustment expense workpapers. The loss reserve for loss and loss adjustment expenses were understated by approximately \$4,792,000 on a net basis.

Subsequent Event: The Company recognized the inadequacy of reserves and implemented additional loss ratio adjustments in 2017.

The Company filed its 2012 Actuarial Opinion Summary on March 19, 2013, and its 2015 Actuarial Opinion Summary on March 22, 2016. The Company was not in compliance with 624.424(1)(b)2, Florida Statutes, which states the Actuarial Opinion Summary must be filed in accordance with NAIC property and casualty annual statement instructions.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$19,692,521, exceeded the minimum of \$4,000,000 as required by Section 624.408, Florida Statutes.

MARKET CONDUCT ACTIVITIES

The examination team reviewed certain market conduct related activities including filed forms, policies, rating, reported claims, supervision of subsidiaries, vendors and complaints. Florida Department of Financial Services ("DFS"), Division of Workers' Compensation ("DWC") audit reports were reviewed and relied upon for this examination. The DWC audits workers' compensation insurers and their third-party administrators for statutory compliance associated with claims handling practices and benefit disbursements. Recent reviewed DWC audits determined compliance with statutory and rule requirements for:

- Prompt Payments of Indemnity
- Accuracy of Indemnity Calculations
- Medical Data Reviews-Medical Data Systems
- First Report of Injury or Illness Data Review - Electronic Data Interchange
- Claimant Contact
- Claim Forms
- Notice of Denial or Rescinded Denials
- Claim Cost Reports

Using DWC reports, workers' compensation master policy terminations, having three (3) or more years' experience with the affiliate PEO Frank Crum, were randomly selected. The Company's underwriting, rating and premium development practices were evaluated for compliance with Sections 627.192(4) and 627.192(6), Florida Statutes. No exceptions were noted.

General Liability policies were reviewed randomly from the Company's Artisan Contractor Liability Program. The Company's underwriting, rating and premium development practices were evaluated. No exceptions were noted.

SUMMARY OF RECOMMENDATIONS

Holding Company Registration Statement and Enterprise Risk Report

We recommend the Company file the HCRS and Form F on or before April 1 of each year in accordance with Section 628.801(1) and (2), Florida Statutes.

Independent CPA/Awareness Letter

We recommend the Company comply with Rule 69O-137.002(6)(a), Florida Administrative Code, and file an Independent CPA/Awareness Letter by December 31 of the year subject to audit.

Actuarial Opinion Summary

We recommend the Company file the Actuarial Opinion Summary by March 15 in accordance with Section 624.424(1)(b)2, Florida Statutes.

Loss Reserve Development

We recommend the Company review the adequacy of the loss reserves after the implementation of the additional loss ratio adjustments taken in 2017. Further, the Company should include additional information to their Actuarial Reports. Starting at year-end 2018, the company should provide a written report detailing the indications, methods, and assumptions used in the report and the limitations on the use of the report consistent with actuarial practices and standards.

In addition, the Company should implement at least one of the following enhancements for its 2019 Actuarial Report and subsequent filings:

- Except near the very end of the tail, the FWC link ratios (for most columns in the development triangle) are usually significantly higher than the benchmark. The Company should use the benchmark link ratios (multiplied by the FWC/benchmark ratio from the main section) as the link ratios near and at the tail.
- When estimating losses excess of large deductibles, the Company should use a published actuarial method that recognizes that claims that become larger (and larger) tend to have had higher development than the standard development factor affecting all claims.

Upon implementation, the Company should be consistent in the application of the enhancement(s) chosen above going forward.

Managing General Agent

We recommend the Company provide the Office with written notification of the appointment or termination within thirty (30) days after entering into or terminating a contract with a managing general agent, in accordance with Section 626.7454(5), Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Frank Winston Crum 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 to policyholders was \$19,692,521, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

Participation in the examination included:

Name	Title	Firm
Roshi Fekrat, CPA, CFE, CIA, AMCM	Examiner-in-Charge	Dixon Hughes Goodman LLP
George Brown, CFE, CIE, MCM	Participating Examiner	Dixon Hughes Goodman LLP
Micah Rivera, CPA, CFE (Fraud)	Participating Examiner	Dixon Hughes Goodman LLP
Greg Fanoie, FCAS, MAAA	Actuary	Merlinos & Associates, Inc.
Taylor Harvey, CISA, PCI QSA, Security+	IT Specialist	Dixon Hughes Goodman LLP

Name	Title	State of Florida
Jeffrey Rockwell, MBA, FCCM	Examination Manager	Office
Paula Bowyer, APIR	Participating Examiner	Office

Respectfully submitted,



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