

APR 25 2022

FILED

# CERTIFICATION

April 25, 2022

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

**FIRSTCOMP INSURANCE COMPANY**

**AS OF**

**DECEMBER 31, 2020**

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.



A handwritten signature in blue ink, appearing to read "Eric Dunning".

DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

**FIRSTCOMP INSURANCE COMPANY**  
**222 SOUTH 15<sup>TH</sup> STREET, SUITE 1500 N**  
**OMAHA, NEBRASKA 68102**

dated as of December 31, 2020, verified under oath by the examiner-in-charge on March 31, 2022, and received by the company on April 1, 2022, has been adopted with modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 15<sup>th</sup> day of April 2022.

STATE OF NEBRASKA  
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'Justin C. Schrader', is written over a horizontal line.

Justin C. Schrader, CFE  
Chief Financial Examiner

**STATE OF NEBRASKA**

**Department of Insurance**

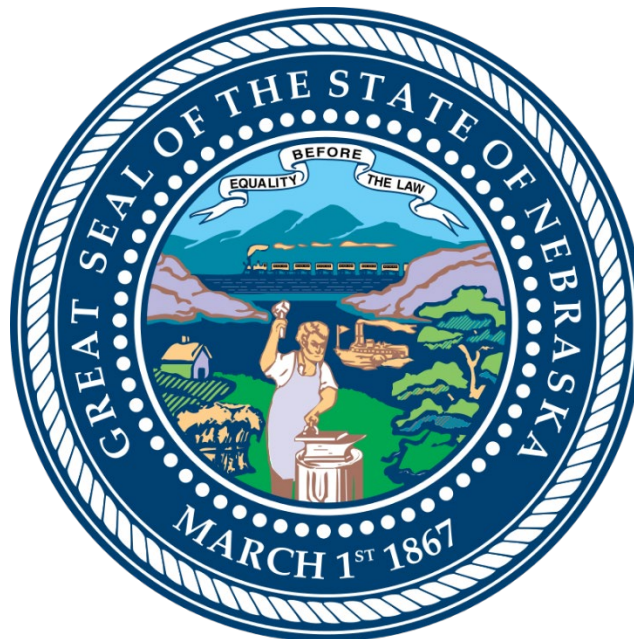
**EXAMINATION REPORT**

**OF**

**FIRSTCOMP INSURANCE COMPANY**

**as of**

**December 31, 2020**



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Lincoln, Nebraska  
March 15, 2022

Honorable Eric Dunning  
Director of Insurance  
Nebraska Department of Insurance  
1526 K Street, Suite 200  
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

**FIRSTCOMP INSURANCE COMPANY**  
**222 South 15th Street, Suite 1500 N**  
**Omaha, Nebraska 68102**

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

**INTRODUCTION**

The State of Nebraska last examined the Company as of December 31, 2015. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2020 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, Illinois, Delaware, Missouri, Texas, and Virginia participated in this coordinated examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company’s affiliates, City National Insurance Company (CNIC), Evanston Insurance Company (EIC), Independent Specialty Insurance Company (ISIC), Markel Insurance Company (MIC), Markel Global Reinsurance Company (MGRC), Essentia Insurance Company (Essentia), Markel

American Insurance Company (MAIC), Pinnacle National Insurance Company (PNIC), State National Insurance Company, Inc. (SNIC), Superior Specialty Insurance Company (SSIC), SureTec Insurance Company (SureTec), National Specialty Insurance Company (NSIC), and United Specialty Insurance Company (USIC).

### **SCOPE OF EXAMINATION**

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Illinois Department of Insurance as the coordinating state and the Delaware Department of Insurance, Missouri Department of Commerce and Insurance, Nebraska Department of Insurance, Texas Department of Insurance, and Virginia Bureau of Insurance as participating states. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Stockholders, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected, and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted, and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by KPMG LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2020. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

### **DESCRIPTION OF COMPANY HISTORY**

Financial American Insurance Company was incorporated under the laws of the State of Missouri on December 17, 1986, as a joint stock casualty insurance company. The Company commenced business on December 31 of that same year.

Financial American Insurance Company applied to the Director of Insurance of the State of Nebraska for approval to redomesticate to the State of Nebraska and simultaneously change its name to FirstComp Insurance Company. The Director approved said application on March 11, 1997. On March 13, 1997, the Nebraska Department of Insurance approved the Form A application of Aspen



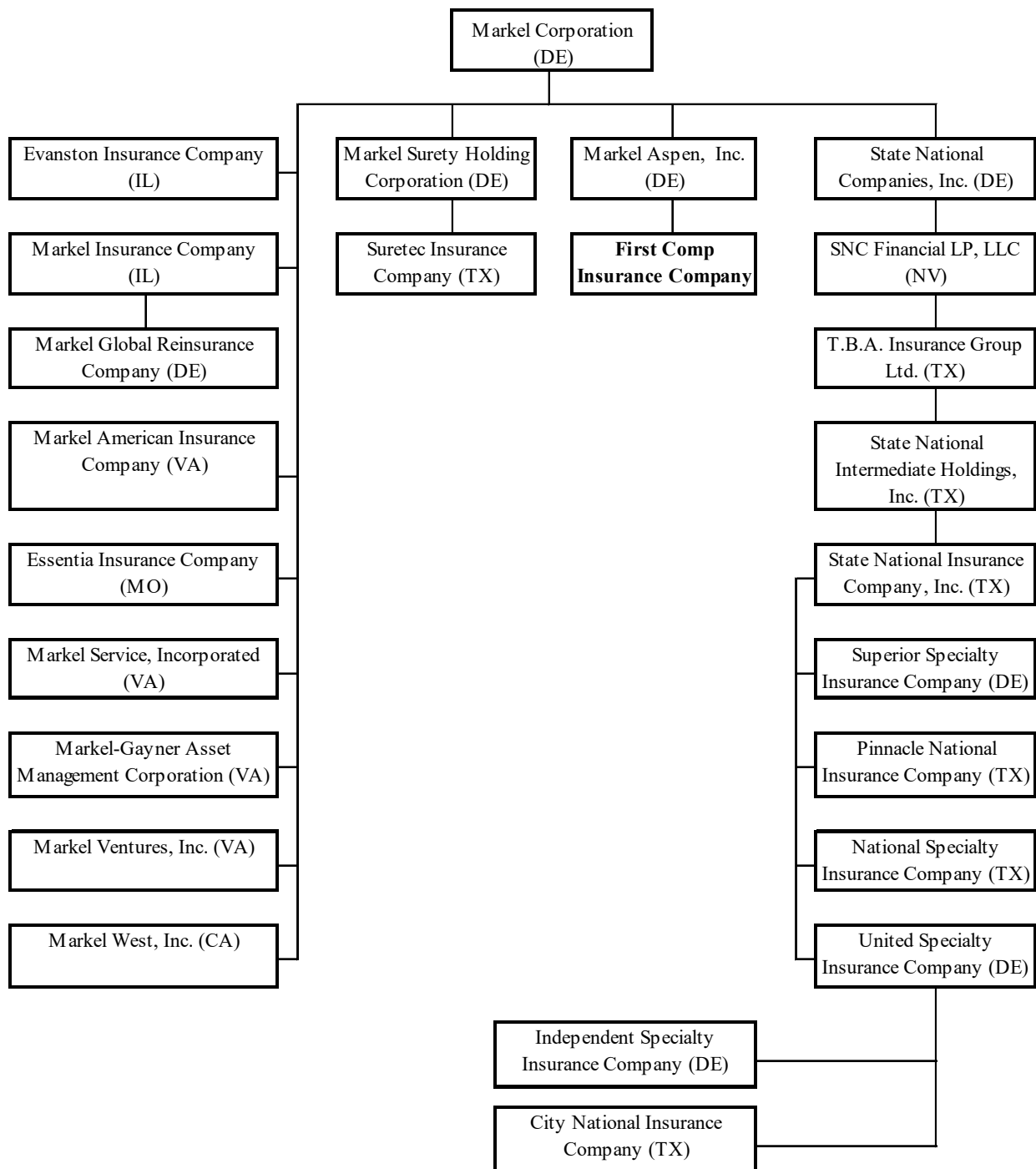
Holdings, Inc., to acquire control of the Company from First American Financial Corporation, a Missouri Corporation and sole shareholder of the Company.

On October 15, 2010, Markel Corporation, an insurance holding company based in Richmond, Virginia, acquired 100% of the issued and outstanding stock of Aspen Holdings, Inc., the parent of the Company. Aspen Holdings, Inc. has since been renamed Markel Aspen, Inc. (Aspen) and remains the Company's sole shareholder.

## **MANAGEMENT AND CONTROL**

### **Holding Company**

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the "Ultimate Controlling Person," as reported in the 2020 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):



**Shareholder**

The Articles of Incorporation provide that, “the aggregate number of shares which the Company shall have authority to issue shall be Fifteen Thousand (15,000) shares of a par value of

One Hundred Dollars (\$100) each, amounting in the aggregate to One Million Five Hundred Thousand Dollars (\$1,500,000).”

The Articles of Incorporation and By-Laws provide that, “annual meetings of Shareholders of the Company shall be held at the Home Office of the Company on or before the 30<sup>th</sup> day of June in each and every calendar year for the election of the required members of the Board of Directors and the transaction of any other business as may properly come before the Shareholders for their action.”

During the period under review the Company declared a \$14,753,747 ordinary dividend on November 10, 2016.

The Company also declared extraordinary dividends in the following amounts during the current period under examination:

<u>Date</u>	<u>Amount</u>
November 24, 2020	\$16,000,000
October 25, 2019	50,000,000
November 1, 2018	50,000,000
November 17, 2017	40,000,000

### **Board of Directors**

The Company’s By-Laws provide that, “the Board of Directors shall consist of no fewer than five (5) persons and shall be elected at the annual meeting of the Shareholders...”.

The following persons were serving as Directors at December 31, 2020:

<b><u>Name and Residence</u></b>	<b><u>Principal Occupation</u></b>
Brian J. Costanzo Mechanicsville, Virginia	Managing Director, Controller, Markel Service, Inc.
Robert C. Cox Basking Ridge, New Jersey	President & Chief Operating Officer, Insurance Operations, Markel Service, Inc.

**Name and Residence****Principal Occupation**

Oscar Guerrero  
Collegeville, Pennsylvania

Chief Accounting Officer, Markel Service, Inc.

Bradley J. Kiscaden  
Glen Allen, Virginia

President and Chief Administrative Officer, Markel Service, Inc.

Michael A. Muma  
Elkhorn, Nebraska

Managing Director, Underwriting, Markel Service, Inc.

Matthew H. Parker  
Barrington, Rhode Island

Executive Director, Integration Strategy, Markel Service, Inc.

Robin Russo  
Glen Allen, Virginia

Executive Vice President, Chief Underwriting Officer, Markel Service, Inc.

Bryan W. Sanders  
Moseley, Virginia

President, Markel Specialty, Markel Service, Inc.

**Officers**

The Company’s Articles of Incorporation states that, “the Officers of the Company shall consist of a President, a Vice President, and a Secretary/Treasurer, who shall be elected by the Board of Directors by and from their number at its annual stated meeting, and who shall hold their respective offices for one year and until their successor is elected and qualified.”

The following is a listing of Officers elected and serving the Company at December 31, 2020:

**Name****Office**

Bradley J. Kiscaden

Chairman of the Board

Michael A. Muma

President

Brian J. Costanzo

Vice President and Chief Financial Officer

Richard R. Grinnan

Vice President and Assistant Secretary

Robin Russo

Vice President

Kathleen A. Sturgeon

Secretary

John D. Back

Assistant Vice President

April L. Duff

Treasurer

Justin P. Broussard

Assistant Treasurer

Ella Liberman

Assistant Secretary

<u>Name</u>	<u>Office</u>
Kelli S. Plusch	Assistant Secretary
Karl M. Strait	Assistant Secretary
Kristen M. Williamson	Assistant Secretary

## **TRANSACTIONS WITH AFFILIATES**

### **Management Agreement**

The Company entered into a Management Agreement with Markel Service, Incorporated (MSI), effective November 23, 2013. Under the terms of the agreement, MSI shall act as the exclusive business and underwriting manager for the Company. Services include, but are not limited to: management, administrative, financial and investment advisory services, underwriting, claims, and reinsurance services.

### **Binding Authority Agreement**

The Company entered into a binding authority agreement with MSI and Markel West, Inc. (MW), effective November 23, 2013. Under the terms of the agreement, the Company and MSI grant certain underwriting authority to MW whereby MW will manage a portion of the business written by the Company.

### **Investment Advisory Agreement**

Effective January 1, 2015, the Company entered into an Amended and Restated Investment Advisory Agreement of an original October 5, 2010 agreement with Markel-Gayner Asset Management Corporation (Markel Gayner). Pursuant to the agreement, Markel Gayner conducts and maintains a continuous review of the Company's investment portfolio and determines what securities should be purchased or sold and what portion of the portfolio should be maintained in cash. Per the agreement, annual investment advisory fees are equal to one

percent of the portfolio's market value. The agreement is renewed every three years. The latest renewal was effective October 15, 2019.

### **Tax Allocation Agreement**

The Company entered into a Tax Allocation Agreement, dated January 1, 2013, with its parent, Markel Corporation, which provides for the consolidated Federal income tax liability of the U.S. affiliated group to be allocated among the affiliated entities. Each Company's share of the consolidated Federal income tax liability of the affiliated group for each consolidated return year shall be its separate return tax liability for such year. All settlements are within 30 days following the filing of the Federal return.

### **TERRITORY AND PLAN OF OPERATION**

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in 28 states as follows:

Arizona	Arkansas	Colorado	Connecticut
Georgia	Hawaii	Idaho	Indiana
Iowa	Kansas	Massachusetts	Minnesota
Mississippi	Missouri	Nebraska	Nevada
New Hampshire	New Mexico	North Carolina	Oklahoma
Oregon	Pennsylvania	Rhode Island	South Carolina
South Dakota	Tennessee	Virginia	West Virginia

The Company is a direct writer of workers' compensation and employers' liability insurance with all underwriting and marketing performed by employees of affiliated companies. The Company serves the small-insured market by providing coverage to "main street" businesses in rural communities which are traditionally underserved by large national insurers through a network of approximately 10,289 independent agents (data as of October 2020) inclusive of the insurance network and outsourced platforms.

## **REINSURANCE**

### **Assumed Reinsurance – Non-Affiliates**

For the year ended December 31, 2020, the Company assumed premiums in the amount of \$2,435,495 from non-affiliates for pools and associations, primarily the National Workers' Compensation Reinsurance Pool.

### **Ceded Reinsurance – Affiliates**

The Company entered into a quota share agreement with an affiliate, Evanston Insurance Company (Evanston), effective November 1, 2010. Under this contract, Evanston will assume 50% of the Company's original net retention or original assumed participation on business underwritten. The Company will receive no ceding commission and all costs incidental to the writing of the ceded business will be shared proportionately.

### **Ceded Reinsurance – Non-Affiliates**

Companies within the Markel Group (Markel) are protected from excess losses through various reinsurance facilities for which they are named participants. These facilities include an enterprise aggregate excess of loss (XOL) agreement, various Markel North America property catastrophe covers, global reinsurance property covers, and a workers' compensation cover. On the casualty side, the Markel companies are covered under various agreements including enterprise casualty and cyber liability, casualty mainframe, professional liability, surety, Burns and Wilcox (B&W) umbrella, personal umbrella, Global Re public entity, MINT Fine Arts, and MINT Trade Credit. The following contracts were deemed significant to the coverage of the Company:

#### **Enterprise Aggregate Excess of Loss**

Effective January 1, 2020, coverage under the aggregate Excess of Loss (XOL) is provided under two layers, which are net after all inuring reinsurance. The original structure was

\$300 million excess \$200 million for the first layer, and \$100 million excess \$500 million for the second layer. There is a \$10 million per occurrence deductible in place and both layers were 100% placed. Effective July 1, 2020, the attachment point for the first layer was lowered from \$200 million to \$174.75 million.

Business covered under this agreement includes policies underwritten by or on behalf of Markel Assurance, Markel Specialty (including FCIC), Markel International (as respects “Canadian Cross Border” business underwritten in the United States), State National Companies, Hagerty Insurance Agency, LLC, Hagerty Classic Marine Insurance Agency, LLC, and business classified as: Property, Ocean Marine and Inland Marine; Markel Global Re Domestic and International CAT, Per Risk, Quota Share; Direct & Facultative; Whole Account; Marine & Energy including Offshore; CV Starr Aviation; MINT Marine & Energy including Offshore; National Markets Property; All Latin American exposures; All Workers’ Comp (insurance and reinsurance); All Accident & Health (insurance and reinsurance).

All lines of business that are subject to natural peril losses are subject to this placement excluding assumed retros and State National Lender Services.

#### Markel North America Property Catastrophe

Effective May 1, 2020, Markel entered into the Markel North America Property Catastrophe agreement that provides a \$200 million excess of loss layer of protection above Markel’s \$100 million retention. Business covered includes policies underwritten by or on behalf of Markel Assurance (formerly known as Markel Wholesale and Global Insurance), Markel Specialty (including FCIC), Markel International (as respects “Canadian Cross Border” business underwritten in the United States), State National Insurance Company, Hagerty Insurance Agency, LLC, and Hagerty Classic Marine Insurance Agency, LLC, classified by the Company as Property, Ocean Marine and Inland Marine. The agreement was 100% placed.



## Markel North America Property Risk Structure

Effective May 1, 2020, Markel has a multilayer property risk structure in place to partially cover the \$100 million retention noted in the above property catastrophe agreement.

For Markel Assurance Commercial Property and Risk Managed Property, there is a 100% Quota Share that was 45.75% placed with Markel retaining the remainder. The agreement is on a risk attaching basis. The reinsurers will indemnify the Company for losses under all policies underwritten by or on behalf of Markel Assurance Commercial Property Product Line or Markel Assurance Risk Management Property Product Line and classified by the Company as Property.

There are two excess of loss agreements covering \$9 million excess of Markel's \$1 million retention. The first is a \$4 million excess of \$1 million per risk (which excludes losses of named hurricanes at landfall and earthquakes), and was 100% placed. This layer has an \$18 million Annual Aggregate Deductible (AAD). The second agreement covers \$5 million excess of \$5 million per risk with an AAD of \$2.5 million, and was 100% placed. Business covered under these layers cover losses under all policies underwritten by or on behalf of Markel Assurance Contract Binding Property, Markel Assurance Healthcare Practice Group, Markel Specialty Commercial, Markel Specialty Programs (including FCIC and excluding Wright Specialty School Program), Markel International (as respects "Canadian Cross Border" business underwritten in the United States), Markel Assurance Inland Marine, Markel Assurance Railroad, Markel Assurance Ocean Marine, Markel Specialty Personal Lines Ocean Marine, and Markel Insurtech Underwriting, and classified by the Company as Property including, but not limited to Inland Marine, Ocean Marine, and Businessowners Policies (property coverages only).

Above the \$10 million limit there are two additional excess of loss agreements. The first layer is a \$15 million excess of \$10 million, excess of loss (XOL) per risk agreement. The second agreement is \$25 million excess of \$25 million. Both agreements were 100% placed and provide

per occurrence clash protection. Business covered includes losses under all policies underwritten by or on behalf of Markel Assurance, Markel Specialty Commercial, Markel Specialty Programs (excluding Wright Specialty School Program), Markel International (as respects “Canadian Cross Border” business underwritten in the United States), Markel International (MINT) Direct and Facultative business, Markel Assurance Inland Marine, Markel Assurance Railroad, Markel Assurance Ocean Marine, Markel Specialty Personal Lines Ocean Marine and Markel Insurtech Underwriting, and classified by the Company as Property including but not limited to Inland Marine, Ocean Marine and Businessowners Policies (property coverages only).

#### Workers’ Compensation

Effective June 1, 2020, Markel entered into an excess of loss agreement for all policies written by Markel Specialty, including policies issued by FirstComp, and classified as Workers’ Compensation and Employers Liability business. Excess of loss coverage is provided by two layers. Layer 1 is \$10 million excess of \$10 million with an aggregate limit of \$20 million with Markel retaining the first \$10 million. Layer 2 is \$50 million excess of \$20 million with an aggregate limit of \$100 million. Both layers are 100% placed.

#### Enterprise Casualty and Cyber Liability

Effective March 1, 2020, Markel entered into an excess of loss agreement to cover casualty and cyber liability. The agreement is divided into two sections. Section A is per event and section B is aggregate. Section A was 25% placed. Section A1 provides clash cover of \$40 million in excess of \$25 million for third party liability for Markel Assurance and Specialty; Markel Specialty Commercial (except Education Accident & Medical and Hagerty Classic Auto and Watercraft); Markel Specialty Agriculture; Markel Specialty Programs (except Health Special Risk); Workers’ Compensation (including FCIC); Prairie State; Markel Surety; Markel Assurance Casualty; Markel Assurance Professional Liability; Markel Insurtech Underwriters (formerly

known as Markel Digital); Assurance Ocean Marine; Markel Global Reinsurance: Public Entity and Markel International: MINT Specialty and Financial Lines; MINT National Markets; MINT Marine & Energy; and MINT Latin America Surety. Section A2 covers transactional liability of \$40 million excess of \$25 million. Both A1 and A2 have an aggregate limit of \$80 million.

Section B covers cyber events involving policies classified by the Company as: Property; Casualty; Professional Liability; Workers' Compensation (including FCIC); Marine and Energy; and Surety, including both affirmative and silent cyber insurance. The affirmative and silent cyber covers \$150 million excess of \$120 million with an aggregate limit of \$150 million and is 43.33% placed. Additionally, the affirmative cyber covers \$150 million excess of \$120 million with an aggregate limit of \$150 million and is 10.00% placed. Section B contains varying sub limits for certain reinsurers.

#### Casualty Mainframe

Effective November 1, 2020, Markel entered into a casualty mainframe excess of loss agreement to cover Risk Management Excess Liability Policies providing Commercial/Infrastructure construction. The agreement is divided into two sections. Section A covers losses excess of \$250,000 not to exceed \$2,750 million each loss, each risk and has a \$350 million AAD. Section A is 98.5% placed and the aggregate limit is \$250 million. Section B covers losses excess of \$3 million each loss, each risk not to exceed \$22 million each loss, each risk and has a \$120 million AAD. Section B is 91% placed and the aggregate limit is \$250 million. There is an aggregate limit of \$400 million for both sections combined.

#### General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

## **BODY OF REPORT**

### **GROWTH**

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
Bonds	\$ 96,014,201	\$ 81,291,186	\$ 56,026,711	\$ 41,212,568	\$ 39,130,735
Admitted assets	280,561,055	261,253,371	211,283,129	183,071,787	175,714,008
Loss reserves	98,292,442	90,270,398	82,270,730	73,400,050	70,582,468
Total Liabilities	157,661,646	150,525,559	137,843,008	128,896,009	121,642,038
Capital and surplus	122,899,409	110,727,812	73,440,121	54,175,778	54,071,970
Premiums earned	45,189,164	44,078,371	41,411,520	41,472,045	39,609,875
Net investment income	2,259,499	4,839,166	14,773,601	12,233,176	3,168,730
Losses incurred	16,416,052	11,144,144	10,197,346	7,567,937	14,174,876
Net income	10,538,779	16,139,127	25,694,911	25,239,434	11,022,658

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2020. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

**FINANCIAL STATEMENT**  
**December 31, 2020**

<b><u>Assets</u></b>	<b><u>Assets</u></b>	<b><u>Assets Not Admitted</u></b>	<b><u>Net Admitted Assets</u></b>
Bonds	\$ 39,130,735		\$ 39,130,735
Common stocks	73,988,749		73,988,749
Cash, cash equivalents, and short-term investments	<u>35,576,235</u>		<u>35,576,235</u>
Subtotals, cash and invested assets	\$148,695,719		\$148,695,719
Investment income due and accrued	258,008		258,008
Uncollected premiums	5,718,827	\$735,489	4,983,338
Deferred premiums	15,527,730	81,869	15,445,861
Amounts recoverable from reinsurers	4,757,928		4,757,928
Funds held by reinsured companies	734,195		734,195
Other amounts receivable under reinsurance contracts	(590,316)		(590,316)
Claims clearing	<u>1,429,275</u>	_____	<u>1,429,275</u>
 Total assets	 <u>\$176,531,366</u>	 <u>\$817,358</u>	 <u>\$175,714,008</u>

## **Liabilities, Surplus, and Other Funds**

Losses	\$ 70,582,468
Reinsurance payable on loss and loss adjustment expenses	32,463
Loss adjustment expenses	10,763,804
Commissions payable, contingent commissions and other similar charges	108,563
Other expenses	579,398
Taxes, licenses and fees	3,117,115
Current federal income taxes	2,537,120
Net deferred tax liability	7,202,975
Unearned premiums	17,118,949
Advance premium	1,287,442
Dividends declared and unpaid to policyholders	339,921
Ceded reinsurance premiums payable	6,437,298
Provision for reinsurance	3,206
Payable to parent, subsidiaries and affiliates	<u>1,531,316</u>
Total liabilities	\$121,642,038
Common capital stock	\$ 1,500,000
Gross paid in and contributed surplus	21,940,121
Unassigned funds	<u>30,631,849</u>
Total capital surplus	<u>\$ 54,071,970</u>
Totals	<u>\$175,714,008</u>

## STATEMENT OF INCOME – 2020

### Underwriting Income

Premiums earned	<u>\$39,609,875</u>
Losses incurred	\$14,174,876
Loss expenses incurred	2,322,040
Other underwriting expenses incurred	<u>12,694,981</u>
Total underwriting deductions	<u>\$29,191,897</u>
Net underwriting gain	<u>\$10,417,978</u>

### Investment Income

Net investment income earned	\$ 1,801,503
Net realized capital gains	<u>1,367,227</u>
Net investment gain	<u>\$ 3,168,730</u>

### Other Income

Net gain from agents' or premium balances charged off	(\$ 1,172,681)
Finance and service charges not included in premiums	373,384
Late fees and NSF charges	<u>633,717</u>
Total other income	<u>(\$ 165,580)</u>
Net income before dividends to policyholders and federal income taxes	\$13,421,128
Dividends to policyholders	225,559
Federal income taxes incurred	<u>2,172,911</u>
Net income	<u>\$11,022,658</u>

## CAPITAL AND SURPLUS ACCOUNT

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Capital and surplus, beginning	\$118,750,995	\$122,899,409	\$110,727,810	\$73,440,121	\$54,175,778
Net income	\$ 10,538,779	\$ 16,139,127	\$ 25,694,911	\$25,239,434	\$11,022,658
Change in net unrealized capital gains or (losses)	7,433,366	16,396,548	(12,423,346)	6,019,880	4,457,611
Change in net deferred income tax	1,033,100	(4,573,096)	(190,295)	(547,200)	(306,631)
Change in nonadmitted assets	(103,083)	(134,178)	(368,959)	23,543	725,760
Change in provision for reinsurance					(3,206)
Surplus paid in				(43,357,835)	
Surplus reclass for 2018 dividend and late fees and NSF charges				6,070,144	
Dividends to stockholders	(\$ 14,753,747)	(\$ 40,000,000)	(\$ 50,000,000)	(\$12,712,309)	(\$16,000,000)
Net change for the year	\$ 4,148,415	(\$ 12,171,599)	(\$ 37,287,689)	(\$19,264,343)	(\$ 103,808)
Surplus as regards policyholders, ending	<u>\$122,899,409</u>	<u>\$110,727,810</u>	<u>\$ 73,440,121</u>	<u>\$54,175,778</u>	<u>\$54,071,970</u>

## EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$30,631,849, as reported in the Company's 2020 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

## COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

**Premiums Receivable** - It is recommended that the Company make the necessary changes to their system that will allow for premium receivable to be calculated in accordance with SSAP No. 6. If changes to the system are not feasible, it is recommended that the Company implement a manual review process to ensure that premium receivable is reported in accordance with SSAP No. 6.

**Actions:** The Company has complied with this recommendation.

## COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.



## **SUBSEQUENT EVENTS**

### **REINSURANCE POOLING AGREEMENT**

Effective January 1, 2022, MIC, along with its affiliates EIC, MAIC, FCIC, and SureTec, entered into a Reinsurance Pooling Agreement. EIC, MAIC, FCIC and SureTec each agree to cede, and MIC agrees to assume, 100% of each company's net liability and any related premium taxes and commissions, net premiums earned, net losses incurred, net loss adjustment expenses incurred, net underwriting expenses, and net other income and expenses beginning January 1, 2022. The following table illustrates each participant's pooled share as retroceded from MIC:

<b><u>Company</u></b>	<b><u>State of Domicile</u></b>	<b><u>Pooling Share</u></b>
Evanston Insurance Company	IL	64.0%
Markel Insurance Company	IL	22.5%
Markel American Insurance Company	VA	13.5%
FirstComp Insurance Company	NE	0.0%
SureTec Insurance Company	TX	0.0%

### **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

There are no comments or recommendations that have been made as a result of this examination.

## ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Cecilee Diamond-Houdek, CFE, Financial Examiner contracted by the Nebraska Department of Insurance, and Financial Examiners, Information Systems Specialists, and Actuarial Examiners with or contracted by the Illinois Department of Insurance, the Delaware Insurance Department, Missouri Department of Commerce and Insurance, Texas Department of Insurance, and the Virginia Bureau of Insurance participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



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Cecilee Diamond-Houdek, CFE  
Examiner-in Charge  
INS Regulatory Insurance Services, Inc.  
Representing the Department of Insurance  
State of Nebraska



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Andrea Johnson, CFE  
Assistant Chief Examiner - Field  
Department of Insurance  
State of Nebraska

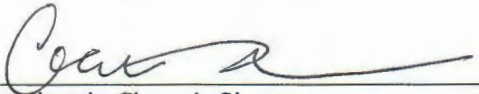
State of Nebraska,

County of Lancaster,

Cecilee Houdek, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of FIRSTCOMP INSURANCE COMPANY.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of FIRSTCOMP INSURANCE COMPANY was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.



Examiner-in-Charge's Signature

Subscribed and sworn before me by Cecilee Houdek on this 31st day of March, 2022.

(SEAL) 

BRIANNA L. ALBERTSON NOTARY PUBLIC-NOTARY SEAL STATE OF MISSOURI-CLAY COUNTY COMMISSION # 19259949 MY COMMISSION EXPIRES 7-10-2023
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Notary Public

My commission expires 07/10/2023 [date].