One Team

2015 FCCI ANNUAL REPORT

FCCI Insurance Group

One Team

FCCI Insurance Group is a multi-line commercial property and casualty insurance provider that has been keeping our promises since 1959. We work with independent agents to offer coverage and services our policyholders can depend on to help prevent loss, handle claims, restore operations and provide for injured workers.

Our employees, agents and policyholders come together as One Team making people, businesses and communities stronger.

Our Mission

FCCI employees are empowered to deliver commercial insurance products and exceptional customer service to meet the needs of our valued agency partners and policyholders. We keep our promises so businesses can thrive, manage risks and face the future with confidence.

Our Core Values

Loyalty, Integrity, Vision, Excellence, Service

On Our Cover

Representing **748** FCCI teammates; **2,264** volunteer hours; **$745** million in direct written premium; and a **98.9%** GAAP combined ratio are (left to right):

Daniel Hu, Project Manager, IT

Shannon Kies, **CIC**, Supervisor, Fast Track Claims, Insurance Operations

Macheta Grays, **CPCU**, Senior Commercial Lines Underwriter, Agribusiness

Bruce Ludke, Manager, Building Maintenance, Campus Operations

Ankil Bhakta, Accountant, Financial Reporting

Debbie Gates, Senior Security Administrator, IT

Colette Bryant, Underwriting Technician, Underwriting Operations

Jacob Smith, Supervisor, Financial Reporting

Corporate Headquarters
Florida Regional Office
6300 University Parkway
Sarasota, FL 34240
800-226-3224

Midwest Regional Office
9025 River Road
Suite 300
Indianapolis, IN 46240
800-824-2513

Orlando Branch Office
610 Crescent Executive Court
Suite 210
Lake Mary, FL 32746
800-239-4778

Southeast Regional Office
1755 North Brown Road
Suite 400
Lawrenceville, GA 30043
800-805-3737

Gulf Coast Regional Office
1020 Highland Colony Parkway,
Suite 800
Ridgeland, MS 39157
800-530-7800

Southwest Regional Office
2435 North Central Expressway
Suite 1000
Richardson, TX 75080
800-226-3224

Alabama Branch Office
10 Inverness Center Parkway
Suite 450
Birmingham, AL 35242
800-530-7800

Government Affairs Office
150 South Monroe Street
Tallahassee, FL 32301
800-224-9994

Table of Contents

It's all about teamwork.

In 2015, we made the decision to start referring to FCCI employees, co-workers and partners as teammates. I was inspired to make this change while visiting one of our agencies and hearing the term used. It struck a chord with me because nothing we do here at FCCI happens without teamwork. We all work together to provide coverage and services, and what we offer only matters if our agents are also part of the team that ultimately delivers for our policyholders. We are One Team.

We're in the fortunate position of looking back on another exceptional year with much to be grateful for. I'm very pleased with the results achieved in 2015, but even more so with the people – my teammates – that made them happen. Working together, we again set historic highs for FCCI in direct written premium, GAAP equity and statutory surplus. Every region contributed significantly to the results, and these successes, combined with good stewardship and prudent management, led to our 14th consecutive year of profitability, a GAAP combined ratio of 98.9% and a statutory combined ratio of 97.6%, making 2015 our second consecutive year under 100%.

I believe FCCI continues to grow and achieve these successes because we believe in our mission. We offer exceptional products and service to our policyholders, we provide value and are easy to work with for our agency partners, and we employ and empower the best teammates in the industry.

Of course, it's not always smooth sailing. Insurance is a business that sometimes exposes us to terrible tragedies where all we can do is cover the material losses and look for ways to prevent future occurrences. Fortunately, it's also a business that allows us to be the best individuals and the best teammates we can be – providing coverage, claim service, risk control, medical management and support services that make a difference for people and businesses, individually and collectively, and for our communities and economies.

It's a business that inspires me to do more and improve every day. I ask that my FCCI teammates and even our agency partners do the same and give back to their communities where they can. I'm extremely proud of FCCI's teammates throughout our 18 states and eight offices, both for the jobs they do and for their charitableness. In 2015, we reached and exceeded our 2,000-hour volunteerism goal with 2,264 company-paid hours volunteered to community organizations that help the less fortunate.

This charitableness is an important part of our culture and represents our values and principles, as well as the graciousness of our teammates. I know our FCCI teammates will continue to volunteer, and I've challenged many of our agency partners to implement similar programs. Several already contribute generously to their own community projects and programs, and I'm inspired by those as well.

We have the best agency partners in the business, and we never stop working to earn their trust and their recommendation. In turn, they represent policyholders that are often among the best in their industries and are managed by conscientious leaders with strong safety and risk control programs. We are grateful each time we are chosen as a carrier, giving us the opportunity to deliver on our promises to our policyholders and agency partners.

On behalf of all of us at FCCI, thank you for being a part of our team. One Team.

Craig Johnson

President & Chief Executive Officer

FCCI's Board of Directors

John T. Stafford
Chairman of the Board
Director since 1996

Craig Johnson MBA, CPA
President & CEO
Director since 2011

Charles R. Baumann CPA/CFF
Director since 2004

John Joseph "Jack" Cox
Director since 2012

Robert W. Flanders
Director since 1993

G.W. Jacobs, Esq.
Past President & CEO
Director since 1999

Lisa Krouse, Esq., SPHR, SHRM-SCP
Executive Vice President, Chief HR Officer
Director since 2016

Roy A. Yahraus
Director since 2007

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President & Chief Executive Officer

Chris Shoucair, MST, CPA
Executive Vice President, Chief Financial Officer & Treasurer

Lisa Weiland
Executive Vice President & Chief Operations Officer

Lisa Krouse, Esq., SPHR, SHRM-SCP
Executive Vice President, Chief HR Officer

Thomas A. Koval, Esq.
Executive Vice President, Chief Legal Officer & Government Affairs

Joseph A. Keene
Executive Vice President, Corporate Claims

Officers

Patrick L. Caranfa, CIC, AU
Vice President, Corporate Underwriting & Product Management

Garth D. Crow, CPCU, CIC, AIC, AFSB, ARe
Senior Vice President, Claims

Rob Davis, FCAS, MAAA
Assistant Vice President, Actuary

Bonnie S. Dezii, AIC, SCLA
Assistant Vice President, Claims, Southeast Region

Ann Driscoll
Vice President, Human Resources

Warren Edwards, CIC
Senior Vice President, Chief Regional Officer

Jeff Frazee
Senior Vice President & Chief Information Officer

Cynthia L. Gaul, CIC, AIC
Vice President, Claims

Carey A. Geaglone, CPCU, MBA, ARe, AIS, AIT, ARM
Senior Vice President, Insurance Operations

James L. Harms, CPCU, CIC
Senior Vice President, Southwest Region

Courtney V. Hart
Vice President, Regional Operations

Team 2015 Stats

$1.6 billion investment portfolio

2,264 employee hours donated to charities

$581 million statutory surplus (historic high)

18,793 policyholders

$2.1 billion total assets

297.4 BCAR score

748 teammates

$718 million GAAP equity (historic high)

14 consecutive years of profit

A (Excellent) with Stable Outlook A.M. Best rating

98.9% combined ratio

4,279 appointed producers

$745 million direct written premium

17,652 bonded principals

599 contracted agencies

18 states

The FCCI officer team at an off-site planning meeting held at the University of South Florida Sarasota-Manatee in August 2015.

Michelle Jalbert, CPA
Vice President, Controller & Assistant Treasurer

Gregory L. Kramer
Senior Vice President, Midwest Region

David Leblanc-Simard, FCAS, MAAA, ASA, CFA
Senior Vice President & Chief Actuary

Brian Makowski, CPA, CGMA, CIA
Assistant Vice President, Insurance Operations

Michael S. Noble, CPCU, AAI
Senior Vice President, Southeast Region

Scott G. Paice, CPCU, AFSB, CIC
Vice President, Surety

Tracey J. Pfab
Senior Vice President, Specialty Markets

Ricardo H. Piedra, Esq.
Assistant Vice President, Assistant General Counsel

Thomas G. Quaka, CPCU
Senior Vice President, Gulf Coast Region

Richard E. Rueger, CPCU, AIC, ARe, AFSB, ARM-E, ASLI
Senior Vice President, Marketing, Business Development & Strategy

Nick Smith, CPCU, CIC, AIC-M, ARM, AMIM, ARe, AFSB, AIS, CCLA
Assistant Vice President, Claims, Gulf Coast Region

William D. Speaker, CPCU, AU
Senior Vice President, Corporate Underwriting

Tracy L. Stoeckel, CPCU
Vice President, Underwriting, Florida Region

Richard B. Swain, CPCU
Assistant Vice President, Agribusiness

Jose Torres
Vice President, Governance, Risk Management & Compliance

Christina D. Welch, Esq., CPCU
Senior Vice President, Chief Risk & Compliance Officer

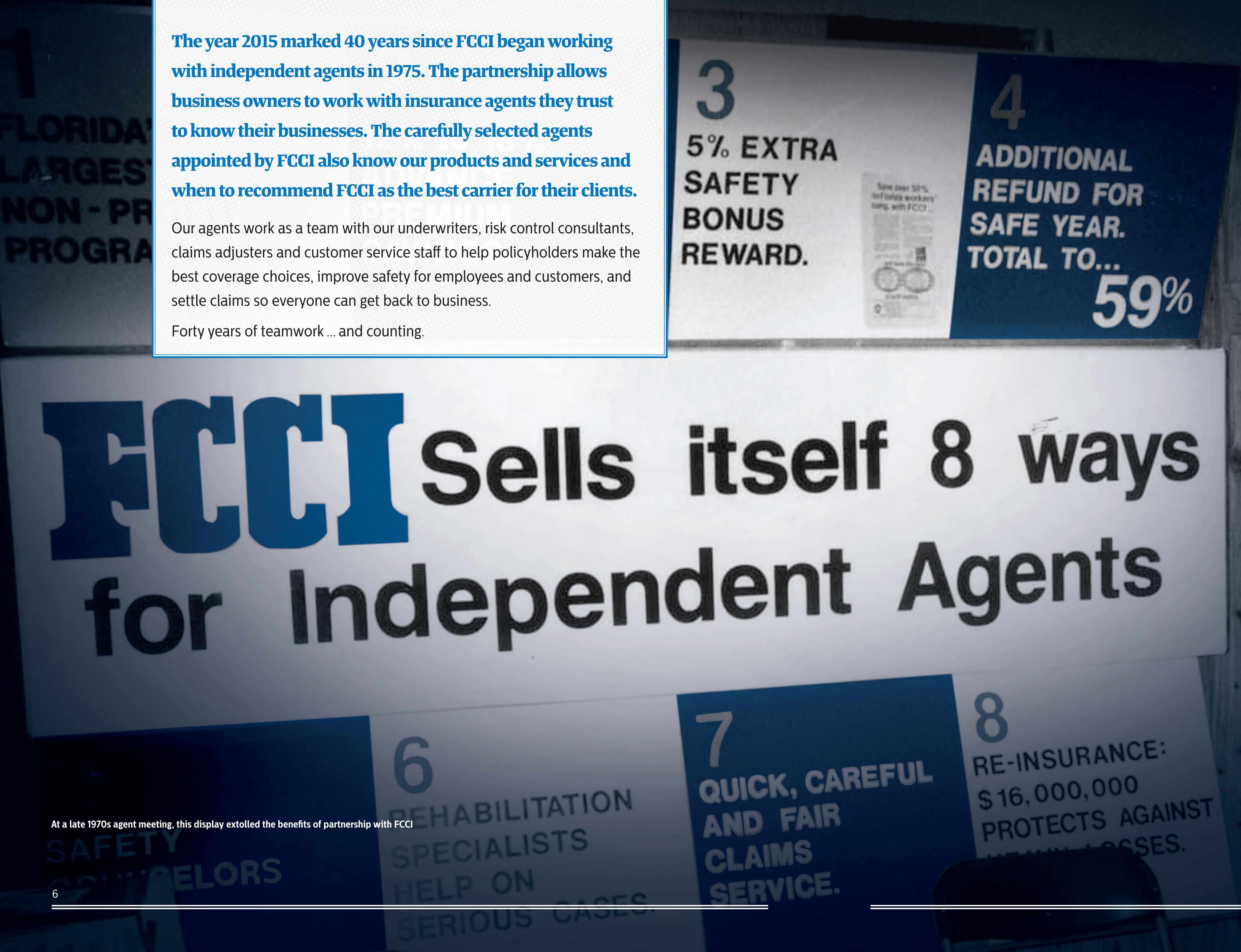
David C. York, CPCU
Senior Vice President, Florida Region

40 Years of Partnership

The year 2015 marked 40 years since FCCI began working with independent agents in 1975. The partnership allows business owners to work with insurance agents they trust to know their businesses. The carefully selected agents appointed by FCCI also know our products and services and when to recommend FCCI as the best carrier for their clients.

Our agents work as a team with our underwriters, risk control consultants, claims adjusters and customer service staff to help policyholders make the best coverage choices, improve safety for employees and customers, and settle claims so everyone can get back to business.

Forty years of teamwork ... and counting.



At a late 1970s agent meeting, this display extolled the benefits of partnership with FCCI

Chairman's Club

Florida Region

Fausto Alvarez Jr.
Brown & Brown of Florida
Miami Lakes, Fla.

Danny Anderson
Insurance Office of America
Longwood, Fla.

Michael Brown
Ben Brown Insurance Agency
Sarasota, Fla.

T. Jason Cloar
Brown & Brown of Florida
Fort Myers, Fla.

Brad Havemeier
Gulfshore Insurance
Naples, Fla.

Bud Hornbeck II
Lutgert Insurance
Naples, Fla.

Greg Marsh
Keyes Coverage
Tamarac, Fla.

Cynthia Payne
CHAPP, Inc.
Dundee, Fla.

Mike Rogers
Associates Insurance Agency
Temple Terrace, Fla.

Mark Webb
Lykes Insurance
Fort Myers, Fla.

Mike Welch
Commercial Insurance Marketing
Sarasota, Fla.

Gulf Coast Region

Ronnie Tubertini
SouthGroup Insurance & Financial Services
Ridgeland, Miss.

Jerry Veazey Jr.
Fisher Brown Bottrell Insurance
Jackson, Miss.

Midwest Region

Randy Cannady
JL Hubbard Insurance & Bonds
Forsyth, Ill.

Tim Leman
Gibson Insurance Group
South Bend, Ind.

Jon Loftin
MJ Insurance
Indianapolis, Ind.

Southeast Region

John Graham
Sterling Risk Advisors
Atlanta, Ga.

President's Club

Florida Region

Atlas Insurance Agency
Sarasota, Fla.

BB&T Insurance Services
Maitland, Fla.

Brown & Brown of Florida
Fort Lauderdale, Fla.

Frank H Furman Insurance
Pompano Beach, Fla.

Greene Hazel Insurance Group
Jacksonville, Fla.

Sihle Insurance Group
Altamonte Springs, Fla.

Stahl & Associates Insurance
St. Petersburg, Fla.

Gulf Coast Region

Arthur J. Gallagher Risk Management Services
Baton Rouge, La.

BancorpSouth Insurance Services
Gulfport, Miss.

Ross & Yerger Insurance
Jackson, Miss.

Smith Insurance Agency/ Insurance & Risk Managers
Brookhaven, Miss.

Midwest Region

Energy Insurance Agency
Lexington, Ky.

The Horton Group
Orland Park, Ill.

Old National Insurance
Indianapolis, Ind.

Southeast Region

Bernard Williams & Company
Savannah, Ga.

South Risk Management
Columbia, S.C.

Yates Insurance Agency
Atlanta, Ga.

Southwest Region

Guaranty Insurance/ INSURICA Management Network
Plano, Texas

Nancy Krizen and her family

Heroes

In addition to corporate sponsorship of many events and organizations, FCCI encourages teammates to make a difference in their own way. Each year, teammates are given four hours of company-paid time to volunteer at the organization of their choice. Many teammates go above and beyond the four hours and spend their own time helping a cause they are passionate about.

The FCCI Hero award was created to recognize the outstanding efforts of FCCI teammates in their communities. Twice a year, an FCCI Hero or group of Heroes is chosen from self and peer nominations and is recognized with an award and a monetary donation in their name to the organization they support.

In the spring of 2015, Nancy Krizen, Senior Claim Adjuster in the Florida Region, was recognized for her selflessness in sacrificing so much more than four hours as a foster parent. Since 2000, she and her husband, Ken, have fostered more than 160 children, many of whom came from unfortunate situations where abuse, mental illness, drugs and other illegal activities were the norm. Nancy and Ken have provided a safe place for these children to heal and grow, and they have even adopted many of them over the years – all while caring for their biological children. Nancy says, “It is amazing to see these children come into our home with feelings of anger, resentment and distrust, and over time watch them blossom into caring, trusting and confident children with a little love and guidance.”

Duane Willis, Home Office Actuary, received the FCCI Hero award in the fall of 2015 for the work he does with Toastmasters N Transition, a chapter of Toastmasters in Bradenton, Florida, that helps incarcerated females develop skills necessary to transition back into society, such as problem-solving, critical thinking, conflict resolution, and job interview and presentation skills.

Because the club depends on donations, Duane has raised money and given personal funds to cover the costs of the required membership dues, attendance at conferences, ribbons, manuals and office supplies. More than the financial efforts, Duane’s biggest gift is the gift of his time attending meetings, congratulating members on their accomplishments and providing direction and suggestions for improvement. Duane says, “My favorite stories are when I hear about someone who was once in Toastmaster N Transitions, but was released from their sentence and has now joined another Toastmasters club.”

FCCI heroes are chosen for their individual acts of volunteerism, but they also represent the spirit of giving back and community involvement that so many FCCI teammates share. In 2015, FCCI’s goal for our volunteerism program was to have at least 500 teammates participate for a total of 2,000 company-paid hours donated to community organizations. We were thrilled to exceed that goal with 566 teammates volunteering a total of 2,264 hours! Way to go, team!

Corporate Citizenship

Doing the right thing has been part of FCCI’s culture since our founding in 1959. FCCI supports the communities where we do business by giving volunteer time and financial support to community organizations, arts and cultural events, educational programs and humanitarian programs that are making a difference. Here are a few of the outstanding organizations we are pleased to support in our hometown.

all faiths food bank

CHILDREN FIRST

Habitat for Humanity Sarasota

Step Up for students

Suncoast Charities FOR CHILDREN

LIVE UNITED United Way United Way Suncoast

WESTCOAST BLACK THEATRE TROUPE

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Mike Walker, President & Owner The Walker Contracting Group

Florida

The Walker Contracting Group is built on the values of job site safety, financial stability, and the promise that customers will get the job they contracted for. Those values make Walker Contracting a model client for Lutgert Insurance and an ideal policyholder for FCCI. And they resonate with customers, too. With more than 60% of Walker Contracting's business coming from repeat customers, they understand that long-lasting relationships are a cornerstone of success.

"We look at our company as a football team. It's important that you surround yourself with the best possible support staff and team up with the leaders in the industry. Having the best agent and insurance company looking at our business and insuring us enables us to grow and move forward."

Michael Walker
President & Owner
The Walker Contracting Group
Naples, Florida

"Lutgert has handled coverage for The Walker Contracting Group since they first opened their doors in 2002. We put them with FCCI right out of the blocks, and it's been a good relationship all the way.

The relationship that the policyholder, the agent and the carrier have functions as a three-legged stool. All three have to work together and care about each other for it to work. There has to be a level of faith and trust in each other.

When I recommend FCCI to a client, I tell them that FCCI is financially strong and professionally run. Claims are handled the way they should be, and there's a very solid risk control department. Those are things that many carriers don't focus on anymore, and FCCI offers very dependably. Even through the years as FCCI has grown, the growth hasn't gotten in the way of the relationship or the level of service, and that's very important."

H.A. (Bud) Hornbeck II
President/CEO
Lutgert Insurance
Naples, Florida
Chairman's Club since August 2012

"The Walker Contracting Group is a long-term policyholder and a very well-run and managed business. From a risk control perspective, they do everything we'd want a policyholder to do, and their workers' comp mod rate has dropped every year for the last five years.

The producers at Lutgert are very involved and are phenomenally good to do business with. We've done a number of TeamWorks!SM meetings with them for potential and renewing policyholders, and they understand the importance of getting together with everyone who services the account. Lutgert's in-house claims and risk control teams work well with our teams, which is a great benefit to our mutual policyholders."

Jim McPherson
FCCI Senior Marketing Underwriter

Florida Region

$287.3
Direct Written Premium

123
Teammates

153
Agencies

Highlights

Wrote $45 million in new business premium

Grew total premium by $18.9 million over prior year without adding new agency appointments, keeping our value strong for our agency partners

Supported a large number of high-performing agencies with 71% of Florida agencies writing $1 million or more in premium

"The greatest indicator of FCCI's relationships and success in Florida continues to be the number of agencies who place significant amounts of their middle market business with us. We have 87 agencies writing $1 million to $3 million in premium, 13 agencies in the $3 million to $5 million range, and nine agencies above the $5 million mark. We want to help all of our agencies reach their business goals, and we look forward to continuing to strengthen those partnerships."

David C. York, CPCU
Senior Vice President,
Florida Region

Todd Skinner, Vice President, Insurance Office of America

Southeast

At FCCI, when we appoint an agency, we create a partnership. Our partnership with the Atlanta office of Insurance Office of America (IOA) began in 2000 and has strengthened year after year due to our shared goals of focusing on the customer and providing the best possible service in underwriting, risk control and claims resolution.

"One of the main reasons I do business with FCCI is my relationship with the underwriting and management teams. This group of people makes it easy for us to do business with them. Their pace is unmatched by any other market we have. We are very fortunate to have this team and their ability to service our customers.

I recall a particular case when FCCI settled a claim for a customer of mine who had been involved in an auto accident and had excessive medical bills, some of which were not related to the accident. FCCI representatives investigated the claim and obtained medical records, which ultimately resulted in a reduction of the medical bills. The claim was settled due to the extra time FCCI spent. An appropriate result was reached for all parties, and the insured's loss ratio was mitigated, which helps us better price our product and remain competitive in the marketplace."

Todd Skinner
Vice President, Insurance Office of America
Atlanta, Georgia

"At FCCI, underwriting and claims take a collaborative approach to providing excellent service to our policyholders. Our underwriting team strives to accurately price the product according to the policyholder's activities and needs. In claims, it is our goal to appropriately investigate all claims so that we can determine a proper settlement amount. This shared vision gives our policyholders peace of mind and allows them to confidently face the future.

Todd Skinner and I recently worked on a claim in which this philosophy was clearly evident. The claimant presented medical bills that did not seem to be consistent with the loss information we had developed. After further investigation, we determined some of the medical bills were not related to this loss, and we ultimately resolved the matter for a suitable amount. This outcome allowed our underwriting team to maintain existing pricing levels, and our policyholder was able to focus on their business."

Ian Jones
FCCI Senior Claims Adjuster

Southeast Region

$114.1 million
Direct Written Premium

72
Teammates

118
Agencies

Highlights

Diversified through growing construction by 8% and increasing other target industries by 28%, leveraging Premier Package and 50% more new business than the prior year

Worked with agents and policyholders to improve the composite loss ratio, particularly in construction classes, making a significant improvement to the region's bottom line

Showed a strong commitment to teamwork and giving back to the community through a 50% increase in teammate volunteer hours over the previous year

"We showed our agency partners more from FCCI in 2015; growing in all our target industries and helping them win new business and retain accounts. We applied well-thought-out strategies to rehabilitate some lines of business and to further diversify our book of business, creating and encouraging opportunities for our partners along the way."

Michael S. Noble, CPCU, AAI
Senior Vice President,
Southeast Region

Mark Landers and the FCCI Alabama Branch Office teammates outside the new location. Back row, left to right: Warren Rock, Senior Risk Control Consultant; Jameson Carden, Commercial Lines Underwriter; Mark Landers, Senior Vice President, J. Smith Lanier; Trey Stone, Branch Manager – Alabama; Matt Abernathy, Supervisor, Underwriting; Gary Hudson, Senior Field Premium Auditor; Pat Boland, Senior Claims Adjuster; Ray Hartsfield, Senior Marketing Underwriter. Front row, left to right: Emma Barrett, Senior Surety Underwriter; Beth Muncher, Commercial Underwriting Assistant; Mike Walker, Senior Commercial Lines Underwriter.

Gulf Coast

FCCI first began writing business in Alabama in 1996. Nearly 20 years later, premium in the state makes up approximately a third of what's written in the Gulf Coast Region.

With the local economy poised for a rise, Birmingham was the ideal spot for FCCI to open a Branch Office serving agents and policyholders in Alabama and the surrounding areas. The new office is particularly convenient for J. Smith Lanier & Co., whose Birmingham office is located in the same building.

"FCCI's presence in the state helps them understand the state landscape, and it helps the communication. We've represented FCCI for a few years and we've found Trey and his great group of people to be very forthright and efficient in writing business with us. They help us understand what they are looking for, and they work hard to partner with us on our accounts. It's very helpful to have that team approach, and we're really pleased that they've established the office here."

Mark Landers, Senior Vice President
J. Smith Lanier & Co., Birmingham, Alabama

"FCCI's Birmingham Branch Office solidifies our commitment to the Alabama market and our valued agency partners in the state. It definitely shows a positive momentum increase, particularly at a time when many carriers are downsizing their physical office space and pulling out of some local offices. We think this is a very positive move, and it's been welcomed by our agents and insureds."

Trey Stone
FCCI Branch Manager – Alabama

Gulf Coast Region

$106.6 million
Direct Written Premium

60
Teammates

142
Agencies

Highlights

Wrote more than $100,000,000 in premium in the region for the first time, an exciting milestone and an increase of nearly 19%

Established the Birmingham branch office, bringing a physical presence to the region's second largest state by premium

Appointed State Directors for Alabama and Louisiana and an Area Director for Arkansas, Mississippi and Tennessee

Reached a new record in certifications with now 20% of regional staff attaining CPCU designations

"2015 was one of the most successful years on record for the company and for the Gulf Coast Region. The FCCI brand has gained recognition and respect within our new territories. The growing market, strengthened by service and professional knowledge, has guaranteed the promise of 'more than a policy,' and the energy of the team is reflected in the joy of the work environment."

Thomas G. Quaka, CPCU
Senior Vice President,
Gulf Coast Region

Nick Kleyn, Jim Ryskamp and Lori Herman at the rebuilt Kleyn Electric building

Midwest

Last March in Grand Rapids, Michigan, an attic fire destroyed Kleyn Electric's building and most of its contents. Within hours, Jim Ryskamp of Berends Hendricks Stuit (BHS), FCCI Senior Marketing Underwriter Lori Herman, and FCCI Senior Claim Adjuster Kevin Elliott were on-site to help. They found a new location to temporarily move the business, and within a couple of days, Kleyn Electric was up and running again.

The fire-damaged Kleyn Electric building

"It was a very hectic and stressful time, but I do remember clearly that we were assured we would be paid for the loss once the investigation was complete, and we were told in detail how the process would work and what the timelines were. I want to thank FCCI and BHS for the way they worked with us from start to finish. The fire was an awful experience — one that I would hate to go through again — but FCCI and BHS have been very good to work with and have made the whole claim process as easy as possible under some very difficult circumstances."

Nick Kleyn
Owner, Kleyn Electric, Inc.
Grand Rapids, Michigan

"The mission at BHS is to be a superior provider of insurance protection and risk management to the people and organizations we serve. FCCI is a great partner in helping us fulfill this mission. While we are not able to eliminate the risks our clients face, we are grateful we can provide clients like Kleyn Electric the protection and guidance they need during a devastating loss like this. For us, everything rides on relationships, reputation and commitment, which is why FCCI is an insurance carrier of choice for us."

Jim Ryskamp, CPCU
Commercial Account Executive, BHS
Grandville, Michigan

"It is very important for me and our FCCI field staff to provide exceptional customer service to our policyholders as well as protect them after a loss. Nick clearly had the vision of keeping his business running even after his building was destroyed. It was nice to be able to assure him how his policy would respond, including providing extra funds to temporarily relocate."

Lori Herman
FCCI Senior Marketing Underwriter

Midwest Region

$87.4 million
Direct Written Premium

69
Teammates

124
Agencies

Highlights

Established partnerships with the Ohio chapters of Associated Builders and Contractors, Inc. (ABC) in addition to the existing partnership with the Western Michigan chapter to offer members FCCI's Contractors Select, coverage tailored for contractors

Increased field staff to have a strong local presence of Claims, Risk Control and Underwriting in all six Midwest Region states

Grew both direct written premium and new business premium significantly, resulting in cumulative premium growth of 35% over the last five years

Grew Agribusiness premium in the region by 27%

"Momentum has been a central theme for the Midwest Region. Over the last five years, we've laid the groundwork for building success, and that momentum led us to historic achievements in 2015. In addition to our 35% premium growth over the last five years, we also reported our lowest accident year loss ratio in the history of the region and had a record number of agency partners participate in our highest ever profit-sharing payout."

Gregory L. Kramer
Senior Vice President,
Midwest Region

Brian Turner, FCCI Senior Risk Control Consultant; Lisa Burks, FCCI Senior Claim Adjuster; Jarad Fails, Ameritech Supervisor; David Klatzkin, Ameritech Safety Director; Paul Lengen, Ameritech VP & Treasurer; Eric Moore, Ameritech Plant Manager; Ann Forkner, Senior VP & Director of Marketing, MHBT/Marsh & McLennan Agency; and Gary Wetzel, Ameritech VP

Southwest

In 2014, FCCI partnered with Ann Forkner of MHBT/Marsh & McLennan Agency and began writing the property, auto and workers' compensation for Ameritech Millworks, a large wood door manufacturer and custom mill shop in Grand Prairie, Texas.

The next year, Ameritech had two workers' compensation losses one month apart. FCCI Senior Risk Control Consultant Brian Turner conducted accident investigations at the plant to determine the causes of the accidents and provide corrective action to prevent recurrence.

Ameritech Plant Manager Eric Moore and Safety Director David Klatzkin have been committed to addressing the issues and they have revamped their safety program by using the risk control tools available in ExpressServe℠. Brian conducted walk-through surveys of the facility with Eric and David, and extensive training has been provided to all department supervisors. They, in turn, educate and enforce the company's safety rules. Together, improvements have been made to the physical hazards, and risk control programs and procedures are being better managed.

"David Klatzkin and Eric Moore are true return-to-work partners for FCCI. Their involvement allowed a seriously injured worker to return to a job he loves."

Lisa Burks
FCCI Senior Claim Adjuster

"Ameritech's owners have not only been open to risk improvement suggestions, but have also been proactive over the years to seek out ways to improve safety. They aren't looking to just meet someone else's standard to be 'compliant,' but to become a constantly improving company with a safety culture from the top down."

Ann Forkner
Senior Vice President
MHBT/Marsh & McLennan Agency
Dallas, Texas

"We have developed a great partnership and trust, and I always look forward to working with Eric and David."

Brian Turner
FCCI Senior Risk Control Consultant

Southwest Region

$38.0 million
Direct Written Premium

26
Teammates

63
Agencies

Highlights

Southwest Region premium grew by 40% over the prior year

We increased our staff with top quality teammates to ensure we are providing exceptional service to our agents and policyholders

Our agents continue to support growth and partnership with FCCI

"We are very thankful for our continued success in 2015. Without the support of our agency partners and company teammates, we would have been unable to achieve our challenging goals. We look forward to the coming year and future successes."

James L. Harms, CPCU, CIC
Senior Vice President,
Southwest Region

In a Lewis Taylor Farms field of zucchini squash are, from left to right: Mary Roberts, FCCI Senior Agribusiness Underwriter; George DuBerry, FCCI Agribusiness Risk Control Specialist; Ed Walker, Co-owner, Lewis Taylor Farms; Bill Brim, Co-owner, Lewis Taylor Farms; and John Brownlee, President, Brownlee Agency

Agribusiness

Lewis Taylor Farms, located in Tifton, Georgia, is one of the largest fruit and vegetable growers and packers in the Southeast. Owners Bill Brim and Ed Walker have grown the operation to become a major supplier in the industry, shipping fresh produce to almost every major grocery chain and distributor in the country. Much of the success of the business is due to the employees, and Bill and Ed recognize that. They ensure that Lewis Taylor Farms is a safe and enjoyable place to work, and they maintain a comprehensive food safety program to provide the highest quality produce on the market.

FCCI has written this account with the Brownlee Agency since 2007, providing property, liability, auto, umbrella and workers' compensation insurance. John Brownlee has represented Lewis Taylor Farms since 1988, and he credits the account as the "big break" that started his career. Putting people first has resulted in success not only at Lewis Taylor Farms, but at the Brownlee Agency and FCCI as well.

"FCCI has the products, services and expertise that allow us to write and retain quality accounts like Lewis Taylor Farms. We have enjoyed a long-term successful relationship with FCCI and attribute that success to the great people we work with every day at FCCI."

John Brownlee
President, Brownlee Agency, Inc.
Tifton, Georgia

"Through the years, Lewis Taylor Farms has been very receptive to any underwriting and risk control recommendations. They are well respected in their industry and are always concerned that their employees comply with safety and risk control standards."

Mary Roberts
FCCI Senior Agribusiness Underwriter

"The safety director at Lewis Taylor Farms used the FCCI Blueprint for Safety® manual to set up their safety program. Bill Brim supports any recommendation we present and always welcomes additional suggestions. Bill is concerned about his employees' safety and strives to provide a positive atmosphere for them. Lewis Taylor Farms is regarded as one of the main employers in the area that everyone enjoys working for."

George DuBerry
FCCI Agribusiness Risk Control Specialist

Agribusiness

$111.3 million
Direct Written Premium

34
Teammates

170
Agencies*

*Agribusiness agencies are also included in the regional agency counts.

"FCCI's Agribusiness operation grew to a record $111 million in premium in 2015. This reflects the continuous strengthening of relationships between our agency partners and our Agribusiness teammates."

Richard B. Swain, CPCU
Assistant Vice President, Agribusiness

Specialty Markets

In 2015, FCCI established the Specialty Markets unit to include Agribusiness and Surety and also explore additional industry-specific opportunities. With a willingness to build expertise in unique risks and offer specialized underwriting approaches for hard-to-cover customers, FCCI Specialty Markets is developing solutions to complement our current coverages.

"FCCI Specialty Markets finished up its first full year as a group and we have some great things to report. Our Surety business unit experienced growth of almost 9% and our Agribusiness unit grew nearly 12% with both groups earning the trust of even more agency partners throughout our operating territory. We look forward to accomplishing great things at FCCI Specialty Markets in 2016."

Tracey J. Pfab
Senior Vice President
Specialty Markets

FCCI wrote a $7.3 million bond to help Finney Company, Inc. secure the contract for this university dining hall project.

Surety

Steve Simmons has been with Energy Insurance Agency more than 30 years and has been a lifelong resident of Lexington, Kentucky. Appointed in 1988, Energy Insurance's relationship with FCCI has been nearly as long, and Steve has been writing bonds with FCCI Surety since it began in 2011.

When longtime customer Finney Company, Inc., needed a bond for a large-scale university dining hall project, Steve approached FCCI Surety even though it was a larger bond than FCCI had written at the time.

Tom Finney, Steve Simmons and Dan Pikar

"We have a very good relationship with Dan and FCCI. He is always receptive to our requests, his responses are timely, and he does his best to respond in a positive manner. We knew this was the largest bond FCCI had ever written at the time, and we are glad they worked with us to get it done."

Steve Simmons
Contract Bond Producer
Energy Insurance Agency
Lexington, Kentucky
President's Club since December 2013

"Energy Insurance Agency has been a great partner that has really grown with FCCI Surety. When we first began writing bonds with them, we were targeting bonds in the $5 million single to $10 million aggregate range. For the Finney Construction university project, they needed a $7.3 million single bond. We worked with them to get it written, strengthening our partnership with Energy and allowing Finney to get more work and larger contracts. Working together to write bonds with Energy has also led to us covering more of their clients on the P&C side, and the relationship has really blossomed."

Dan Pikar
FCCI Senior Surety Underwriter

"I've been doing business with Steve Simmons and Russ Davis at Energy for my insurance and bonding needs for more than 20 years. Bonds are my livelihood. FCCI has been very helpful and done what they said they would do, and we couldn't ask for anything more."

Thomas C. Finney
President/CEO
Finney Company, Inc. Mechanical Contractors
Lexington, Kentucky

Surety

$10.2 million
Direct Written Premium*

19
Teammates

*Surety is a business segment within the regions. Surety premium is also included in the regional premium numbers.

Highlights

Celebrated fifth year of FCCI Surety operations

Surpassed $10 million in direct written premium

Reported a loss ratio of 18% for the year and for the five years in total

Added additional experienced staff members to support continued growth and provide fast FCCI Surety service throughout our regions

"2015 was a significant year for our Surety department as it marked our fifth full year of operations. We have consistently grown our direct written premium over the years, and in 2015, we surpassed the $10 million mark. Combining that with our excellent overall loss ratio means that Surety is a profitable and successful line of business for FCCI as well as an important offering for our agency partners and their customers. Thanks to you, we continue to build outstanding relationships and a quality book of business!"

Scott G. Paice, CPCU, AFSB, CIC
Vice President, Surety

Table of Contents

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Financial Statements
As of and for the Years Ended December 31, 2015 and 2014

Independent Auditor's Report

Board of Directors and Members
FCCI Mutual Insurance Holding Company and Subsidiaries
Sarasota, Florida

We have audited the accompanying consolidated balance sheets of FCCI Mutual Insurance Holding Company and Subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FCCI Mutual Insurance Holding Company and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

March 31, 2016
Atlanta, Georgia

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Consolidated Balance Sheets as of December 31, (in thousands)

	2015	2014
Assets		
Investments:		
Securities available for sale, at fair value		
Fixed maturity securities (cost of $1,284,705 at 2015 and $1,201,987 at 2014)	$ 1,309,843	1,244,010
Common stocks (cost of $222,538 at 2015 and $191,839 at 2014)	221,705	213,064
Other invested assets, at amortized cost	5,652	1,124
Total investments	1,537,200	1,458,198
Cash and cash equivalents	25,686	35,449
Accrued investment income	10,655	11,239
Amounts due from policyholders, net	288,929	259,435
Reinsurance recoverable and prepaid reinsurance premium	77,452	88,985
Amounts due from Florida Special Disability Trust Fund	2,397	2,557
Deferred policy acquisition costs	46,390	41,066
Land, building and equipment, net	43,395	43,671
Deferred income taxes, net	20,485	3,431
Goodwill	24,151	24,151
Other assets	13,659	13,071
Total assets	$ 2,090,399	1,981,253
Liabilities and Members' Equity		
Liabilities:		
Loss and loss adjustment expenses	$ 787,260	737,531
Unearned premiums	325,197	288,238
Accrued expenses and other liabilities	112,790	105,018
Accrued policyholder dividends	6,168	5,498
Premiums refundable and loss fund deposits	2,876	3,216
Income tax payable	5,936	10,812
Debt	131,750	131,750
Total liabilities	1,371,977	1,282,063
Commitments and Contingencies (Note 15)		
Members' Equity:		
Accumulated earnings	703,232	659,662
Accumulated other comprehensive income	15,190	39,528
Total members' equity	718,422	699,190
Total liabilities and members' equity	$ 2,090,399	1,981,253

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income for the Years Ended December 31, (in thousands)

	2015	2014
Revenues		
Net premiums earned	$ 675,723	606,430
Net investment income	44,916	47,078
Net realized gain on investments sold	8,362	1,206
Service fees and other income	2,953	2,780
Total revenues	731,954	657,494
Expenses		
Losses and loss adjustment expenses incurred	445,304	384,532
Policy acquisition expenses	117,998	106,255
General, administrative and other expenses	99,094	96,863
Policyholder dividends	7,744	6,430
Total expenses	670,140	594,080
Income before income taxes	61,814	63,414
Income tax expense	18,244	19,093
Net income attributable to members	$ 43,570	44,321

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income for the Years Ended December 31, (in thousands)

	2015	2014
Net income attributable to members	$ 43,570	44,321
Other comprehensive income, net of taxes:		
(Decrease) increase in unrealized gains on investments, net of taxes of $11,469 and $8,448	(19,112)	14,081
Reclassification adjustments for realized gains in net income, net of taxes of $3,136 and $452	(5,226)	(754)
	(24,338)	13,327
Total comprehensive income	$ 19,232	57,648

See accompanying notes to consolidated financial statements.

Consolidated Statements of Members' Equity for the Years Ended December 31, (in thousands)

	Accumulated Earnings	Accumulated Other Comprehensive Income	Total Members' Equity
December 31, 2013	$ 615,341	26,201	641,542
Comprehensive income:			
Net income	44,321	-	44,321
Unrealized gain on available-for-sale securities net of taxes	-	13,327	13,327
December 31, 2014	659,662	39,528	699,190
Comprehensive income:			
Net income	43,570	-	43,570
Unrealized gain on available-for-sale securities net of taxes	-	(24,338)	(24,338)
December 31, 2015	$ 703,232	15,190	718,422

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows for the Years Ended December 31, (in thousands)

	2015	2014
Cash flow from operating activities:		
Net income	$ 43,570	44,321
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	4,995	5,323
Deferred tax (benefit) expense	(2,451)	1,704
Net realized losses on equipment sold and retired	279	39
Net realized gains on investments sold	(8,352)	(1,206)
Net amortization of discounts and premiums on fixed maturity securities	8,322	8,302
Changes in assets and liabilities:		
Decrease (increase) in:		
Accrued investment income	584	263
Amounts due from policyholders	(29,494)	(31,572)
Reinsurance recoverables and prepaid reinsurance premium	11,533	10,873
Amounts due from Florida Special Disability Trust Fund	160	1,865
Deferred policy acquisition costs	(5,324)	(5,589)
Other assets	(581)	(1,222)
Increase (decrease) in:		
Loss and loss adjustment expenses	49,729	18,115
Unearned premiums	36,959	31,615
Accrued expenses and other liabilities	5,439	13,762
Accrued policyholder dividends	670	551
Premiums refundable and loss fund deposits	(340)	(101)
Income tax payable	(4,876)	3,133
Net cash provided by operating activities	110,822	100,176
Cash flow from investing activities:		
Sales and maturities of investments	411,527	224,631
Purchases of investments	(527,115)	(338,492)
Proceeds from sales of property and equipment	312	178
Purchases of property and equipment	(5,309)	(5,731)
Net cash used in investing activities	(120,585)	(119,414)
Cash flow from financing activities:		
Proceeds from credit facility	191,750	-
Principal payments on credit facility	(191,750)	-
Net cash provided by financing activities	-	-
Net decrease in cash and cash equivalents	(9,763)	(19,238)
Cash and cash equivalents, beginning of year	35,449	54,687
Cash and cash equivalents, end of year	$ 25,686	35,449
Cash paid during the year for:		
Interest	$ 2,662	2,227
Income taxes	$ 25,209	14,255

See accompanying notes to consolidated financial statements.

1. Nature of Operations

FCCI Mutual Insurance Holding Company and Subsidiaries (the Company) was created on August 27, 1998 when the policyholders of FCCI Mutual Insurance Company voted to reorganize into a mutual holding company. The Company is engaged in the commercial property and casualty insurance business. In connection with the reorganization, FCCI Group, Inc. was formed as an intermediate holding company for the purpose of holding investments in insurance operations. FCCI Mutual Insurance Company became FCCI Insurance Company, a stock insurance company by issuing 5 million shares of common stock to FCCI Group, Inc. No cash or other consideration was paid in connection with the reorganization.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed by the Company are summarized below.

Principles of Consolidation

The consolidated financial statements include the accounts, after intercompany eliminations, of the Company as summarized below:

- FCCI Group, Inc. (FGI)
  - FCCI Services, Inc. (FSI)
    - FCCI Agency, Inc. (FAI)
  - FCCI Insurance Company (FCCI)
    - FCCI Insurance Group, Inc. (FIG)
      - Monroe Guaranty Insurance Company (MGI)
      - National Trust Insurance Company (NTI)
      - FCCI Commercial Insurance Company (FCIC)
      - FCCI Advantage Insurance Company (FAIC)
      - Brierfield Insurance Company (BIC)
      - FCCI Tax Credit, LLC (FTC)

All of the above are wholly owned subsidiaries.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments that are readily convertible to known amounts of cash. Only investments with original maturities of three months or less qualify as cash equivalents.

Investments

The Company purchases equity and fixed maturity securities with the intent, expectation, and capability to hold them indefinitely or until maturity. However, since securities may be sold prior to maturity they are classified as available-for-sale and are reported at fair value, with net unrealized gains and losses, net of deferred income tax, reported as accumulated other comprehensive income. Fair values are based on quoted market prices from independent pricing services when available or broker pricing if the security class lacks liquidity. A decline in fair value of any security below cost that is deemed to be other-than-temporary results in a charge to income. All holdings are continuously monitored to assess future prospects for individual securities as part of the Company's portfolio management, including the identification of other-than-temporary decline in fair values.

All securities in an unrealized loss position as of the reporting date are evaluated for other-than-temporary impairment. The Company does not define an arbitrary finite period as temporary. Rather, the Company believes the time frame should be related more closely to reasonable levels of liquidity in bond markets and the business cycle for equity holdings. In addition to issuer specific discrete credit events, management identifies fixed maturity securities as candidates for potential other-than-temporary impairment if they have been in an unrealized loss position for thirteen consecutive months and the fair values are at least 20% below book value as of the balance sheet date. These securities are evaluated by management utilizing data and information from the Company's external investment consultant and investment manager to determine if the unrealized loss position is due to credit issues rather than market volatility, in which case an other-than-temporary impairment loss will be recognized in the income statement. This evaluation includes an analysis of expected future cash flows and projections of the probability and severity of defaults. In addition, if events indicate that the Company will not hold securities until the fair value recovers from an unrealized loss position, the Company will recognize an other-than-temporary impairment in the consolidated statement of earnings.

Equity securities are evaluated for other-than-temporary impairment using the following procedures:

1. Single issuer equity securities (not mutual funds) whose fair value is adversely affected by a precipitating event that is of an extended duration (e.g., bankruptcy, major court action, and serious product liability exposure) will be immediately considered for other-than-temporary impairment treatment.
2. On at least a quarterly basis, mutual funds or single issuer equity securities that have been in an unrealized loss position for thirteen consecutive months and whose fair values have declined by more than one standard deviation (based on historical performance for the associated equity sector) will be considered for other-than-temporary impairment treatment.
3. Single issuer equity securities and mutual funds identified above for consideration for other-than-temporary impairment treatment are evaluated by management utilizing data and information from the Company's external investment consultant and investment manager to determine whether the full recovery of cost is expected in the near term.

Realized gains and losses on the sales of securities are recognized based on the specific identification method, except for mutual fund equities which are based on the weighted average cost method. Premiums and discounts on securities are amortized using the interest method over their contractual lives or expected average lives for loan-backed securities. Interest rate adjustments associated with changes in projected cash flows on mortgage and asset-backed securities are accounted for using the retrospective method.

Deferred Policy Acquisition Costs

Costs that are directly associated with the acquisition of insurance policies such as commissions, premium-related taxes, and assessments are deferred and amortized as the related premiums are earned. Indirect costs to acquire insurance policies are recorded as an expense as incurred. The Company considers anticipated investment income in determining whether a premium deficiency exists.

Land, Building and Equipment

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 3-39 years. Improvements, which increase the life of an asset, are capitalized and depreciated over the remaining estimated useful life of the asset.

Capitalized Software Costs

Capitalized software costs are accounted for in accordance with Accounting Standards Codification (ASC) 350-40, *Internal Use Software*, and are recorded at cost less accumulated amortization. Upon successful testing of the system, amortization is charged to expense over the estimated useful life of the software, generally seven years.

Goodwill

Goodwill represents the excess of costs over fair value of assets of acquired businesses and is determined to have an indefinite useful life and is not amortized, but instead tested for impairment at least annually in accordance with ASC 350-20, *Goodwill*.

Impairment of Long-Lived Assets

In accordance with ASC 360, *Property, Plant and Equipment*, long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted future cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques under ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Recognition of Revenue

Premiums are earned on a pro rata basis over the policy term, generally one year. The policy period for contract surety business is determined based on the estimated completion date of the contract. Premiums applicable to the unexpired terms of effective policies are recorded as unearned premiums. Premiums for certain lines of business, such as workers' compensation, are subject to revision based upon final determination of the exposure base, which occurs after the policy period. Retrospectively rated policy premiums are increased or decreased, subject to certain policy limitations, based upon the estimated loss experience of the insured during the policy period and subsequent calendar years. Service fees and commission income are earned pro rata over the term of the contract period or when the services are performed, if applicable. Reinsurance commission income is recognized pro rata over the term of the related insurance contract.

Loss and Loss Adjustment Expenses

The liability for loss and loss adjustment expenses (LAE) represents the ultimate estimated liability for reported claim costs (including LAE) that have not settled, and an estimate, based on experience, for claims that have been incurred but not yet reported. The liability for loss and LAE is estimated by management based upon actuarial reviews of the Company's historical loss development experience and industry data. The Company does not discount the liability for loss and LAE.

Policyholder Dividends

At the sole discretion of the Boards of Directors of the insurance companies, and within regulatory guidelines, insureds with participating insurance contracts may be eligible to share in the profitability of the policy in the form of a dividend, based on the insured's individual loss experience. An estimated provision for policyholder dividends is accrued as the related premiums are earned based on historical profitability and published dividend tables. Changes in estimates are recognized in the period determined.

Reinsurance

Premiums and loss and LAE ceded under reinsurance contracts are reported as a reduction to premiums earned and loss and LAE incurred, respectively. Loss and LAE reserve amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance contract.

Florida Special Disability Trust Fund

Amounts due from the Florida Special Disability Trust Fund (SDTF) relate to recoverable amounts for certain claims costs related to injuries that aggravate or accelerate a preexisting injury or physical impairment. The receivable is comprised of three components: amounts paid by the Company which has been submitted to the SDTF pending reimbursement, amounts paid by the Company which have not yet been submitted to the SDTF, and amounts not yet paid by the Company.

Income Taxes

The Company files a consolidated federal income tax return. Deferred income taxes are recognized for assets and liabilities that have different values for financial statement and tax reporting purposes using enacted federal and state tax rates. A valuation allowance is recorded, as deemed necessary, to reduce a net deferred tax asset to the amount expected to be realized.

The Company's federal income tax return is consolidated with all of the entities noted in *Note 2. Summary of Significant Accounting Policies*, with the exception of FCCI Tax Credit, LLC.

Concentrations of Business Risks

The Company is inherently subject to various business risks. Following is a description of the most significant risks facing property and casualty insurers:

Catastrophic Loss Risk is the risk of losses due to geographic concentrations of property policies within storm-prone regions and accumulation of lives within a single location. The Company maintains reinsurance coverage to mitigate the risk of catastrophic losses.

Legal/Regulatory Risk is the risk that the legal or regulatory environment in which an insurer operates will change and create additional loss costs or expense not anticipated by the insurer in pricing its products. Regulatory initiatives designed to reduce insurer profits or new legal theories may create costs for the insurer beyond those currently recorded in the consolidated financial statements. As the Company writes a significant amount of insurance business in the state of Florida, these risks might have a more significant effect on the Company than on a more geographically diversified insurance company.

Credit Risk is the risk that issuers of securities owned by the Company will default or other parties, including policyholders, reinsurers, and the SDTF that owe the Company money, will not pay. The Company minimizes this risk by adhering to a conservative investment strategy, closely monitoring premiums receivable, and contracting with reinsurance companies that meet certain rating criteria and other qualifications.

Interest Rate Risk is the risk that interest rates will change and cause a decrease in the value of an insurer's investments. To the extent that liabilities come due more quickly than assets mature, an insurer would have to sell assets prior to maturity and potentially recognize a loss in a rising interest rate environment. The Company mitigates this risk by attempting to match the duration of its assets with the duration of its liabilities and by maintaining working lines of credit.

Use of Estimates

The preparation of consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. Significant estimates include the liability for loss and LAE, amounts recoverable from reinsurers, deferred income tax assets and liabilities, the deferral of policy acquisition costs, amounts due from the Florida SDTF, accrued policyholder dividends, guaranty fund assessments, final premium audits, allowance for doubtful accounts, and retrospectively rated premiums.

Notes to Consolidated Financial Statements (in thousands)

Recently Issued Accounting Standards

In August 2014, the FASB issued ASU No. 2014-15 (Topic 205-40), *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. Currently, there is no guidance under U.S. GAAP regarding management's responsibility to assess whether there is substantial doubt about an entity's ability to continue as a going concern. Under ASU 2014-15, the Company will be required to assess its ability to continue as a going concern each interim and annual reporting period and provide certain disclosures if there is substantial doubt about the entity's ability to continue as a going concern, including management's plan to alleviate the substantial doubt. ASU 2014-15 is effective for the year ended December 31, 2016 and early adoption is permitted. The Company does not believe the adoption of this update will have a material impact on the future financial statements and related disclosures.

In May 2015, the FASB issued ASU No. 2015-09 (Topic 944), *Financial Services-Insurance: Disclosure about Short-Duration Contracts*. The updated accounting guidance requires enhanced disclosures to provide additional information about insurance liabilities for short-duration contracts. The updated guidance is effective for the year ended December 31, 2017 and early adoption is permitted. The Company is currently evaluating the effect the updated guidance will have on the Company's financial statement disclosures.

In January 2016, the FASB issued ASU No. 2016-01 (Topic 825-10), *Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The updated accounting guidance requires changes to the reporting model for financial instruments. The primary change for the Company is expected to be the requirement for equity investments (except for those accounted for under the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income. The updated guidance is effective for the year ended December 31, 2019 and early adoption is not permitted. The Company is currently evaluating the effect the updated guidance will have on the company's financial statements.

In February 2016, the FASB issued ASU No. 2016-02 (Topic 842), *Leases*. The FASB issued this updated accounting guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference for the Company is the recognition of lease assets and lease liabilities for leases classified as operating leases. The updated guidance is effective for the year ended December 31, 2020 and early adoption is permitted. The Company is currently evaluating the effect the updated guidance will have on the company's financial statements and related disclosures.

Subsequent Events

The Company has evaluated events subsequent to December 31, 2015, and through the financial statements issuance date of March 31, 2016. The following events occurring subsequent to the balance sheet date merited recognition or disclosure in these statements.

On January 22, 2016, the Company renewed its line of credit (LOC) in the amount of $20,000,000 with the Northern Trust Company. The new maturity date is January 20, 2017.

On March 8, 2016, the Company executed an LOC in the amount of $25,000,000 with Bank of America. The maturity date is March 1, 2017.

The Company subsequently renewed the $24,000,000 balance in its 1-month fixed rate credit facility. The current maturity date is April 22, 2016.

3. Investments

The amortized cost and fair value of available for sale securities as of December 31 are as follows:

2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Treasury and US government agencies and corporations	$ 48,202	405	(334)	48,273
State and political subdivisions	509,588	29,127	(81)	538,634
Mortgage-backed and asset-backed securities	396,793	2,670	(2,224)	397,239
Corporate bonds	265,243	3,869	(7,709)	261,403
Foreign government and foreign corporate bonds	64,879	1,224	(1,809)	64,294
Total fixed maturity securities	1,284,705	37,295	(12,157)	1,309,843
Common stock	222,538	16,784	(17,617)	221,705
Total available-for-sale securities	$ 1,507,243	54,079	(29,774)	1,531,548

2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Treasury and US government agencies and corporations	$ 47,790	768	(241)	48,317
State and political subdivisions	503,884	27,767	(128)	531,523
Mortgage-backed and asset-backed securities	360,523	7,936	(1,299)	367,160
Corporate bonds	228,197	8,127	(2,346)	233,978
Foreign government and foreign corporate bonds	61,593	2,211	(772)	63,032
Total fixed maturity securities	1,201,987	46,809	(4,786)	1,244,010
Common stock	191,839	25,335	(4,110)	213,064
Total available-for-sale securities	$ 1,393,826	72,144	(8,896)	1,457,074

The amortized cost and fair value of fixed maturity securities as of December 31, 2015 by contractual maturities follow:

	Amortized Cost [(1)]	Fair Value [(1)]
Due in one year or less	$ 77,907	78,717
Due after one year through five years	450,996	452,814
Due after five years through ten years	347,757	347,468
Due after ten years	408,045	430,844
Total fixed maturities	$ 1,284,705	1,309,843

(1) Includes principal paydowns on mortgage and asset-backed securities using estimated maturities.

Mortgage and asset-backed securities are classified in the maturity distribution based upon the average life of their projected cash flows. The Company uses a six-month average actual cumulative prepayment rate (CPR), cumulative default rate (CDR), and severity in determining projected cash flows for the life of each bond. CPR, CDR, and severity information is obtained from various data providers including Loan Performance Corp, Polypaths, and Intex when available. When actual severity cannot be obtained or calculated from these sources, the Company uses assumptions based on market research. Actual maturities and projected cash flows may differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

Gross unrealized losses on investment securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, were as follows:

	Less Than 12 Months		12 Months or More		Total	
2015	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available for sale:						
Bonds	$ 5,488	200,299	4,445	31,298	9,933	231,597
Equity securities	12,559	105,977	5,058	30,891	17,617	136,868
Mortgage-backed and asset-backed securities	1,279	184,362	945	24,809	2,224	209,171
	$ 19,326	490,638	10,448	86,998	29,774	577,636

	Less Than 12 Months		12 Months or More		Total	
2014	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available for sale:						
Bonds	$ 2,195	70,187	1,292	43,903	3,487	114,090
Equity securities	4,089	83,098	21	266	4,110	83,364
Mortgage-backed and asset-backed securities	71	14,532	1,228	44,047	1,299	58,579
	$ 6,355	167,817	2,541	88,216	8,896	256,033

The Company's other-than-temporary impairment assessment includes reviewing the extent and duration of declines in fair values of investments, the seniority and duration for the securities, historical and projected company financial performance, company specific news and other developments, the outlook for industry sectors, credit ratings and macro-economic changes, including government policy initiatives. The largest single unrealized loss at December 31, 2015 was $5,674, representing a 24.6% decline, on an equity security.

During 2015, the Company did not recognize any other-than-temporary impairment losses. During 2014, the Company recognized $1,418 of other-than-temporary impairment losses on a certain fixed maturity security, due to issuer-specific credit and quality events, consistent with management's criteria for recognizing other-than-temporary declines in fair value. The security was sold during the third quarter 2014.

For fixed maturity securities, the Company currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Because management has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, management does not consider these securities to be other-than-temporarily impaired at December 31, 2015. Management bases this conclusion on its understanding, which includes the opinions of their outside investment consultants and outside investment manager, of the issuers of these securities, as described above.

It is possible that the Company could recognize other-than-temporary impairment losses on some securities owned at December 31, 2015 if future events, information and the passage of time cause the Company to determine that a decline in value is other than temporary.

Net investment income is summarized as follows for the years ended December 31:

	2015	2014
Bonds	$ 42,235	42,007
Equity securities	7,671	10,664
Other invested assets	-	(254)
Cash, cash equivalents and short-term investments	5	3
Gross investment income	49,911	52,420
Investment expenses	(4,995)	(5,342)
Net investment income	$ 44,916	47,078

Proceeds from sales or maturities of fixed maturity securities during 2015 and 2014 were $329,779 and $224,262, respectively. Proceeds from sales of equity securities during 2015 and 2014 were $81,748 and $369, respectively.

Notes to Consolidated Financial Statements (in thousands)

Net realized gains (losses) on investments sold or impaired were comprised of the following for the years ended December 31:

	2015	2014
Fixed maturity securities:		
Gross gains	$ 2,964	4,039
Gross losses	(825)	(1,415)
Equity securities:		
Gross gains	6,367	–
Gross losses	(154)	–
Cash, cash equivalents and short-term investments:		
Gross gains	10	–
Gross losses	–	–
OTTI charges incurred on fixed maturity securities(1)	–	(1,418)
Total realized investments gain	$ 8,362	1,206

(1) The impaired security was subsequently sold during 2014 and was not included in the investment portfolio as of December 31, 2014.

The Company recorded $0 and $1,418 impairment write-downs during 2015 and 2014, respectively, and realized $82 in losses from subsequent sales in 2014.

At December 31, 2015 and 2014, bonds, cash, and cash equivalents with fair values of $17,408 and $17,652, respectively, were pledged to various state and federal regulatory authorities.

The Company maintains a diversified portfolio and there were no concentrations in any one investment in excess of 10% of members' equity at December 31, 2015 and 2014.

The Company does not engage in direct subprime residential mortgage lending. The Company's exposure to subprime mortgage-related risk is limited to investments within the fixed maturity income investment portfolio, which contains securities collateralized by mortgages that have characteristics of subprime lending. Such characteristics include an interest rate above prime to borrowers who do not qualify for prime rate loans, borrowers with low credit ratings (FICO scores), unconventionally high initial loan-to-value ratios, and borrowers with less than conventional documentation of their income and/or net assets.

The Company minimizes subprime mortgage related risk exposure by holding securities that carry an aggregate credit rating of B and by monitoring the underlying collateral performance on an ongoing basis.

The following chart summarizes the actual cost, book/adjusted carrying value, and the fair value of subprime mortgage-related risk exposure:

	Actual Cost	Book/Adjusted Carrying Value	Fair Value	Other-Than-Temporary Impairment Losses Recognized to Date
Residential mortgage-backed securities	$ 445	444	434	–

Other Invested Assets

In January 2014, the FASB issued ASU 2014-01 (Topic 323) *Investments-Equity Method and Joint Ventures: Accounting for Investments in Qualified Affordable Housing Projects*. The objective of this update is to provide guidance on accounting for investments by a reporting entity that invests in affordable housing projects that qualify for the low-income housing tax credit. During 2015, the Company adopted ASU 2014-01 and accounts for its investments in low-income housing using the proportional amortization method.

FCCI, MGIC and NTI, entered into an Operating Agreement to form FTC for the purpose of investing in low-income housing property in order to obtain low-income housing tax credits in the state of Georgia. This agreement was approved by the Florida Department of Financial Services- Office of Insurance Regulation (OIR) on November 22, 2010 and the Indiana Department of Insurance on November 12, 2010.

The Company's carrying value of the investment is $1,160 and $1,124 as of December 31, 2015 and 2014, respectively, including its cost of $2,392. Amortization was ($36) and $254 for years ending December 31, 2015 and 2014, respectively. During each year 2015 and 2014 the Company recognized $650 of state tax credits. The investment is being amortized over ten years from the initial date of acquisition using the proportional amortization method. The Company has four years of remaining unexpired tax credits and has fulfilled its one year holding period requirement as of September 27, 2011. Each low-income property is subject to an annual regulatory review and the properties maintain their qualifying status as of December 31, 2015.

During 2015, FCCI Group, Inc., a company within the FCCI Insurance Group, entered into an Operating agreement with a third party for the purpose of investing in low-income housing property in order to obtain federal low-income housing tax credits.

The Company's carrying value of the investment is $4,492, including its costs of $4,855. Amortization was $363 for year ending December 31, 2015. During 2015, the Company recognized $405 of federal tax credits. The investment is amortized over twelve years from the initial date of acquisition using the proportion amortization method. The Company has ten years of remaining unexpired federal tax credits. Each low-income property is subject to an annual regulatory review and the properties maintain their qualified status as of December 31, 2015.

The Company's future capital contributions as of December 31, 2015 are as follows:

	Amount
2016	$ 576
2017	30
2018	30
2019	30
2020	53
	$ 719

Fair Value Measurements

The Company has adopted the provisions of ASC 820, which defines fair value as the exit price or the amount that would be (1) received to sell an asset or (2) paid to transfer a liability in an orderly transaction between marketplace participants at the measurement date. When determining an exit price, the Company must, whenever possible, rely upon observable market data.

The ASC 820 exit price notion requires the Company's valuation to also consider what a market place participant would pay to buy an asset or receive to assume a liability. Therefore, while the Company can consider pricing data from these outside services, the Company ultimately determines whether the data or inputs used by these outside services are observable or unobservable.

In accordance with ASC 820, the Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level that is significant to the fair value measurement of the instrument.

Level 1 and Level 2 Valuation Techniques

All invested assets of the Company measured at fair value are classified as Level 1 or Level 2. Financial assets that fall within Level 1 and Level 2 are priced according to observable data from identical or similar securities that have traded in the marketplace. Also within Level 2 are securities that are valued by outside pricing services because the inputs used in pricing the securities are market observable. The Company has evaluated the pricing methodology and has determined that the inputs are observable.

Level 3 Valuation Techniques

Financial assets that fall within Level 3 of the hierarchy are valued based upon unobservable market inputs, normally because they are not actively traded on a public market. The Company includes broker quotes in this category due to the lack of transparency in the process that brokers use to develop such prices and due to the lack of a binding or completed sale or purchase transaction. The Company holds no Level 3 investments.

Rollforward of Level 3 Items

The Company has no Level 3 assets or liabilities measured at fair value.

Policy on Transfers into and out of Levels 1, 2 and 3

At the end of each reporting period, the Company evaluates whether or not an event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Levels 1, 2 and 3. The Company had no transfers into or out of Levels 1, 2 or 3 in the current year.

The following tables represent fair value of fixed maturity and equity securities by hierarchy level as of December 31:

2015	Total	Quoted Prices in Active Markets for Identical Assets Level 1 Inputs	Significant Observable Inputs Level 2 Inputs	Significant Unobservable Inputs Level 3 Inputs
US Treasury and US government agencies and corporations	$ 48,273	48,273	–	–
State and political subdivisions	538,634	–	538,634	–
Mortgage-backed and asset-backed securities	397,239	–	397,239	–
Corporate bonds	261,403	–	261,403	–
Foreign government and foreign corporate bonds	64,294	–	64,294	–
Total fixed maturity securities	1,309,843	48,273	1,261,570	–
Common stock(1)	214,567	214,567	–	–
Total investment securities	$ 1,524,410	262,840	1,261,570	–

(1) The Company holds $7,138 of other common stock carried at its contractually specified redemption value.

2014	Total	Quoted Prices in Active Markets for Identical Assets Level 1 Inputs	Significant Observable Inputs Level 2 Inputs	Significant Unobservable Inputs Level 3 Inputs
US Treasury and US government agencies and corporations	$ 48,317	48,317	–	–
State and political subdivisions	531,523	–	531,523	–
Mortgage-backed and asset-backed securities	367,160	–	367,160	–
Corporate bonds	233,978	–	233,978	–
Foreign government and foreign corporate bonds	63,032	–	63,032	–
Total fixed maturity securities	1,244,010	48,317	1,195,693	–
Common stock(1)	205,669	205,669	–	–
Total investment securities	$ 1,449,679	253,986	1,195,693	–

(1) The Company holds $7,395 of other common stock carried at its contractually specified redemption value.

Notes to Consolidated Financial Statements (in thousands)

4. Amounts Due from Policyholders

Amounts due from policyholders are composed of the following at December 31:

	2015	2014
Premiums in course of collection	$ 33,415	29,793
Premiums deferred not yet due	256,211	229,964
Premiums due on retrospectively rated policies	3,566	3,124
Amounts due on deductible policies	1,101	1,502
Amounts due from policyholders, gross	294,293	264,383
Allowance for doubtful accounts	(5,364)	(4,948)
Amounts due from policyholders, net	$ 288,929	259,435

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in our amounts due from policyholders balance determined on the basis of historical experience, specific allowances for known troubled accounts, and other currently available evidence.

5. Deferred Policy Acquisition Costs

Deferred policy acquisition costs are summarized as follows as of and for the years ended December 31:

	2015	2014
January 1,	$ 41,066	35,477
Capitalized costs	106,246	95,448
Amortized costs	(100,922)	(89,859)
December 31,	$ 46,390	41,066

6. Land, Building and Equipment

The major components of land, building, and equipment as of December 31 are as follows:

	2015	2014
Land	$ 4,269	4,269
Building and improvements	50,081	50,153
Furniture and equipment	15,253	14,490
Software in use	34,477	33,908
Software under development	4,780	2,915
Land, building and equipment, at cost	108,860	105,735
Accumulated depreciation and amortization	(65,465)	(62,064)
Land, building and equipment, net	$ 43,395	43,671

Depreciation and amortization expense for land, building and equipment for the years ended December 31, 2015 and 2014 amounted to $4,995 and $5,323, respectively.

7. Goodwill and Other Intangible Assets

The balance sheets include goodwill attributable to the Company's purchase of MGI in November 2000. The original amount of goodwill associated with this acquisition was $18,120. Prior to the adoption of ASC 350, *Intangibles-Goodwill and Other*, in 2002, cumulative amortization of $1,309 was recorded. In addition, the Company purchased Mississippi Insurance Managers (MIM), a managing general agent, through a wholly owned subsidiary in December 2008. The cost of the MIM acquisition was $8,000, and the Company recorded an intangible asset associated with the purchase of $4,949, which is being amortized over ten years and is reported as a component of other assets in the consolidated balance sheets. The purchase contract included a three-year earn-out provision in which the final payout was made in 2011. All amounts paid in connection with this earn-out provision are recorded as an increase to goodwill.

As of December 31, 2015, the Company tested the underlying goodwill and intangible assets for recoverability, and the test indicated that the fair values exceeded the carrying values of the assets.

The following table details goodwill and intangible assets as of December 31:

	2015		2014	
	Goodwill	Other Intangibles [1]	Goodwill	Other Intangibles
Monroe Guaranty Insurance Company	$ 18,120	-	18,120	-
Mississippi Insurance Managers, Inc.	7,340	4,949	7,340	4,949
Goodwill and other intangible assets, gross	25,460	4,949	25,460	4,949
Accumulated amortization[2]	(1,309)	(3,465)	(1,309)	(2,970)
Goodwill and other intangible assets, net	$ 24,151	(1,484)	24,151	1,979

(1) Reported as a component of other assets
(2) Goodwill amortization recorded in 2001 prior to SFAS 142, Goodwill and Other Intangible Assets, now ASC 350-20, Goodwill

Intangible amortization expense was $495 for each of the years ended December 31, 2015 and 2014.

Notes to Consolidated Financial Statements (in thousands)

8. Liability for Loss and LAE

The Company establishes a liability for loss and LAE that estimates the future payments of reported and unreported claims for losses and the related loss expenses with respect to insured events that have occurred. The process of establishing this liability is subject to uncertainties that are normal, recurring, and inherent in the property and casualty business. The process requires reliance upon estimates based on available data that reflects past experience, current trends, and other information and the exercise of informed judgment. Changes in the Company's estimate of this liability may be required as information develops that varies from experience, provides additional data, or, in some cases, augments data previously not considered sufficient for use in determining reserves. The effect of these changes, net of reinsurance, is charged (unfavorable development) or credited (favorable development) to income for the periods in which they are determined.

In management's judgment, information currently available has been appropriately considered in estimating the Company's liability for losses and LAE. However, future changes in estimates of the Company's liability for insured events may materially affect results positively or adversely in future periods although such effects cannot be reasonably estimated.

Activity for the years ended December 31 in the liability for loss and LAE is summarized in the table below:

	2015	2014
January 1, gross	$ 737,531	719,416
Less:		
Reinsurance recoverable, unpaid losses	79,211	88,583
Florida Special Disability Trust Fund recoverable (Note 9)	2,557	4,422
Salvage and subrogation recoverables	7,660	5,874
Retroactive reinsurance reserves assumed	2,112	2,226
Liability for loss and LAE on deductible policies	1,503	1,635
January 1, net	$ 644,488	616,676
Incurred related to:		
Current year	465,708	406,575
Prior years	(20,404)	(22,043)
	445,304	384,532
Paid related to:		
Current year	168,815	147,944
Prior years	212,359	208,776
	381,174	356,720
December 31, net	$ 708,618	644,488
Plus:		
Reinsurance recoverable, unpaid losses	65,380	79,211
Florida Special Disability Trust Fund recoverable (Note 9)	2,397	2,557
Salvage and subrogation recoverables	8,207	7,660
Retroactive reinsurance reserves assumed	1,557	2,113
Liability for loss and LAE on deductible policies	1,101	1,502
December 31, gross	$ 787,260	737,531

The liability for loss and LAE developed favorably in 2015 and 2014 by $20,404 and $22,043, respectively, due to reductions in expected ultimate losses primarily because of lower than anticipated emergence on prior accident years.

9. Florida Special Disability Trust Fund (SDTF)

The SDTF provides for the reimbursement of certain Florida workers' compensation claim costs related to injuries that occurred prior to 1998 and that aggravate or accelerate a preexisting injury or physical impairment. The Company submits claims to the SDTF, a Florida government trust fund for recovery of eligible claim costs. The SDTF is funded on a current basis through quarterly assessments imposed on insurance carriers, self-insurance funds, and self-insurers, based on Florida workers' compensation direct premiums written net of any related policyholder dividends.

The Company's receivable from the SDTF is comprised of the following three components as of December 31:

	2015	2014
Amounts paid by the Company submitted to the SDTF pending reimbursement	360	605
Amounts paid by the Company not yet submitted to the SDTF	408	165
Amounts not yet paid by the Company	1,629	1,787
	$ 2,397	2,557

The SDTF accepts submissions for recovery once per year for each subject claim.

For the years ended December 31, 2015 and 2014, assessments were $1,544 and $1,595, respectively, and the Company collected $1,022 and $1,743, respectively, in reimbursements.

10. Reinsurance

The Company has a reinsurance program that is intended to reduce overall risks, including exposure to large losses and catastrophic events. The Company limits the maximum net loss that can arise from claims by reinsuring certain levels of risks with reinsurers. In the ordinary course of business, the Company assumes premiums, losses, and LAE from involuntary assigned risk pools.

The Company expects those companies with whom reinsurance has been placed to honor their obligations. However, in the event that all or any of the reinsuring companies are unable to meet their obligations for existing paid and unpaid loss recoverables, the Company would be liable for such defaulted amounts.

Notes to Consolidated Financial Statements (in thousands)

The following table summarizes reinsurance recoverables and prepaid reinsurance premium as of December 31:

	2015	2014
Recoverable for loss and LAE reserves	$ 65,380	79,211
Recoverable for paid loss and LAE	889	373
Prepaid reinsurance premium	11,183	9,401
	$ 77,452	88.985

The following table summarizes the effect of reinsurance on premiums for the years ended December 31:

	Direct	Assumed	Ceded	Net
2015				
Written premiums	$ 744,792	6,796	40,535	711,053
Earned premiums	707,807	6,668	38,752	675,723
2014				
Written premiums	$ 669,940	6,432	37,202	639,170
Earned premiums	638,253	6,348	38,171	606,430

The following table summarizes the effect of reinsurance on loss and LAE incurred for the years ended December 31:

	Direct	Assumed	Ceded	Net
2015	$ 435,160	5,535	(4,609)	445,304
2014	$ 387,876	3,998	7,342	384,532

11. Income Tax

The components of income tax expense are as follows for the years ended December 31:

	2015	2014
Current income tax expense		
Federal	$ 18,879	15,420
State	1,816	1,969
Total current income tax expense	20,695	17,389
Deferred income tax (benefit) expense		
Federal	(2,169)	1,525
State	(282)	179
Total deferred income tax (benefit) expense	(2,451)	1,704
Total income tax expense	$ 18,244	19,093

The significant components of the net deferred income tax asset as of December 31 are as follows:

	2015	2014
Deferred income tax assets:		
Discount of unearned and advance premiums	$ 23,780	21,156
Discount of liability for loss and LAE	13,854	12,985
Unrealized loss on investment securities	11,165	3,336
Deferred compensation	6,344	6,442
Net state operating loss carryforwards	2,452	2,637
Accrued policyholder dividends	2,244	1,980
Allowance for doubtful accounts	2,012	1,856
Subsequent injury tax	836	793
Other	3,120	2,905
Total gross deferred income tax assets	65,807	54,090
Less: valuation allowance	(2,423)	(2,602)
Total net deferred income tax assets	63,384	51,488
Deferred income tax liabilities:		
Unrealized gain on investment securities	20,281	27,054
Deferred policy acquisition costs	17,397	15,401
Other	5,221	5,602
Total deferred income tax liabilities	42,899	48,057
Net deferred income tax asset	$ 20,485	3,431

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset of $2,452 related to net operating losses in the state of Indiana, the Company will need to generate future Indiana taxable income of approximately $2,452 prior to the expiration of the net operating loss carryforwards in 2019 to 2025. Indiana taxable income for the years ended December 31, 2015 and 2014 was $43 and $41, respectively. Accordingly, management believes it is not more likely than not that this deferred tax asset will be realized and has recorded a valuation allowance. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the remaining deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2015. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Following is a reconciliation of the provision for federal income tax at the U.S. corporate rate (35% for December 31, 2015 and 2014) to the expense recorded for the years ended December 31:

	2015	Effective Tax Rate	2014	Effective Tax Rate
Expected tax	$ 21,635	35.00%	$ 22,195	35.00%
Tax-exempt interest	(5,377)	(8.70)	(5,698)	(8.99)
State income taxes, net of federal benefit	996	1.61	1,330	2.10
Additional current and deferred adjustments	413	0.67	736	1.16
Provision to return adjustment	(65)	(0.11)	(448)	(0.71)
Other, net	642	1.04	978	1.54
Actual income tax expense	$ 18,244	29.51%	$ 19,093	30.10%

The Company has adopted ASC 740-10-05, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has evaluated their tax positions and determined that there are no situations where it is "more likely than not" that a position taken will not be upheld. Therefore, the Company has no liability recorded for uncertainty in income taxes. The Company's policy is to classify interest and penalties related to unrecognized tax positions in income before income taxes. As of December 31, 2015, the Company has no accrued interest or penalties related to unrecognized tax positions.

12. Debt

Lines of Credit/Credit Facility

Northern Trust Line of Credit

The Company has a line of credit (LOC) from Northern Trust Bank of Florida, N.A., in the amount of $20,000 expiring on January 20, 2016. Bonds with a carrying value of $25,343 have been pledged as collateral. There is no balance outstanding on the LOC as of December 31, 2015 and 2014.

FHLB Credit Facility

The Company is a member of the Federal Home Loan Bank of Atlanta (FHLB). As a requirement of membership, the Company owns FHLB stock in an amount that is adjusted annually based on the asset size of the Company. In addition to membership stock requirements, the FHLB also requires members to purchase additional FHLB stock in amounts equal to 4.5% of each advance. FHLB shares that are purchased at the time of an advance are automatically redeemed when the advance is repaid (proportionately if the advance is partially repaid). As of December 31, 2015 and 2014, the Company owned FHLB stock in the amount of $7,138 and $7,395, respectively. As of December 31, 2015, the Company's borrowing limit is $250,000. The Company's overall FHLB credit limit can fluctuate based on the Company's financial condition, and all balances must be adequately collateralized.

The Company's FHLB borrowings as of December 31, 2015 are summarized in the following table:

Description	Amount Outstanding	Date Issued	Maturity Date	Interest Rate
10-Year Fixed Rate Note	$ 10,000	8/18/2010	8/18/2020	3.165%
10-Year Fixed Rate Note	10,000	8/26/2010	8/26/2020	3.137%
10-Year Fixed Rate Note	32,000	9/18/2012	9/19/2022	2.300%
5-Year Fixed Rate Note	32,000	6/27/2013	6/27/2018	1.853%
10-Year Fixed Rate Note	23,750	6/1/2015	6/2/2025	2.862%
1-Month Fixed Rate Credit	24,000	12/31/2015	1/29/2016	0.340%
	$ 131,750			

13. Retirement and Deferred Compensation Plans

Retirement and Savings Plan

The Company has a retirement and profit sharing plan (defined 401(k) contribution plan) for which all employees are eligible to participate. Employees, at their option, may contribute a portion of their eligible earnings to the plan, which may qualify for a matching contribution by the Company. Based on the Company's financial results, an additional discretionary profit sharing contribution may be made to all eligible employees' accounts. All contributions by the Company are restricted to amounts authorized annually by the Board of Directors. Retirement benefits are based on the balance in each employee's account, including the amount vested in employer 401(k) matching contributions and profit sharing contributions. The plan may be cancelled at any time at the option of the Company. The Company's net contributions to the plan for 2015 and 2014 were $6,045 and $5,573, respectively.

Notes to Consolidated Financial Statements (in thousands)

Long-Term Incentive Plan

Directors and officers are eligible participants under the Company's Long-Term Incentive Plan (Incentive Plan), which offers two types of performance-based incentive awards, a Full Value Performance Unit Award (Performance Units) and a Performance Unit Appreciation Rights Award (Appreciation Rights).

After satisfaction or lapse of the restrictions, terms, and conditions established by the Incentive Plan with respect to a grant of Performance Unit awards, the Incentive Plan participant will receive a cash payment equal to the number of Performance Units multiplied by a Company Value as of the exercise date as defined in the Incentive Plan. During 2015 and 2014, the Company recognized expense related to these units of $1,031 and $1,396, respectively. As of December 31, 2015 and 2014, the Company has a liability for the Performance Units outstanding of $9,220 and $8,976, respectively.

Appreciation Rights may be exercised subject to the terms of the Incentive Plan and upon exercise, the Incentive Plan participant will receive the number of Appreciation Rights exercised multiplied by the increase in Company Value as of the exercise date compared to the Company Value on the grant date. During 2015 and 2014, the Company recognized expense related to Appreciation Rights of $2,271 and $2,918, respectively. As of December 31, 2015 and 2014, the Company has a liability for the Appreciation Rights outstanding of $8,945 and $9,026, respectively.

Directors' Deferred Compensation Plan

Certain members of FGI's Board of Directors have entered into a deferred compensation plan, which includes a deferred compensation payment of three times the Directors' annual fees at retirement subject to certain vesting criteria, which is to be partially funded through a special grant of Performance Units, described above. As of December 31, 2015 and 2014, the Company's liability for such deferred compensation, not funded by Performance Units, was $1,036 and $1,023, respectively. During 2015, the Company recognized expense of $13 and for 2014, recognized a reduction in expense of $33.

Costs for retirement and deferred compensation plans are allocated to each subsidiary based on the direct written premiums and the level of claims transactions to the totals for the consolidated company.

14. Regulation

The Company and its insurance company subsidiaries are regulated by state insurance departments and are subject to insurance statutes of their domiciliary states. The insurance companies are required to file financial statements with the state insurance departments prepared on an accounting basis prescribed or permitted by such regulators (statutory basis). Included among the applicable insurance laws and regulations with which the insurance companies must comply is the requirement that they maintain sufficient surplus, as defined by the states.

Risk-Based Capital

The National Association of Insurance Commissioners and the domiciliary states utilize risk-based capital (RBC) standards. RBC is a method of measuring the amount of capital and surplus appropriate for an insurer to support its overall business operations in light of its size and risk profile. Under RBC standards, risks specific to insurance companies in such areas as asset risk and underwriting risk are evaluated and compared to the insurance companies' capital and surplus to determine solvency margins. Regulators use RBC standards to initiate actions relating to insurers that show signs of weak or deteriorating financial condition. At December 31, 2015 and 2014, the insurance companies were adequately capitalized under the RBC requirements.

Combined net income and policyholders' surplus of the Company's insurance subsidiaries, as determined in accordance with statutory accounting practices, are as follows:

December 31,	2015	2014
Net income	$ 37,662	41,885
Policyholders' surplus	581,132	578,708

15. Commitments and Contingencies

Legal Proceedings

The Company's insurance subsidiaries are party to litigation and workers' compensation administrative proceedings involving claims arising in the normal course of business, none of which, in the opinion of management, will have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

Operating Leases

The Company leases vehicles, office equipment, and office space with terms expiring through 2025. The minimum rentals on these operating leases as of December 31, 2015 are as follows:

	Amount
2016	$ 1,854
2017	1,632
2018	1,645
2019	1,295
2020	1,324
Thereafter	5,402
	$ 13,152

Rent expense for the years ended December 31, 2015 and 2014 was $2,280 and $1,846, respectively.

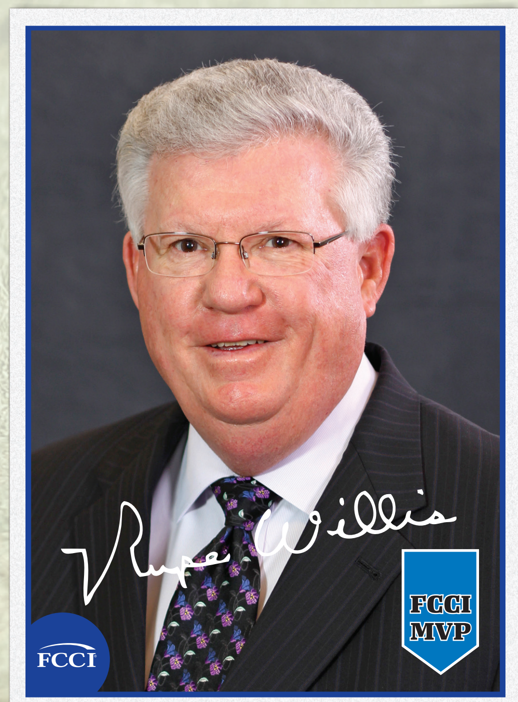
16. Members' Equity

Accumulated Other Comprehensive Income

The activity for the years ended December 31 in accumulated other comprehensive income is summarized below:

	Accumulated Other Comprehensive Income
December 31, 2013	$ 26,201
Increase in unrealized gains on investments, net of taxes of $8,448	14,081
Reclassification adjustments for realized gains in net income, net of taxes of $452	(754)
December 31, 2014	39,528
Decrease in unrealized gains on investments, net of taxes of $11,469	(19,112)
Reclassification adjustments for realized gains in net income, net of taxes of $3,136	(5,226)
December 31, 2015	$ 15,190

Celebrating FCCI MVPs



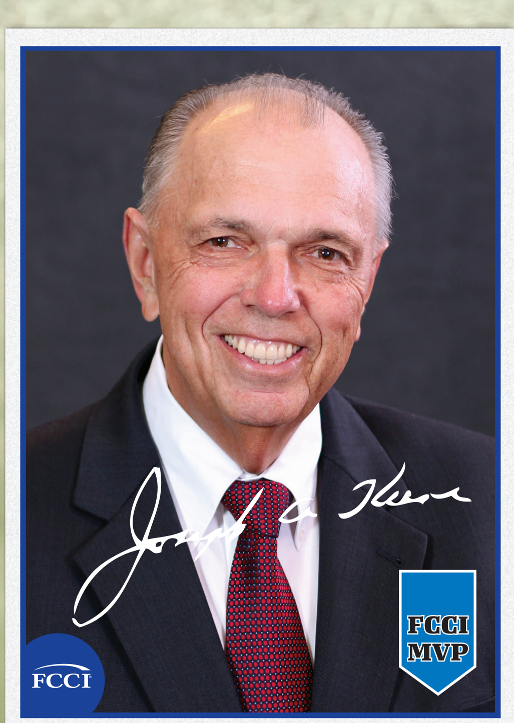
Rupert L. Willis – “Rupe”

Executive Vice President &
Chief Regional Officer

In his 16-year career with FCCI, Rupe Willis made a major impact and contributed to the company’s growth and success. Rupe brought leadership, focus and underwriting discipline which transformed the profitability and credibility of FCCI. Rupe helped nurture relationships with our agency customers and has mentored many successful careers. Rupe also helped steer FCCI’s geographic and product line expansion, which now spans 18 states and includes all commercial lines of coverage.

He joined FCCI in 1999 as Senior Vice President for the Southeast Region. In 2000, he moved to Sarasota and assumed the role of Senior Regional Vice President for the Florida Region. In 2007, he became Executive Vice President & Chief Regional Officer, and in 2013, he was promoted to Executive Vice President & Chief Operations Officer. In 2015, Rupe retired with plans to travel and spend more time with his family.

Thank you, Rupe, for being one of FCCI’s Hall of Fame MVPs.



Joe Keene

Executive Vice President
Corporate Claims

Joe joined FCCI in 1998 as Senior Vice President of Claims and Medical Management Services. He quickly made an impression at FCCI by assuring that the company was employing the best people in the industry and training them to provide exceptional customer service. He upheld a Claims philosophy to always put people first and to maintain adequate reserves to fulfill our obligations. He shared the lessons he learned growing up – do the right thing, play good ball, make good on your promises – and helped them become part of FCCI’s culture.

From the $2 bills he generously hands out, to buying lunch for teammates in our café, to going above and beyond to make things right for claimants, Joe’s kind spirit is also well-known among FCCI teammates. Through his leadership and benevolent example, more than $2.5 million dollars have been raised for United Way during Joe’s career at FCCI.

Thank you, Joe, for being an FCCI Hall of Fame MVP and an FCCI Hero.

Acknowledgments

We would like to thank the following individuals and businesses for contributing to the 2015 FCCI Annual Report.

Bill Brim
Ed Walker
Lewis Taylor Farms
Tifton, Ga.

John Brownlee
Brownlee Agency, Inc.
Tifton, Ga.

Jarad Fails
David Klatzkin
Paul Lengen
Eric Moore
Gary Wetzel
Ameritech Millworks
Grand Prairie, Texas

Thomas C. Finney
Finney Company, Inc.
Lexington, Ky.

Ann Forkner
MHBT/Marsh &
McLennan Agency
Dallas, Texas

Bud Hornbeck II
Lutgert Insurance
Naples, Fla.

Nick Kleyn
Kleyn Electric, Inc.
Grand Rapids, Mich.

Mark Landers
J. Smith Lanier & Co.
Birmingham, Ala.

Jim Ryskamp
Berends Hendricks Stuit (BHS)
Grandville, Mich.

Steve Simmons
Energy Insurance Agency
Lexington, Ky.

Todd Skinner
Insurance Office
of America
Atlanta, Ga.

Michael Walker
The Walker
Contracting Group
Naples, Fla.

Photography

Rick Benitez
Sarasota, Fla.

Michael Brown
Sarasota, Fla.

Randal Crow
Birmingham, Ala.

Craig van der Lende
Grand Rapids, Mich.

Mark Najjar
Atlanta Studios
Atlanta, Ga.

Don Netzer
Dallas, Texas

Daniel Shippey
Tifton, Ga.

Alex Stafford
Sarasota, Fla.

Rob Villetto
Villetto Photography
Bradenton, Fla.

Dan Wagner
Sarasota, Fla.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