



MISSISSIPPI INSURANCE DEPARTMENT

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WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
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Post Office Box 79
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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

April 17, 2008

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Thomas G. Quaka, President
Brierfield Insurance Company
1817 Crane Ridge Drive
Jackson MS 39216

RE: Report of Examination as of December 31, 2006

Dear Mr. Quaka:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY


J. Mark Haire

Special Assistant Attorney General

MC/JMH/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF
 BRIERFIELD INSURANCE COMPANY**

CAUSE NO. 08-5735

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999).

II.

That Brierfield Insurance Company is a Mississippi-domiciled company licensed to write Accident and Health; Automobile Physical Damage/Liability; Boiler and Machinery; Casualty/Liability; Fidelity; Fire/Allied Lines; Home/Farm Owners; Industrial Fire; Inland Marine; Plate Glass; Surety; Trip Accident and Baggage; and Workers' Compensation coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 1999), called for an examination of Brierfield Insurance Company and appointed Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about March 18, 2008, the draft Report of Examination concerning Brierfield Insurance Company for the period of January 1, 2004 through December 31, 2006 was submitted to the Department by the Examiner-In-Charge, Dale Miller.

V.

That on or about March 28, 2008, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 1999), the Department forwarded to the Company a copy of the draft report and allowed the Company a 30-day period to submit any rebuttal to the draft report. The Department received the Company's response on or about April 4, 2008, and in response thereto, minor revisions were made to the draft report.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 1999), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the Report of Examination, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Brierfield Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.


IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 1999).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 1999), that within thirty (30) days of the issuance of the adopted report, Brierfield Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Brierfield Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

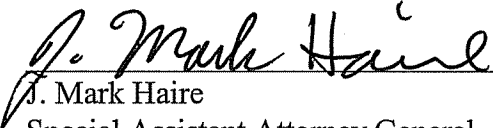
SO ORDERED, this the 17th day of April, 2008.


MIKE CHANEY
COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 17th day of April, 2008, to:

**Mr. Thomas G. Quaka, President
Brierfield Insurance Company
1817 Crane Ridge Drive
Jackson MS 39216**



J. Mark Haire
Special Assistant Attorney General

J. Mark Haire
Special Assistant Attorney General
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 2065



Mississippi Insurance Department

Report of Examination

of

Brierfield Insurance Company

**1817 Crane Ridge Road
Jackson, Mississippi 39216**

As of December 31, 2006

**NAIC Company Code 10993
NAIC ETS No. MS029-C33**

**BRIERFIELD INSURANCE COMPANY
EXAMINATION REPORT AS OF DECEMBER 31, 2006
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EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION


State of Mississippi,

County of Hinds,

R. Dale Miller, CFE, CPA, being duly sworn, states as follows:

1. I have authority to represent the State of Mississippi in the examination of Brierfield Insurance Company as of December 31, 2006.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have prepared the examination work papers and examination report, and the examination of Brierfield Insurance Company, as of December 31, 2006, was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

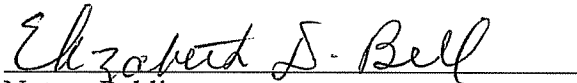
The affiant says nothing further.



R. Dale Miller, CFE, CPA
Examiner-In-Charge

Subscribed and sworn before me by R. Dale Miller on this 14 day of April, 2008.

(SEAL)


Notary Public

My commission expires _____

MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES NOV 23, 2010
BONDED THRU STEGALL NOTARY SERVICE



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March 7, 2008

Honorable Mike Chaney
Commissioner of Insurance
State Fire Marshal
Mississippi Insurance Department
501 N. West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079

Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee
Commissioner
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
Post Office Box 1157
Richmond, Virginia 23218-1157

Dear Sirs and Madam:

Pursuant to the instructions and authorization from the Commissioner of Insurance for the State of Mississippi, and in compliance with statutory provisions, an examination as of December 31, 2006 has been conducted of the affairs and financial condition of:

BRIERFIELD INSURANCE COMPANY
(NAIC COMPANY CODE 10993; NAIC-ETS NUMBER MS029-C33)

Statutory Home Office:
1817 Crane Ridge Road
Jackson, Mississippi 39216

Main Administrative Office:
6300 University Parkway
Sarasota, Florida 34240

The examination was performed at the Company's statutory home office in Jackson, Mississippi and in Sarasota, Florida at the Company's main administrative office, and was conducted in accordance with Miss. Code Ann. §83-1-201, et seq., and the report of examination is herewith submitted.

INTRODUCTION

The examination period, for purposes of this report, is defined as January 1, 2004 through December 31, 2006, and the examination date is December 31, 2006. The examination was performed by examiners representing the Mississippi Insurance Department (MID) and covered Brierfield Insurance Company's (BIC or Company) operations and financial condition through the examination period, including material transactions and/or events that occurred subsequent to the examination date and were noted during the course of the examination. The Company's previous examination was as of December 31, 2003, and the previous report of examination was dated October 25, 2004.

SCOPE OF EXAMINATION

The examination of the Company was a full scope financial examination conducted in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, as well as the MID, and included an assessment of the Company's financial condition, its ability to fulfill and manner of fulfillment of its obligations, the nature of its operations, and compliance with applicable laws. The amounts included within the financial statements for the loss reserve provisions, including any reinsurance, were based on the review and opinion of the examination actuaries that were assigned to the examination by the MID. A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct activities.

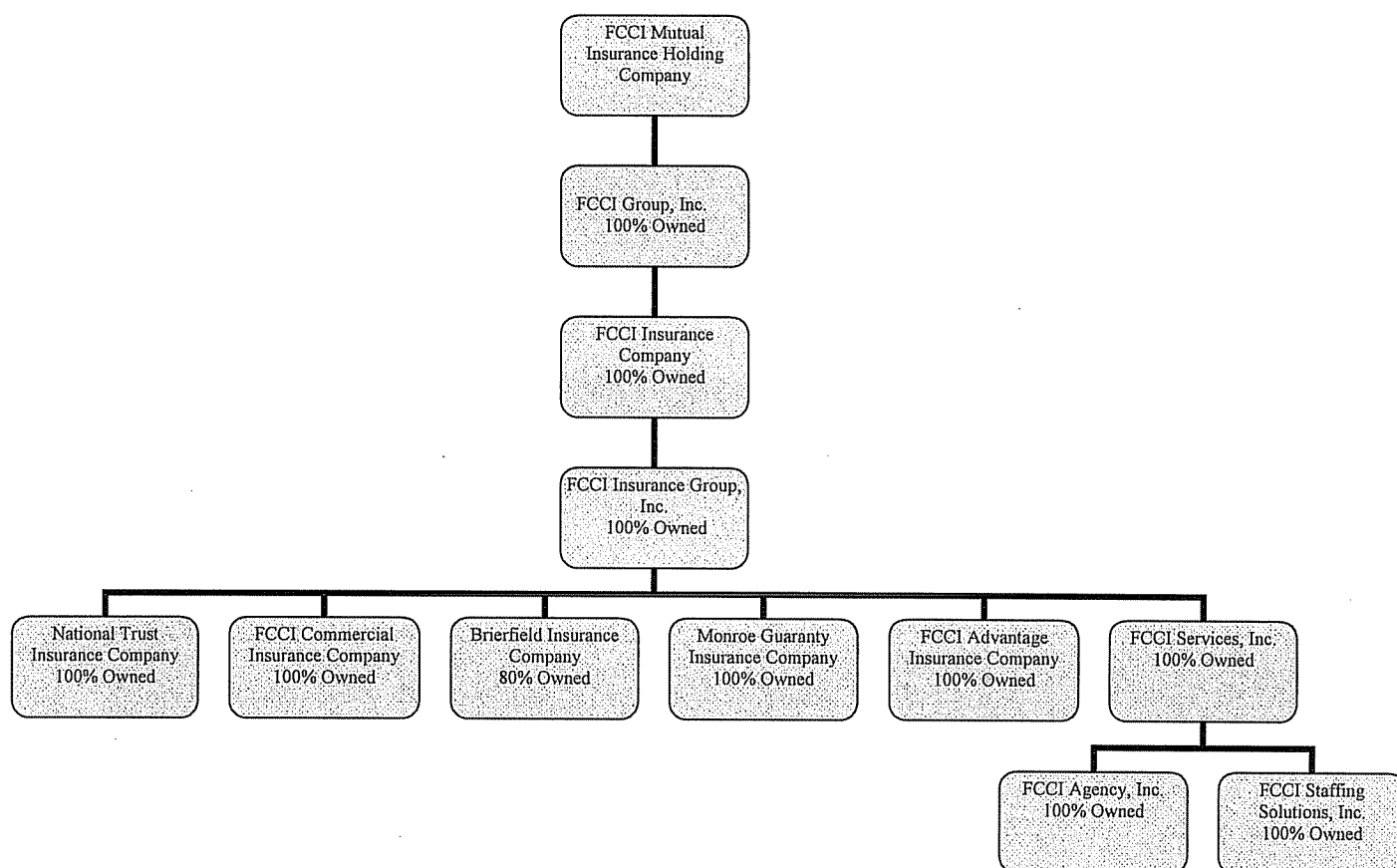
HISTORY OF THE COMPANY

The Company was incorporated under the laws of the State of Mississippi and licensed effective September 1, 1999 and, as of the examination date, held a license as a property and casualty insurer in the States of Mississippi and Arkansas. The Company's approved articles authorized 1,000,000 shares of common stock; par value \$1; with 800,000 shares being designated as Series "A" and 200,000 shares being designated as Series "B". At December 31, 2006, FCCI Insurance Group, Inc. (FIG) owned the Series "A" shares and Mississippi Insurance Managers (MIM) owned the Series "B" shares. The price paid per share, for each class of the authorized stock sold, was \$5, resulting in total capitalization of \$5 million.

HOLDING COMPANY SYSTEM

Organizational Structure

The Company was a member of an insurance holding company system, as defined in Miss. Code Ann. §83-6-1. The Company filed Holding Company Registration Statements with the MID in accordance with Miss. Code Ann. §§ 83-6-5 and 83-6-9. The statements and any applicable amendments filed during the examination period were reviewed and it appeared that any changes and/or material transactions between the Company and its affiliates were reported. The following organizational chart depicts the Company's direct line of ownership as of December 31, 2006.



Related Party Transactions

General Agency Agreement: The Company, effective April 1, 2006, entered into a general agency agreement with MIM which replaced the previous general agency agreement between the parties. Pursuant to this agreement, MIM represented the Company in the production of property and casualty insurance business, which included the appointment of agents, underwriting, policy issuance, administration, and adjusting for claims other than workers' compensation. The amounts paid under the terms of these agreements were \$2,449,031 in 2006, \$2,286,789 in 2005, and \$1,748,584 in 2004.

General Agent Contingent Commissions Agreement: On January 1, 2001, the Company entered into an agreement with MIM, whereby MIM was paid a commission contingent upon the production and underwriting results for business MIM placed with the Company. During the examination period, the Company paid, under the terms of this agreement, \$977,921 in total commissions, with \$572,818 being paid in 2006 and \$405,103 paid in 2004.

Service Agreement: The Company, effective November 20, 2003, entered into a service agreement with FCCI Services, Inc (FSI). Pursuant to this agreement, FSI provided claims handling for workers' compensation business (as noted above, all other claims' handling was performed by MIM), as well as data processing, accounting, and other various services necessary in the day-to-day operations of the Company. As compensation for these services, FSI was paid a fee based on the Company's gross premiums. The amounts paid under the terms of this agreement were \$920,595 in 2006, \$1,184,300 in 2005, and \$753,772 in 2004.

Intercompany Tax Allocation Agreement: The Company is a party to an intercompany tax allocation agreement with its parent and affiliates, whereby the allocation is based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled annually after the consolidated federal tax return is filed.

MANAGEMENT AND CONTROL

Stockholders

The Company is a Mississippi domestic stock insurance company whose common stock at December 31, 2006 was 80% owned by FCCI Insurance Group, Inc., a Florida Insurance Holding Company, and 20% owned by MS Insurance Managers, Inc., a Mississippi incorporated managing general agent. FCCI Insurance Group, Inc. is a wholly owned subsidiary of FCCI Insurance Company (FCCI), a Florida domiciled property and casualty insurance company that also assumes 100% of the Company's written business. The ultimate controlling entity, at the examination date, was FCCI Mutual Insurance Holding Company, a Florida domiciled holding company whose owners are the policyholders of FCCI. No dividends were paid by the Company during the examination period.

Board of Directors

The Articles of Association and Bylaws vest the management and control of the Company's business affairs with the Board of Directors (Board). The members of the duly elected Board along with their place of residence and principal occupation, as of the examination date, follows:

NAME AND PLACE OF RESIDENCE

PRINCIPAL OCCUPATION

Mr. Charles R. Baumann
Sarasota, Florida

Certified Public Accountant
Kerkering, Barberio and Company

Mr. Timothy J. Clarke
Sarasota, Florida

Marketing Consultant
Insignia Bank

Ms. Debra H. Douglas
Sarasota, Florida

Executive Vice President
FCCI Insurance Group

Mr. Robert W. Flanders
Sarasota, Florida

President/Owner (Contractor)
Quality Walls

Mr. Harvey R. Foxworthy
Sarasota, Florida

Retired Plumbing Contractor

NAME AND PLACE OF RESIDENCE**PRINCIPAL OCCUPATION**

Mr. James C. Galloway, Jr.
Jackson, Mississippi

Galloway, Chandler, McKinney Ins.
Partner and Current President

Mr. William E. Getzen
Sarasota, Florida

Retired Attorney

Mr. Marvin S. Haber
Sarasota, Florida

Retired Retail Owner

Mr. Gordon W. Jacobs
Sarasota, Florida

President
FCCI Insurance Group

Mr. Craig A. Johnson
Sarasota, Florida

Chief Financial Officer
FCCI Insurance Group

Mr. Joseph A. Keene
Sarasota, Florida

Executive Vice President
FCCI Insurance Group

Mr. Thomas G. Quaka
Jackson, Mississippi

President
Mississippi Insurance Managers

Mr. John T. Stafford
Sarasota, Florida

President, Chief Executive Officer
Suncoast Bancorp Inc.

Mr. Ronald Paul Tubertini
Greenville, Mississippi

Mississippi Insurance Services
President

Mr. David Lee Webber
Sarasota, Florida

Chief Operating Officer
FCCI Insurance Group

The following officers were duly elected by the Board and holding office at December 31, 2006:

NAME**TITLE**

Mr. Thomas G. Quaka

President

Mr. Gordon W. Jacobs

Executive Vice President

Mr. Joseph A. Keene

Executive Vice President

Mr. David L. Webber

Executive Vice President

Mr. Christopher S. Shoucair

Vice President

Ms. Debra H. Douglas

Secretary

Mr. Craig A. Johnson

Treasurer

Committees

There were no active committees of the Board as of the examination date.

Conflict of Interest

The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no exceptions to the Company's policies were noted.

CORPORATE RECORDS

The minutes of the meetings of the Stockholders and Board prepared during the period under examination were reviewed and appeared to be complete with regard to the matters brought up at the meetings for deliberation, which included the approval and support of the Company's transactions and events, as well as the review of its audit, actuarial and examination reports.

DIRECTORS', OFFICERS', EMPLOYEES', AND AGENTS' WELFARE

The Company did not have any direct employees but instead received management services from FCCI Services, Inc. and MS Insurance Managers, Inc.

FIDELITY BONDS AND OTHER INSURANCE

Insurance policies were active at December 31, 2006 that appeared to be adequate to protect the Company's interest, and the fidelity insurance coverage exceeded the NAIC's suggested minimum amount.

REINSURANCE

The Company ceded premiums and losses to FCCI under a quota share reinsurance agreement whereby the Company ceded 90% of its business prior to January 1, 2005 and, effective January 1, 2005, the Company amended its agreement with FCCI and began ceding 100% of its written insurance business. The consulting actuary reviewed the summary of the reinsurance contract and also reviewed the contract for terms and/or conditions in regard to the timing of payments and underwriting risk. Based on the consulting actuary's review, there were no situations noted within the terms and/or conditions of the contract that would materially limit risk transfer. The amounts reported (rounded) at December 31, 2006 for ceded reinsurance follow:

Premiums ceded	\$ 27,556,000
Unearned premiums ceded	\$ 13,192,000
Loss reserve ceded	\$ 31,403,000
Reinsurance recoverable	\$ 46,291,000
Ceded premiums payable	\$ (2,071,000)

ACCOUNTS AND RECORDS

The Company's accounting and policy administration records were maintained through the use of an IBM AS/400 and a Windows 2000 server. The annual audit was conducted by the certified public accounting firm of KPMG, LLP and Tillinghast-Towers Perrin was contracted by the Company for the calculation and opining of its loss reserves.

STATUTORY DEPOSITS

The fair value of the Company's statutory deposit with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2), and the following chart displays the Company's pledged investments at December 31, 2006:

Description of Security	Par Value	Fair Value
US Treasury Note (AR)	\$175,000	\$171,241
Certificate of Deposit (LA)	\$ 20,000	\$ 20,000
US Treasury Note (MS)	<u>\$550,000</u>	<u>\$535,475</u>
Totals	\$745,000	\$726,716

FINANCIAL STATEMENTS

The following financial statements consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds at December 31, 2006, a Statement of Income for year ended December 31, 2006, and a Reconciliation of Surplus as Regards Policyholders for the examination period ended December 31, 2006 and a Reconciliation of Examination Changes to Surplus and Other Funds for Year Ended December 31, 2006.

BRIERFIELD INSURANCE COMPANY
STATEMENT OF ADMITTED ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS
DECEMBER 31, 2006

ADMITTED ASSETS

Bonds	\$7,836,951
Cash, cash equivalents and short-term investments	1,209,059
Investment income due and accrued	83,056
Funds held by reinsured companies	5,640
Federal income tax recoverable	104,121
Net deferred tax asset	29,237
Other assets	<u>15,422</u>
 Total admitted assets	 <u>\$9,283,486</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Reserve for losses and loss adjustment expenses	\$1,565,425
Reinsurance payable on loss and loss adjustment expenses	2,017,802
Commissions payable	2,362,643
Other expenses	1,103,120
Taxes, licenses and fees due and accrued	540,221
Advance premiums	20,902
Ceded reinsurance premiums payable	(2,070,909)
Amounts withheld or retained by the company	32,155
Remittances and items not allocated	<u>60</u>
 Total Liabilities	 <u>5,571,419</u>
 Common capital stock	 1,000,000
Gross paid in and contributed surplus	4,000,000
Unassigned funds	<u>(1,287,933)</u>
 Surplus as regards policyholders	 <u>3,712,067</u>
 Total liabilities, surplus and other funds	 <u>\$9,283,486</u>

BRIERFIELD INSURANCE COMPANY
STATEMENT OF INCOME
FOR YEAR ENDED DECEMBER 31, 2006

Net premiums earned		\$ 0
Losses and loss adjustment expenses incurred	51,791	
Other underwriting expenses incurred	<u>545,533</u>	
Total losses and expenses incurred		<u>597,324</u>
Net underwriting loss		(597,324)
Investment Income	322,640	
Realized capital loss	(13)	
Net investment income		322,627
Other income		<u>184,065</u>
Net loss before federal income taxes		(90,632)
Federal income taxes		<u>(70,274)</u>
Net loss		<u><u>\$(20,358)</u></u>

BRIERFIELD INSURANCE COMPANY
RECONCILIATION OF SURPLUS AS REGARDS POLICYHOLDERS
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2006

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Surplus as regards policyholders, beginning of year	\$3,759,064	\$3,663,797	\$3,747,364
Net income/(loss)	(29,590)	12,412	(20,358)
Change in non-admitted assets	(134,819)	254,500	(24,698)
Change in net deferred income tax	<u>69,142</u>	<u>(183,345)</u>	<u>9,759</u>
Surplus as regards policyholders, end of year	<u>\$3,663,797</u>	<u>\$3,747,364</u>	<u>\$3,712,067</u>

BRIERFIELD INSURANCE COMPANY
RECONCILIATION OF EXAMINATION CHANGES TO SURPLUS AND OTHER FUNDS
FOR YEAR ENDED DECEMBER 31, 2006

There were no changes made to the admitted assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2006. The surplus as regards policyholders, which totaled \$3,712,067 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

A full market conduct examination in accordance with the NAIC's Market Conduct Handbook was not performed; however, particular areas of the Company's market conduct were examined in connection with the financial examination, and no significant exceptions were noted. The particular areas reviewed are as follows:

Complaint Handling

The Company maintained a complaint log during the period under examination, and all complaints appeared to have been resolved amicably and no policyholder abuse or undesirable patterns were noted.

Marketing and Sales

The Company, during the period under examination, issued multi-line property and casualty insurance in the state of Mississippi. These insurance products were marketed by MIM through a general agency agreement with the Company.

Producer Licensing

The agents writing business for the Company in the state of Mississippi, during the period under examination, were compared against the licenses issued by the MID and no significant exceptions were noted. Further, the Company's acting general agent was appropriately licensed by the MID.

Underwriting and Rating

The Company had appropriate licensure to issue its products, and the applicable policy forms were approved by the MID.

Claims

A sampling of claims paid by the Company, for the period under examination, were selected and reviewed without significant exception.

Territory and Plan of Operation

During the examination period, the Company was licensed to issue property and casualty insurance in the states of Arkansas and Mississippi. Subsequent to the examination date, the Company obtained licensure as a property and casualty insurer in the states of Alabama and Tennessee. To date, all of the Company's business has been written in the state of Mississippi.

Privacy

The Company had a privacy policy in place for the protection of its policyholders, and this policy appeared to be in compliance with applicable laws and standards.

COMMITMENTS AND CONTINGENCIES

The Company purchased annuities from life insurers under which the claimants are payees. These annuities have been used to reduce unpaid losses and, as of December 31, 2006, the Company has a contingent liability of \$179,217 should the issuers of these annuities fail to perform under the terms of the annuity contracts.

SUBSEQUENT EVENTS

Effective January 1, 2008, the Company's general agency agreement with MIM and its service agreement with FSI were amended to reflect that MIM would begin performing workers' compensation support services for the Company, which were previously performed by FSI.

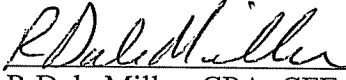
ACKNOWLEDGMENT

In addition to the undersigned, the examiners representing the Mississippi Insurance Department who participated in the examination of the Company are listed below.

Manager:	Mr. Joseph R. May, CFE, CPA, CMA, CIE
Examination Actuary:	Robert P. Daniel, ACAS, MAAA
Automation:	Mr. J. Scott Joyner, CISA, AES, CGAP

The courteous cooperation extended by the Company is hereby acknowledged and appreciated.

Respectfully,


R Dale Miller, CPA, CFE
Examiner-In-Charge