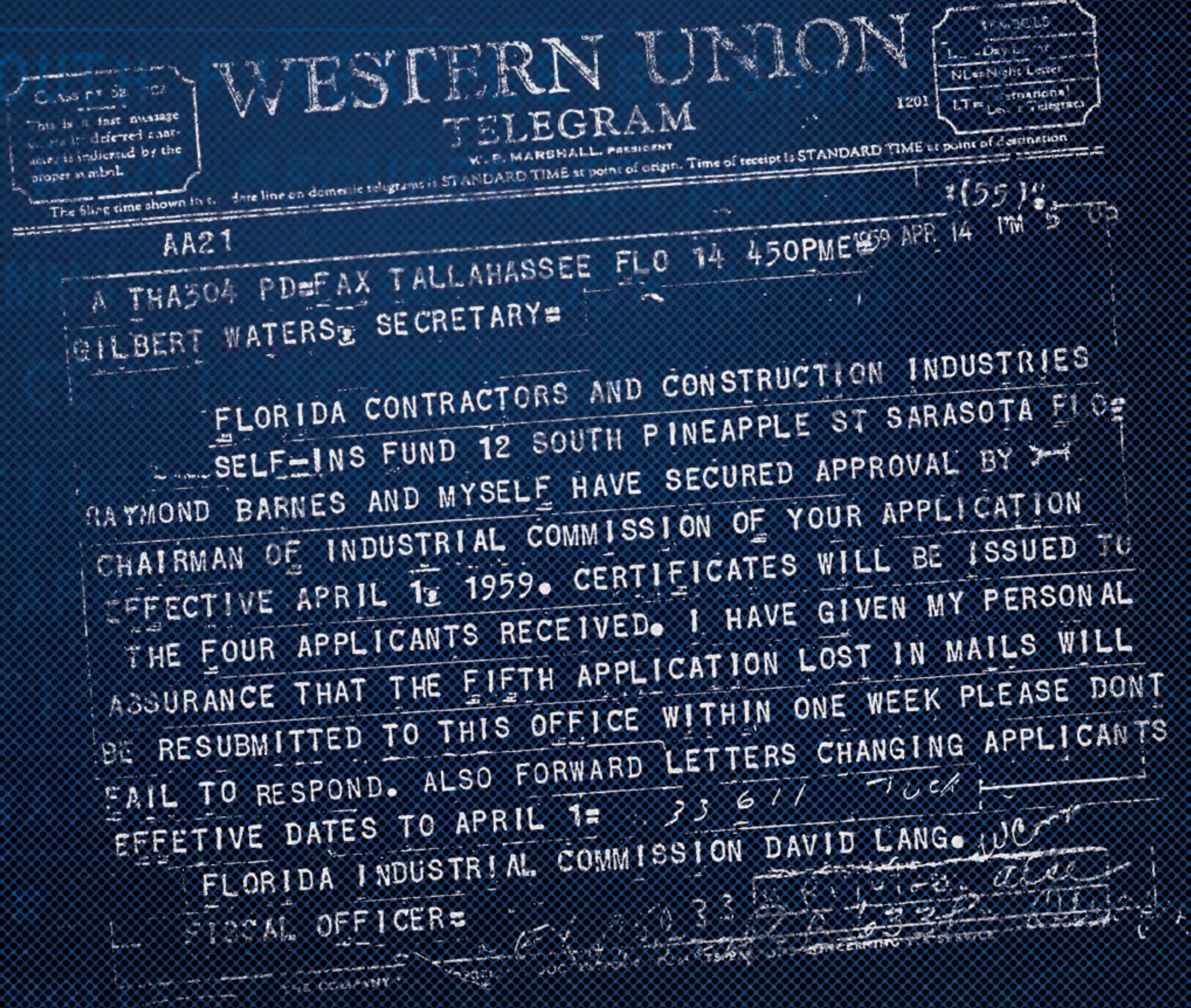
Promises Kept

2014 FCCI Annual Report



WESTERN UNION
TELEGRAM
W. P. MARSHALL, PRESIDENT

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GILBERT WATERS, SECRETARY=

FLORIDA CONTRACTORS AND CONSTRUCTION INDUSTRIES
SELF-INS FUND 12 SOUTH PINEAPPLE ST SARASOTA FLO=
RAYMOND BARNES AND MYSELF HAVE SECURED APPROVAL BY
CHAIRMAN OF INDUSTRIAL COMMISSION OF YOUR APPLICATION
EFFECTIVE APRIL 1, 1959. CERTIFICATES WILL BE ISSUED TO
THE FOUR APPLICANTS RECEIVED. I HAVE GIVEN MY PERSONAL
ASSURANCE THAT THE FIFTH APPLICATION LOST IN MAILS WILL
BE RESUBMITTED TO THIS OFFICE WITHIN ONE WEEK PLEASE DONT
FAIL TO RESPOND. ALSO FORWARD LETTERS CHANGING APPLICANTS
EFFETIVE DATES TO APRIL 1=
FLORIDA INDUSTRIAL COMMISSION DAVID LANG.
FISCAL OFFICER=

FCCI 55 1959 2014 YEARS

FCCI Insurance Group

FCCI Insurance Group is a multi-line commercial property and casualty insurance provider that has been keeping our promises to policyholders, claimants, agents and employees since 1959. In 2014, FCCI celebrated our 55th year in business and the continuing legacy of trust, integrity and dependability that our business is built on.

With five regional offices and more than 730 employees, we provide coverage and services in 18 states. We distribute our coverage exclusively through independent agents, and we partner with them to offer each policyholder our promise to remain a strong, stable and responsive carrier they can depend on to help protect their businesses against loss, restore them to operation and provide for injured workers.

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

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

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

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

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

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

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

Our Mission Statement

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.

Table of Contents

In 2014, as we

celebrated FCCI's 55th year in operation, we also delivered the best results in the history of the company. We achieved historic highs for FCCI in direct written premium, GAAP equity and statutory surplus. We grew our premium in many of our seasoned states as well as our newer states of Texas, Virginia, Louisiana, Arkansas and Maryland. We made considerable improvements in both our expense ratio and our accident year loss ratio, and we further reduced our operating expenses as a result of ongoing company-wide initiatives.

These successes led to our 13th consecutive year of profitability, a GAAP combined ratio of 97.7% and a statutory combined ratio of 96.4% – the lowest since FCCI became a mutual insurance company. As exciting as these results are, how we conduct our business has always been as important as what we achieve. I am most grateful for the dedication and commitment of FCCI's employees who firmly understand not only our history, our values and beliefs, but also our obligation to uphold FCCI's legacy of acting responsibly and ethically. We do what we say we'll do when it comes to our business, and it takes every employee acting as a business owner to maintain those standards.

From our humble beginnings providing workers' compensation insurance to Florida contractors, we've grown into a super-regional carrier providing property and casualty insurance coverage to more than 18,000 policyholders and 16,000 bonded principals in 18 states. We've grown a lot in 55 years. But we're still committed to providing the best claim service, risk control service and customer service in the industry.

That's our promise. And 2014 has been a year of promises kept. The stories in this year's report will give you glimpses into some of those promises and a few individuals' perspectives on how they were kept.

Our success in 2014 was driven by several factors. We have the best agent partners in the business, and we never stop working to earn their trust and their business. We do the right thing when it comes to taking care of our policyholders and claimants, handling claims fairly and efficiently, and providing service that exceeds expectation. We stay true to the sound underwriting principles, prudent investing and responsible operational practices that make FCCI a strong and stable insurer. And finally, we maintain the appropriate alignment between people, technology and processes that makes us easy to work with and count on.

For the future, technology remains one of our key priorities because it enables efficiencies in so many areas of our business. We are continuing to invest in technologies that speed our response times and simplify doing business for our agents and policyholders. Over the next few years, we will be implementing a new policy administration system and online rating capability for some of our lines of business, but we will continue to offer the personal, local service in underwriting, claims and risk control that we are known for.

I'm pleased to share FCCI's accomplishments, but none more than the charitableness of our FCCI teammates. In addition to the organizations FCCI supports as part of being a responsible corporate citizen and member of the communities where we do business, FCCI employees themselves volunteer numerous hours in the community. In 2014, FCCI employees volunteered 1,944 company-paid hours, and many employees donated more hours of their personal time to improve the lives of others. To me, this is a strong indicator of the caliber of people that make up the FCCI family.

I come to work every day energized and excited by the opportunities in FCCI's future, buoyed by our dedicated Board of Directors, our deep bench of motivated and talented officers, and the dedicated employees supporting them.

On behalf of all of us at FCCI, thank you for being a part of FCCI's promises kept in 2014. We look forward to many more.

Craig Johnson

President & CEO

Promises Kept

18,392
POLICYHOLDERS

16,020
BONDED PRINCIPALS

573
CONTRACTED AGENCIES

3,974
APPOINTED PRODUCERS

731
EMPLOYEES

18
STATES

1,944
EMPLOYEE HOURS DONATED TO CHARITIES

97.7%
COMBINED RATIO

$2.0
BILLION TOTAL ASSETS

HIGHLIGHTS

Celebrated 55 years in business.

Achieved our lowest GAAP combined ratio since becoming a mutual insurance company.

Grew our total assets to $2 billion.

Implemented more than $8 million of bottom-line savings.

Introduced new Mission Statement, logo and tagline.

Recognized as a Top 10 P&C Performer for ease in doing business by Deep Customer Connections.

Ranked in the Top 10 of Florida's Best Companies to Work For by *Florida Trend* Magazine.

Named as an American Heart Association Fit Friendly Company at the Platinum Level.

Listed on *Best's Review's* Top 200 U.S. Property/Casualty Writers.

Launched a new Employment Practices Liability product.

Implemented online claims reporting, status updates and Risk Control 360.

Aligned underwriting and claims together in each region to enhance local collaboration.

Launched the School of Excellence – a career mapping intranet site for our employees.

$1.5
BILLION INVESTMENT PORTFOLIO

$699 ★
MILLION GAAP EQUITY

$579 ★
MILLION STATUTORY SURPLUS

$670
MILLION DIRECT WRITTEN PREMIUM

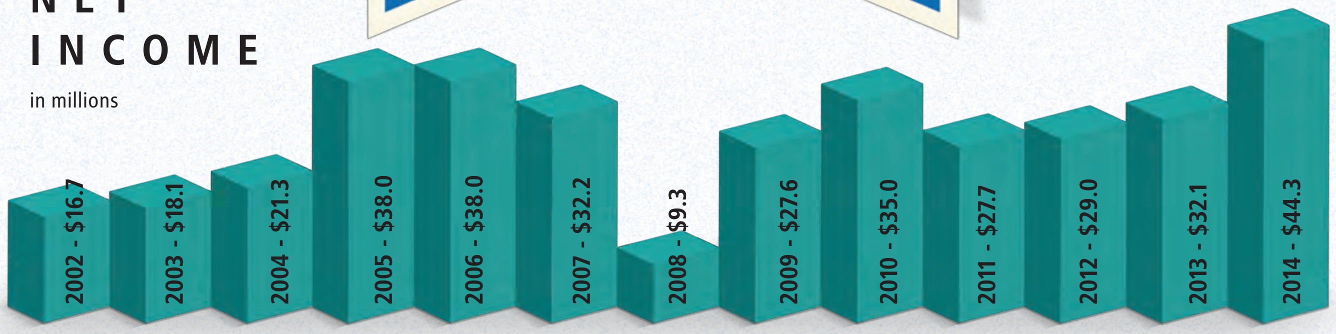
13 ★
CONSECUTIVE YEARS OF PROFIT

273
BEST'S CAPITAL ADEQUACY RATIO (BCAR) SCORE

A
(EXCELLENT) A.M. BEST RATING

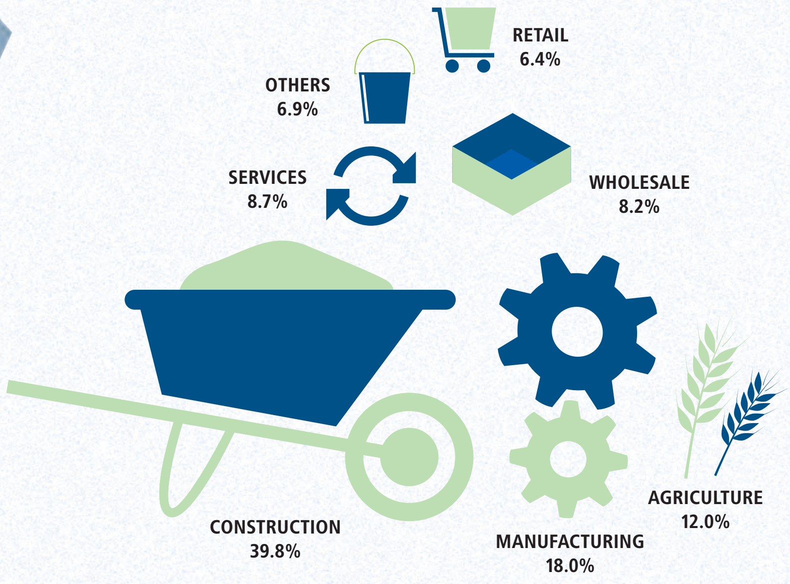
★ HISTORIC HIGH

NET INCOME
in millions



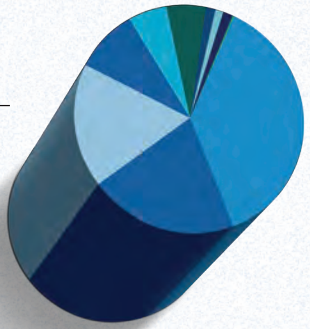
DIRECT WRITTEN PREMIUM
in millions

BY POLICYHOLDER INDUSTRY



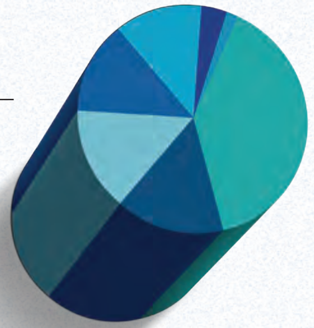
BY COVERAGE TYPE

WORKERS' COMP	37.6%
AUTOMOBILE	20.7%
MULTI-PERIL	17.4%
LIABILITY	9.1%
UMBRELLA	5.8%
PROPERTY	5.5%
SURETY	1.4%
FARMOWNERS	1.2%
INLAND MARINE	1.2%
CRIME	0.1%



BY REGION/UNIT

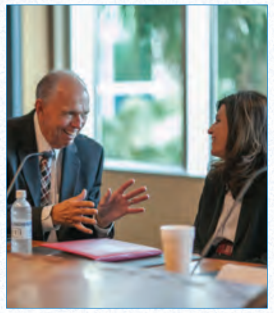
FLORIDA	39.6%
AGRIBUSINESS	15.0%
SOUTHEAST	14.3%
GULF COAST	13.4%
MIDWEST	12.5%
SOUTHWEST	3.7%
SURETY	1.4%

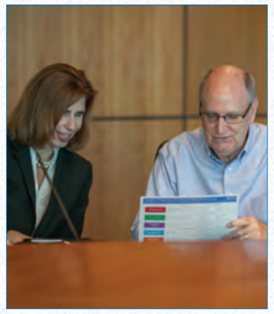


REVENUE
in millions

2010	2011	2012	2013	2014
$493.5	$510.4	$529.0	$586.4	$657.5

MEMBERS' EQUITY
in millions


The Leadership Promise

FCCI's Board of Directors

Charles R. Baumann, CPA/CFF
Director since 2004

Robert W. Flanders
Director since 1993

John Stafford
Chairman of the Board, Director since 1996

Craig Johnson, MBA, CPA
President & Chief Executive Officer, Director since 2011

John Joseph "Jack" Cox
Director since 2012

G.W. Jacobs, Esq.
Past President & Chief Executive Officer, Director since 1999

Roy A. Yahraus
Director since 2007

Executive Officers

Craig Johnson, MBA, CPA
President & Chief Executive Officer

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

Rupert L. Willis
Executive Vice President & Chief Operations Officer

Lisa Weiland
Executive Vice President & Chief Operations Officer

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

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

Joseph A. Keene
Executive Vice President, Corporate Claims

Officers

Paul I. Ayoub, AINS
Senior Vice President & Chief Information Officer

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

Brian Donovan, CPCU
Assistant Vice President, Claims

Ann Driscoll
Vice President, Human Resources

Warren Edwards, CIC
Senior Vice President, Chief Regional 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

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
Vice President, Underwriting, Gulf Coast Region

Duane L. Padgett, CIC, CRIS, MLIS, AU, AINS, CPIA
Vice President, Marketing & Corporate Communications

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

Tracey J. Pfab
Senior Vice President, Specialty Markets

Rick 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, Business Development & Strategic Initiatives

Kent Skidmore
Senior Vice President, Southeast Region

Nick Smith, CPCU, CIC AIC, 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 Swain, CPCU
Assistant Vice President, Agribusiness

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

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

The Community Promise

Giving back to the community has been a part of FCCI's culture since 1959. As our business and geographic reach has grown, so have our efforts to support the communities where we do business. In 2014, FCCI supported community organizations, arts and cultural events, educational programs and humanitarian organizations that strengthen communities, help our neighbors, and brighten futures.

Individually, FCCI employees donated time and raised money for many causes, such as local food drives and food banks, gifts for children and seniors during the holiday season, on-campus blood drives and much more.

To support and encourage community involvement, FCCI's Volunteerism Policy offers employees four hours of company-paid time each year to volunteer at the charitable organization of their choice. In 2014, employees volunteered almost 2,000 hours under this policy, in addition to many more hours of their personal time.

All Faiths Food Bank

As a long-time sponsor of All Faiths Food Bank, FCCI makes donations and holds food drives throughout the year to help All Faiths feed children and families in Sarasota and DeSoto counties. Many employees also volunteer to sort food at the distribution center and at special events.

Children First, Inc.

FCCI was a Diamond Sponsor of the 2014 Celebration Gala, an event that raises funds to provide Sarasota County's most at-risk children and their families with the tools they need to succeed in kindergarten and throughout the rest of their lives.

Habitat for Humanity

In 2014, FCCI was the major sponsor of a new Habitat for Humanity home in Sarasota, which will be completed in 2015. FCCI employees have volunteered more than 500 hours to the project, surpassing our pledge of 200 hours.

Step Up for Students

We support Step Up for Students' mission to provide scholarships for low-income children in Florida, giving kindergarten through high school students the opportunity to consider private schools or out-of-district public schools that may better suit their needs. From 2004 through 2014, FCCI has funded 498 scholarships.

Suncoast Charities for Children

For nearly 30 years, FCCI has supported this local charity serving children, teens and adults with special needs. In addition to corporate sponsorship, many employees volunteer at their two main events that help raise funds: Sarasota Powerboat Grand Prix Festival and Thunder By The Bay Motorcycle Festival. FCCI also provides corporate sponsorship and volunteers in support of the Suncoast BBQ & Bluegrass Bash, which is produced by the Suncoast Foundation for Handicapped Children, Inc.

United Way

Each year, FCCI holds special events throughout the month of October to raise money for United Way. And each Friday throughout the year, many employees give $1 to United Way so they can wear jeans. The donations add up throughout our FCCI regions. In 2014, FCCI was #3 on United Way Suncoast's "50 Most Generous Workplaces in Sarasota" list.

Westcoast Black Theatre Troupe

WBTT is the only professional black theater company on Florida's West Coast. It provides mentoring and inspiration to African American youth who might not otherwise have had an opportunity to cultivate their interests and talent. FCCI is pleased to be a Producer of the 2014-2015 season.

Twice a year, FCCI selects an "FCCI Hero" – or a group of heroes – and recognizes both the employees and the charity where they volunteered with a cash gift. In Fall 2014, Midwest Region employees Lori Herman, Linda Hudson, Marsha Jensen-Lewis, Kevin Elliott and Amy Smith were named FCCI Heroes. The group volunteered at Compassionate Heart Ministry, an organization in Zeeland, Mich., that assists families and individuals living with mild to moderate disabilities. They are shown at left with Amy's niece and nephew, Courtney and Drew Scheuerman, at Compassionate Heart. In Spring 2014, the FCCI Hero award was presented to a volunteer group that included nearly every employee in the Southwest Region. On two separate occasions, they volunteered at The Samaritan Inn, which offers residency and meals as well as training in life skills and self-sufficiency for the homeless in Collin County, Texas.

The Risk Control Promise

Agora, St. Petersburg, Florida
Lassiter Ware Insurance, Inc.

Subash Davé of Agora, Diane Bounds of FCCI, and Dana Snyder of Lassiter Ware check in with the safety-minded employees in Agora's manufacturing facility.

Specializing in the design and manufacturing of custom soft-goods, Agora's skilled team knows no limit to the materials it is able to work with.

They have extensive experience in traditional and advanced textiles including natural fibers such as leather, cotton and rubber; synthetic materials like nylon, polypropylene, neoprene, Kevlar® and vinyl; and even various metals. Working with these materials safely requires specific expertise and artistry.

The Agora workforce includes employees from 17 different countries. Their various backgrounds provide the company with a wealth of ideas, techniques and traditions, but also create language barriers and safety challenges.

FCCI Marketing Underwriter Diane Bounds, Commercial Lines Underwriter Linda Knox, Senior Risk Control Consultant Pansy Heger, and Claim Specialist Jeanne Nestor have all worked on the Agora account with Dana Snyder, Senior Account Executive for Lassiter Ware Insurance, for many years.

"We are very happy; working with Dana and FCCI has been an excellent experience. It's been many years now, and I would recommend them both to anybody. We have always been safety conscious at Agora, but with FCCI and with Dana's help, safety has become more of a process. They took the time to analyze events and procedures in our company and determine at what points our employees needed to be even more conscious. It has really made a difference for us."

Subash Davé
President, Agora

"With more than 300 employees and multiple languages spoken, Agora has done a super job with safety. FCCI has written this account for 15 years, and they've had minimal claims. In fact, the account renewed for considerably less this year, due to a very good loss experience. In addition to the safety programs implemented in the workplace, such as a 'rattlesnake' game where employees identify hazards and how to correct them, they have also gone above and beyond to ensure safety outside the workplace, such as having a light and a crosswalk put in. It's a pleasure to work with a company that cares so much about their employees."

Diane Bounds, CPCU, AIC, AIS, AU
Marketing Underwriter, FCCI

"Diane Bounds has become a good friend over the many years I've worked with FCCI, and both she and Linda Knox have done a lot of work to keep Agora's coverage in place at a competitive price. Overall, Agora has a very good safety record, but four or five years ago, a couple of claims alerted us to areas for improvement. Everyone at Agora was very supportive of implementing new safety procedures. I now serve as the chairman of the Agora Safety Committee that meets once a month. A unique thing to come out of the Safety Committee meetings is *Stitch*, Agora's safety mascot. It was created by an employee in Agora's design department, and we purchased t-shirts for all the employees. It's a perfect fit for Agora and has increased safety awareness."

Dana Snyder
Senior Account Executive, Lassiter Ware Insurance, Inc.

FCCI's Florida Region

$265.5 m	Direct Written Premium
133	Employees
154	Contracted agencies

Chairman's Club

Danny Anderson
Insurance Office of America
Longwood, Fla.

John Brabson
Lykes Insurance
Tampa, 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
Lutgert Insurance
Naples, Fla.

Colin Lowe
Brown & Brown of Florida
Miami, Fla.

Greg Marsh
Keyes Coverage
Tamarac, Fla.

Cynthia Payne
CHAPP, Inc.
Dundee, Fla.

Mike Rogers
Associates Insurance Agency
Temple Terrace, Fla.

Mike Welch
Commercial Insurance Marketing
Sarasota, Fla.

President's Club

Atlas Insurance Agency
Sarasota, Fla.

BB&T/J. Rolfe Davis Insurance
Maitland, Fla.

Brown & Brown of Florida
Fort Lauderdale, Fla.

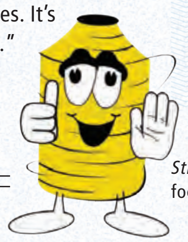
Frank H Furman
Pompano Beach, Fla.

Sihle Insurane Group
Altamonte Springs, Fla.

2014

"2014 was a record year for FCCI in Florida with most metrics at or exceeding plan, including new business, premium retention and our loss ratio. Profitability in the workers' comp line made considerable improvement, while still achieving an 84% retention rate. Our success is best indicated by the number of agencies who chose to write significant amounts of their middle markets premium with us; about 90 agencies have at least $1M in written premium with FCCI, and we also have about 90 agencies that wrote at least $100K new business with us in 2014. We are thankful for these partnerships and look forward to continuing to serve our agencies and policyholders in 2015."

David C. York
Senior Vice President, Florida Region



Stitch, Agora's safety mascot, is a spool of thread that reminds employees to focus on safety when using industrial sewing machines and other equipment.

the Local Presence Promise

Precision Valve North America, Inc., Greenville, South Carolina
Southern Risk Insurance Services, Inc.

Joe Macri and Kevin Bishop of FCCI and Jesse Dantice of Southern Risk Insurance Services meet with Precision Valve's Martyn Harris, General Manager; Janice Garrett, N.A. Controller; and Christy Greer, Director of Human Resources, at its Plant 1 facility in Travelers Rest, S.C. Precision Valve also has another facility nearby in Greenville, S.C.

Innovative design and a wide variety of applications have led to global success for Precision Valve Corporation. Founded by Robert Abplanalp, the entrepreneur that took aerosol valves and dispensing actuators to the mass market in 1949, Precision Valve makes aerosol valves and dispensing actuators for a wide range of applications including personal care, household, food, paint, medical and automotive products.

Jesse Dantice of Southern Risk Insurance Services and FCCI won the account after a joint visit to Janice Garrett, Precision Valve's North American Controller. Janice originally had some reservations about moving Precision Valve's coverage from a well-known national carrier to one she was not familiar with, but after a site visit and a TeamWorks!℠ meeting that highlighted Jesse's personal service approach and FCCI's regional presence, custom risk control services, personal claims attention and overall customer care, she is pleased with the choice.

Since that time, Precision Valve has made use of FCCI's value-added services, including the HR Helpline, online safety videos, and ISOnet website.

"This is my favorite account I've ever written. To move the coverage for the North American operation, Janice had to communicate with Precision Valve's global leadership about the change to FCCI. I think the fact that we conducted a TeamWorks! visit and had our entire group from FCCI get to know their operations and management style made a difference. Our goal is to provide better service to our policyholders and our agents than they will get with anybody else."

Joe Macri
Marketing Underwriter, FCCI

"We visited two plants and met with Precision Valve's North American management team. I think sitting down face-to-face to acquaint them with FCCI and the service team that would handle their account gave them a comfort level they didn't have in the past. They hadn't gotten that kind of personal service from an insurance carrier before, and we are more than happy to give it to them. Precision Valve is fairly sophisticated in their safety program, but we've been able to answer some questions for them about workers' comp and risk control, and provide resources such as the HR Helpline and online safety videos. HR Director Christy Greer and I have met on several service visits to review her ongoing improvements, and she actively reaches out to me and the claims team for assistance. In 2015, we're going to do some additional on-site training and continue to provide value."

Kevin Bishop
Risk Control Specialist, FCCI

"It was exciting to see FCCI offer such a competitive package for a large manufacturer. Precision Valve was with a large broker and a large insurer, so we told them that with a regional agency and regional insurer, they'd get personal attention and local service. They'd actually get to know the people they are working with, and that's exactly what's happened.

I appreciate the regional approachability we have with FCCI. They listen well, and communication is such a key in relationships. I feel like I can get things done, because it's not a quoting machine; it's real people and one-on-one attention. Boiler plates and off-the-shelf policies don't do enough to really protect businesses. They need a policy that's built around their business, and I love that we can do that with FCCI. FCCI has their thumb on the pulse of where they need to be to compete and earn business."

Jesse Dantice
CEO, Southern Risk Insurance Services, Inc.

FCCI's Southeast Region

$95.7 m	Direct Written Premium
85	Employees
113	Contracted agencies

Chairman's Club

John Graham
Sterling Risk Advisors
Atlanta, Ga.

President's Club

Bernard Williams & Company
Savannah, Ga.

Yates Insurance Agency
Atlanta, Ga

2014 growth and profitability results were the strongest in many years for the Southeast Region. We attribute the successful year to strong, win-win partnerships with our agents and the hard work of every member of our team. I'm confident we're well positioned to continue producing solid results in 2015 and beyond.

Kent Skidmore
Senior Vice President, Southeast Region

the VALUE PROMISE

Metro Mechanical, Inc., Bolton, Mississippi
Heiden & Garland, Inc.

Allison Wilson and Rick White of Metro Mechanical, Debbie Hines and Randall Foster of FCCI, and Doug Garland of Heiden & Garland meet in the Metro Mechanical warehouse.

Dedicated

to quality, safety and service, Metro Mechanical, Inc., is in its 22nd year of providing mechanical contracting services throughout the South. Metro enjoys a high percentage of repeat customers, and they believe it's due to the relationships they establish with their customers.

FCCI and Metro Mechanical began a relationship in 2011 through Doug Garland, President of Heiden and Garland, Inc. FCCI provides coverage for Metro's property, liability, auto, workers' compensation and umbrella exposures.

"Metro Mechanical is a family business and I've watched them grow it from the ground up. Frank and Rick White, brothers, started Metro Mechanical in Frank's backyard. Frank's background is in construction, and Rick's is in accounting and finance. Now Rick's daughter, Allison Wilson, is the Company Controller and Frank's son, David White, is a Project Manager in the Louisiana office.

They are people of integrity whose primary concern is for the safety of their personnel. That makes them easy for us to work with, and we give them the best service we can. Then you hook that up with FCCI, and it doesn't get any better.

With FCCI, I feel like I know everybody from Craig Johnson to the newest underwriter that's been hired in Mississippi. They are all knowledgeable and dedicated to partnership with agencies. It resonates with us, because everyone is on the same team."

Doug Garland
President/Producer, Heiden & Garland, Inc.

"FCCI feels like a smaller shop to me than the big national insurers. We get quick results. We don't have too many auto claims, but when we do, we can't afford to have a truck laid up in the shop for weeks. Doug understands that, and the FCCI claims folks do, too. We need the quick turnaround we get with local service.

We've been working with Doug a long time, and he does a good job of helping us stay focused on areas where we can improve. I think a local, independent agent brings a different perspective than maybe a national person would. The relationship with Doug and FCCI has really worked out well for us."

Rick White
Vice President & CFO, Metro Mechanical, Inc.

"Metro Mechanical is one of the most recognized mechanical contractors in the area, doing the larger and more prestigious jobs, and they've always taken safety seriously. In 2014, they became even more proactive. I taught a driver safety course for all of their employees, not just their drivers. Everyone from the president to the field people to the receptionist sat in on a class. That really shows the nature of what they are doing – promoting safety across the board."

Randall Foster
Senior Risk Control Consultant, FCCI

"We've written the Metro Mechanical account for several years. As with any construction-related business, safety is always an important concern. We've had the opportunity to add value and enhance our relationship by helping them implement effective and vigilant safety practices."

Debbie Hines
Senior Commercial Lines Underwriter, FCCI

FCCI's Gulf Coast Region

$89.8 m	Direct Written Premium
62	Employees
135	Contracted agencies

Chairman's Club

Ronnie Tubertini
SouthGroup Insurance
& Financial Services
Ridgeland, Miss.

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

President's Club

BancorpSouth Insurance Services
Gulfport, Miss.

Insurance and Risk Managers
Brookhaven, Miss.

Mike Ledkins Insurance Agency
Thomasville, Ala.

Ross & Yerger Insurance
Jackson, Miss.

"2014 was record-setting in every way. FCCI completed our best and most profitable year in our 55-year history. The Gulf Coast Region had an excellent year, contributing very favorably to FCCI's 97.7% combined ratio. Innovations in operations, underwriting and agency development implemented during 2013 and 2014 achieved efficiencies that added to our underwriting profitability. *Consistent profit* every year since 2005, the year Hurricane Katrina struck, defines the Gulf Coast Region."

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

the TeamWorks!℠ Promise

Dan Vos Construction Company, Ada, Michigan
Coldbrook Insurance Group

Committed

to quality and safety, Dan Vos Construction Company has received numerous awards honoring its design build, general contracting and construction management services in Michigan and throughout the Midwest.

To secure the Dan Vos account, FCCI employees Lori Herman, Senior Marketing Underwriter; Linda Hudson, Risk Control Specialist; and Kevin Elliott, Senior Claim Adjuster, held a TeamWorks!℠ meeting with Dan Vos' CFO Steve Huisjen and HR Manager Marcia Holt and their Coldbrook Insurance Group representatives, Agency Principal Bill VanderPoorte and Account Manager Donna Bolinger, in the fall of 2014. The policy was written one week later, and the TeamWorks! promise went into effect.

"We are excited to write this account. They have a wonderful reputation and are very professional. We took our whole local service team out to meet the clients and shared our service capabilities with them. We told them about FCCI's Help Line and Risk Control visits, and we also explained the ABC group dividend program, which pays dividends to participating ABC members based on their combined loss experience for other than workers' compensation coverage. I think FCCI's commitment to local service and conscientious claims handling will be an ideal complement to Dan Vos' business, and I look forward to a long relationship with them."

Lori Herman, CPCU
Senior Marketing Underwriter, FCCI

"Dan Vos is one of the cleanest construction accounts you'll find. They run a tight ship and take care of employees. But their previous carrier had centralized claims so there was no local service, and it wasn't working well for Dan Vos. Because of the previous business I had written with FCCI and the wonderful job they do with workers' comp claims, FCCI was my first – really my only – thought for this account. Lori Herman did a great job, bringing the FCCI service team together to meet with Steve and Marcia. And FCCI's partnership with the Western Michigan Chapter of Associated Builders and Contractors (ABC) made it an easy choice. Gary Vos, CEO of Dan Vos Construction, has been involved with ABC a long time, so it's a good fit. I know FCCI will do a great job on this account. There's no doubt in my mind."

Bill VanderPoorte
Agency Principal, Coldbrook Insurance Group

"The TeamWorks meeting definitely influenced our decision to change carriers to FCCI. We met firsthand with the individuals that would be handling our claims, not just a sales representative that we would never see again. ABC's endorsement and FCCI's long-standing reputation of quality service were also influential in our decision. Solving things quickly is important to us, and FCCI's local claim representatives are always on top of the issues. Timing, professional service and a reasonable price are attributes we value highly as a company."

Steve Huisjen, CPA, CCIFP
CFO, Dan Vos Construction Company

FCCI's Midwest Region

$83.9 m	Direct Written Premium
92	Employees
119	Contracted agencies

Chairman's Club

Mike Hylant
Hylant Group
Toledo, Ohio

Tim Leman
Gibson
South Bend, Ind.

Jon Loftin
MJ Insurance
Indianapolis, Ind.

President's Club

Energy Insurance Agency
Lexington, Ky.

The Horton Group
Orland Park, Ill.

J L Hubbard Insurance and Bonds
Forsyth, Ill.

"2014 was another year of growing market share in the Midwest Region. Contributions from our valued agency partners and regional employees were instrumental in further developing the FCCI brand in the Midwest marketplace. Across our six states, we saw opportunity to engage more customers as FCCI policyholders, resulting in an almost 20% growth in total policies written. Our commitment to a local presence, with local authority, is at an all-time high as we now have 57% of our regional staff physically located in our MWR states, close to our agency partners and their insureds. Our talented employees have a commitment to exceptional customer service and that, combined with our strong agency plant, have us well-positioned for continued success in 2015 and beyond."

Gregory L. Kramer
Senior Vice President,
Midwest Region

Bill VanderPoorte, Lori Herman, Steve Huisjen, Dan Vos, Donna Bolinger and Marcia Holt in the Dan Vos Construction Company lobby.

The Underwriting Promise

Glass Control, Inc. & American Glass Distributors
Texas & Louisiana
Sanford & Tatum Insurance Agency

After getting together for breakfast, Diannah Tatum of Sanford & Tatum, Kevin Atkins of American Glass Distributors, Jim Lupton of Glass Control, Brian Turner and Russell Luttrell of FCCI, and Douglas Sanford of Sanford & Tatum meet at the American Glass Distributors warehouse.

Serving 29

member companies in the commercial glazing industry, Glass Control, Inc. is a corporation formed to provide payroll, purchasing and accounting services. By associating together, the member companies are able to operate independently, but still have the advantages of a big buyer and a big employer.

They help each other out when additional manpower is needed, and they work together on risk control and safety training.

When the Glass Control account came up for bid, agents Doug Sanford and Diannah Tatum contacted Jim Harms, FCCI's Southwest Region Senior Vice President. His relationship with them led to securing the account, but it took involvement from nearly everyone in the regional office – and some help from the Gulf Coast Regional Office as well – to bring all the pieces together.

As a member of the Glass Control association, Kevin Atkins is one of the strongest advocates for safety, particularly in auto loss prevention, and is pleased to be working with an insurer who shares that focus. He is the President & CEO of family-owned American Glass Distributors, and his wife Gay's grandfather was the original founder of the Glass Control association.

"We have a very strong loss control program. We have two loss control people on our payroll, two certified driving safety instructors, and we conduct training twice a year in each of our locations. We conduct our own accident assessments anytime there is a workers' comp injury, and we apply what we learn to other locations as accident avoidance. We even offer our employees quarterly and yearly bonuses for no accidents and no tickets.

Our insurance company wanted to raise our rates, even though we have a really good loss record. FCCI was much more reasonable in what they were charging for the risk they were taking on with us, and we got a better overall package with FCCI.

Everyone at FCCI has been very respectful and very helpful, but much of the decision was driven by our relationship with Sanford & Tatum. We've had a very long relationship with them – more years than I can count. We value their recommendation."

Kevin Atkins
President & CEO, American Glass Distributors

"Jim Harms has known Douglas Sanford and Diannah Tatum from way back. When Glass Control came up for renewal in 2014 and the previous carrier tried to raise the rates, we knew that it was a prestigious account for Sanford & Tatum and we wanted to help them maintain it.

FCCI employees really came together to make this happen. Jim and I gave them a good picture of what FCCI could offer with our risk control, claims handling service and online services, and we offered them a competitive quote based on their excellent loss history. Marilyn Toth, Senior Commercial Lines Underwriter, and Don Saetre, Underwriting Manager, worked hard to get all the moving parts in place. And Anne Bruner, Senior Underwriting Technician, rated the account.

The bind order came in the night before I was to leave on a trip to Peru. With 29 accounts to write, everyone in the Southwest region chipped in to help issue certificates. One of the accounts is in Louisiana, so the Gulf Coast Region helped out, too."

Russell Luttrell, CPCU
Marketing Underwriter, FCCI

"We have franchise value with FCCI. They respect the value of the partnership with their agents, which many carriers have long forgotten about. We saw that when it came to Glass Control. Quoting this business with 29 separate accounts was a big undertaking, but they stopped everything to work on it, and they gave us a quote that allowed us to be successful.

Russell did an awesome job. Don Saetre and Marilyn Toth came in and helped while Russell was in Peru, and other team members jumped in and helped get policy numbers out so we could do certificates.

FCCI has a very friendly approach to insurance. Being a part of the Agents' Advisory Council, I've met with the FCCI Board of Directors. When does that happen with most carriers? It doesn't."

Diannah Tatum, CIC
Co-CEO, Sanford & Tatum Insurance Agency

FCCI's Southwest Region

$25.0 m	Direct Written Premium
20	Employees
60	Contracted agencies

"2014 was an exciting year of profitable growth for the Southwest Region, and I want to thank all of our agencies for your business. We could not have had such a successful year without you and your loyal support. Our goal in Texas continues to be building the franchise value of an appointment with FCCI. We are continuing to grow and train our staff to better serve you, our customer. We have a great group of agencies and a great staff, and we are well-positioned to continue to grow profitably over the upcoming years."

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

The Expertise Promise

Bucky Payne, a longtime FCCI Agribusiness agent, at his property in Dundee, Fla.

Cultivating

FCCI Agribusiness from the ground up to over $100 million in direct written premium has been more than 15 years in the making. 2014 marked the year that Earl Price, Senior Vice President, Agribusiness, retired, but it also marked a milestone in premium production.

Four agencies, CHAPP, Willis Group, Bates Hewett & Floyd, and Atlantic Pacific Insurance, have been particularly tied to the growth of the Ag unit in our home state of Florida. "We have strong Ag agency relationships throughout the regions," says Tracey Pfab, Senior Vice President, Specialty Markets, "and we hope to see them all be as successful and long-lasting as these."

Bucky Payne's relationship with FCCI began well before the Agribusiness unit was formed. FCCI's past President, G.W. Jacobs, worked in Bucky's father's grocery store as a teenager. Bucky reconnected with G.W. in 2000, and the business relationship started with a handshake and was followed up with a contract. Bucky says FCCI is CHAPP's only carrier and that we have become like family. "FCCI gets involved in the day-to-day operations of our business and they stick to their promises."

Jim Hurst of Willis Group doesn't know what he would've done had FCCI not started writing Agribusiness. In the early 2000s, the two insurers he dealt with withdrew from the market and he needed somewhere to send all of his accounts. He already had an established relationship with Earl Price, FCCI's former Senior Vice President of Agribusiness, and Brant Neal, Senior Marketing Underwriter, so he began sending all of his business to FCCI. Jim stresses that his relationships with claims, auditing and underwriting have all been exceptional. "FCCI listens to our needs and does an excellent job, and my clients remember that."

Bates Hewett & Floyd began writing workers' compensation with FCCI in 1986 and have been partners ever since. When FCCI began writing Agribusiness, it was a natural fit. The agency started a woods program and wanted to expand it, so they went to FCCI to ask if we would consider underwriting it. Together, we established a new program that has since expanded into other states. Ben Bates says that FCCI is easy to do business with and maintains excellent lines of communication with his agency. "Our relationship with FCCI has always been excellent, and we consider FCCI a true business partner and a vital part of our agency and its future."

The relationship between Atlantic Pacific Insurance and FCCI goes back many years. Jeff Hooker knew Earl Price and Joe Keene, FCCI Executive Vice President of Corporate Claims, through their association with a previous employer. When Earl came to FCCI to start the Agribusiness program, he contacted Jeff, and Atlantic Pacific has been an important partner ever since. Jeff has continued to send new business to FCCI as products have been developed, and he says FCCI has been the lead market for his Agribusiness accounts. "FCCI has been a lifesaver – great relationship, great people and great company! I consider FCCI the leader in Agribusiness insurance in the state of Florida."

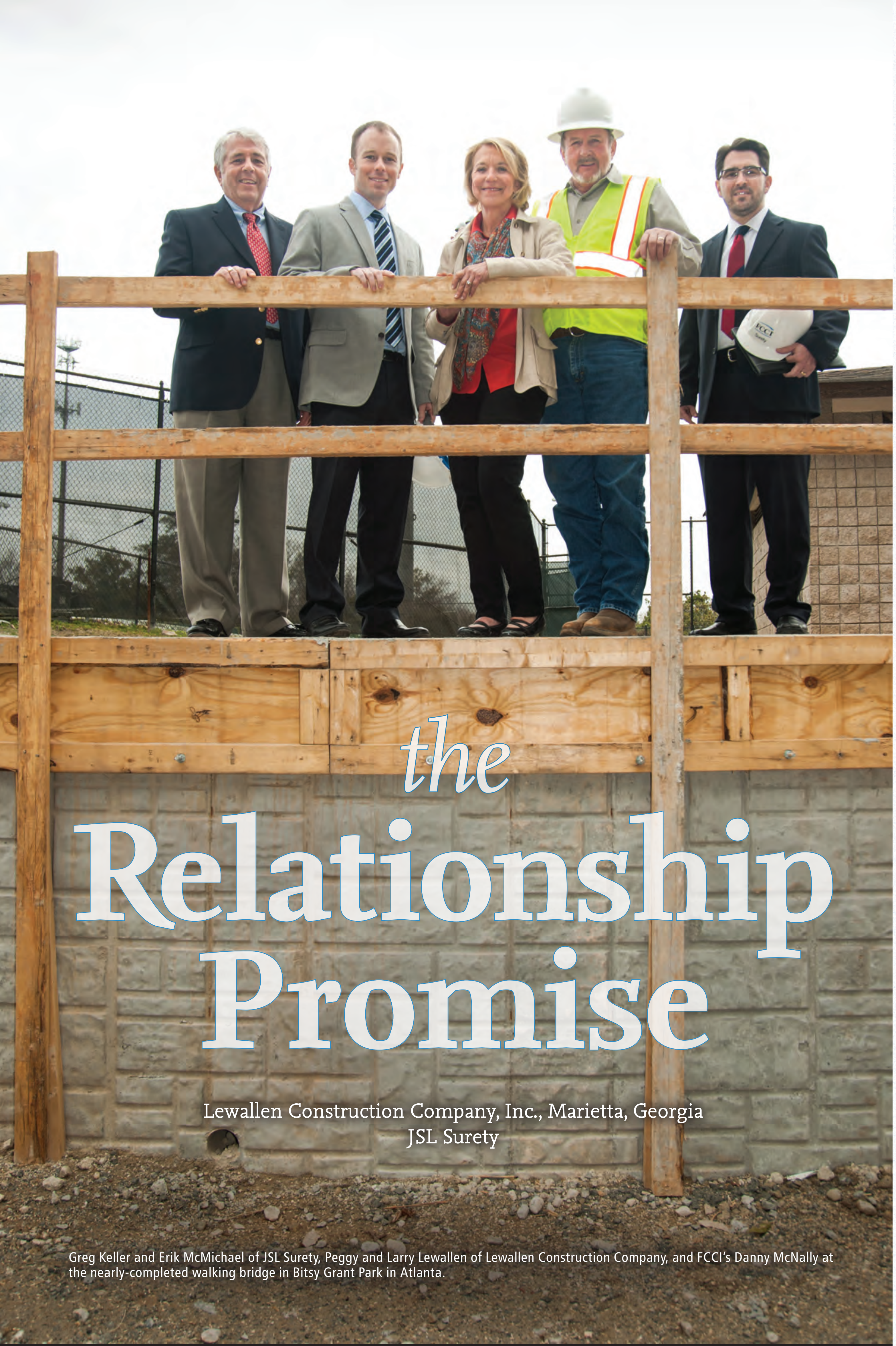
FCCI Agribusiness

$100.7 m	Direct Written Premium
22	Employees
170	Contracted Agencies

"2014 was the year FCCI's Agribusiness operation reached $100 million in premium. Because of the solid foundation that FCCI has built with our associates and agent partners over the years, we have an opportunity to take FCCI Ag to even greater levels as we enter into a new era. It's an exciting time to be part of Agribusiness at FCCI!"

Tracey J. Pfab
Senior Vice President, Specialty Markets

- **1999** FCCI starts Agribusiness program led by Earl Price
- **2000** FCCI Ag begins insuring agricultural businesses with a centralized unit in Sarasota
- **2002** Additional lines of coverage and product enhancements are added to Farmowners and Commercial Ag
- **2002–2008** FCCI Ag begins expanding to additional states
- **2010** FCCI announces new farm policy enhancements
- **2012** Enhanced coverage forms tailored to Ag risk needs are introduced
- **2014** Earl Price retires after leading Ag to exceed $100 million in premium and setting direction for continued growth
- **2015** Tracey Pfab is appointed Senior Vice President, Specialty Markets, and assumes leadership of FCCI Agribusiness



the Relationship Promise

Lewallen Construction Company, Inc., Marietta, Georgia
JSL Surety

Greg Keller and Erik McMichael of JSL Surety, Peggy and Larry Lewallen of Lewallen Construction Company, and FCCI's Danny McNally at the nearly-completed walking bridge in Bitsy Grant Park in Atlanta.

Family-owned and operated, Lewallen Construction Company specializes in many facets of concrete construction, with a primary focus on multi-use trails, poured-in-place walls and streetscapes. With a unique ability to successfully manage and complete jobs in difficult environments, Lewallen has emerged as a leader of Georgia's recreational trail building.

In January 2012, in the midst of a severe economic downturn, Greg Keller, Senior VP of JSL Surety, approached FCCI, seeking to establish a line of surety credit for Lewallen Construction. The contractor's longtime surety had just withdrawn its support of bonding on the heels of several losing years, but the company remained committed to retaining its valued employees in spite of a drastic reduction in contract revenue. Danny McNally, FCCI Regional Surety Manager, met with Lewallen and was impressed by the history of the company and the character of its principals, Larry and Peggy Lewallen. He believed they had the means to reverse the negative trend. FCCI began writing bonds for Lewallen Construction, and a relationship was born.

As the economy slowly began to improve, Lewallen received more opportunities for contracts. Because they had maintained their staff of seasoned employees through the recession, Lewallen was positioned to capitalize on a reduced level of competition, higher available profit margins and more contracting opportunities – all because they believed in their employees. FCCI believed in Lewallen back in 2012, and now they have become one of the strongest, most valued surety accounts in our Southeast Region.

As a result of Lewallen's commitment to its employees and FCCI's commitment to Lewallen at a time when the chips were down, 2014 was one of the best years ever for Lewallen, and the future is bright with great promise for continued shared success.

"Based on our 21-year relationship with Danny McNally and his ability to recognize a quality contractor, we felt a partnership with Lewallen Construction was a good fit. Because of FCCI's common sense approach to underwriting and their willingness to listen, this partnership has been successful and has allowed Lewallen Construction to continue to grow and remain a leader in their field."

Greg Keller
Senior Vice President, JSL Surety

"We were experiencing hardships due to the recession when FCCI started working with us. They looked beyond our numbers and could understand our company and the people, and they took a chance on us. We fulfilled the promises we made to them by securing competitive jobs and finishing projects and, in turn, they kept their promises to us. Everyone we have dealt with at FCCI has been professional, timely and helpful. Thank you for trusting in us."

Larry and Peggy Lewallen
Owners, Lewallen Construction Company, Inc.

FCCI's Surety Department

$9.4 m	Direct Written Premium
19	Employees

"The Lewallen story is a good example of commitment, character, trust and relationships. We understand that this must be a two-way street, and we are thrilled that our agents have entrusted us with their customers and continued support, which has led to another very successful year and a very bright future for our surety operation."

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

Danny McNally, Erik McMichael, Larry and Peggy Lewallen, and Greg Keller walk the new recreational trails at Bitsy Grant Park.

FCCI Mutual Insurance Holding Company and Subsidiaries

Consolidated Financial Statements As of and for the Years Ended December 31, 2014 and 2013

Contents

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, 2014 and 2013, 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, 2014 and 2013, 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 30, 2015

FCCI Mutual Insurance Holding Company and Subsidiaries
Consolidated Balance Sheets as of December 31, (in thousands)

	2014	2013
Assets		
Investments:		
Securities available for sale, at fair value		
Fixed maturity securities (cost of $1,201,987 at 2014 and $1,137,900 at 2013)	$ 1,244,010	1,155,534
Common stocks (cost of $191,839 at 2014 and $166,147 at 2013)	213,064	190,437
Other invested assets, at amortized cost	1,124	1,378
Total investments	1,458,198	1,347,349
Cash and cash equivalents	35,449	54,687
Accrued investment income	11,239	11,502
Amounts due from policyholders, net	259,435	227,863
Reinsurance recoverable and prepaid reinsurance premium	88,985	99,858
Amounts due from Florida Special Disability Trust Fund	2,557	4,422
Deferred policy acquisition costs	41,066	35,477
Land, building and equipment, net	43,671	43,480
Deferred income taxes, net	3,431	13,132
Goodwill	24,151	24,151
Other assets	13,071	11,849
Total assets	$ 1,981,253	1,873,770
Liabilities and Members' Equity		
Liabilities:		
Loss and loss adjustment expenses	$ 737,531	719,416
Unearned premiums	288,238	256,623
Accrued expenses and other liabilities	105,018	108,496
Accrued policyholder dividends	5,498	4,947
Premiums refundable and loss fund deposits	3,216	3,317
Income tax payable	10,812	7,679
Debt	131,750	131,750
Total liabilities	1,282,063	1,232,228
Commitments and Contingencies (Note 15)		
Members' Equity:		
Accumulated earnings	659,662	615,341
Accumulated other comprehensive income	39,528	26,201
Total members' equity	699,190	641,542
Total liabilities and members' equity	$ 1,981,253	1,873,770

See accompanying notes to consolidated financial statements.

FCCI Mutual Insurance Holding Company and Subsidiaries
Consolidated Statements of Income for the Years Ended December 31, (in thousands)

	2014	2013
Revenues		
Net premiums earned	$ 606,430	531,602
Net investment income	47,078	45,254
Net realized gain on investments sold	1,206	6,975
Service fees and other income	2,780	2,614
Total revenues	657,494	586,445
Expenses		
Losses and loss adjustment expenses incurred	384,532	350,767
Policy acquisition expenses	106,255	90,273
General, administrative and other expenses	96,863	93,950
Policyholder dividends	6,430	5,394
Total expenses	594,080	540,384
Income before income taxes	63,414	46,061
Income tax expense	19,093	13,928
Net income attributable to members	$ 44,321	32,133

See accompanying notes to consolidated financial statements.

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

	2014	2013
Net income attributable to members	$ 44,321	32,133
Other comprehensive income, net of taxes:		
Increase (decrease) in unrealized gains on investments, net of taxes of $8,448 and $14,058	14,081	(23,428)
Reclassification adjustments for realized gains in net income, net of taxes of $452 and $2,616	(754)	(4,359)
	13,327	(27,787)
Total comprehensive income	$ 57,648	4,346

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, 2012	$ 583,208	53,988	637,196
Comprehensive income:			
Net income	32,133	-	32,133
Unrealized gain on available-for-sale securities net of deferred tax	-	(27,787)	(27,787)
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 deferred tax	-	13,327	13,327
December 31, 2014	$ 659,662	39,528	699,190

See accompanying notes to consolidated financial statements.

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

	2014	2013
Cash flow from operating activities:		
Net income	$ 44,321	32,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	5,323	5,211
Deferred tax expense	1,704	510
Net realized losses on equipment sold and retired	39	1,452
Net realized gains on investments sold	(1,206)	(6,975)
Net amortization of discounts and premiums on fixed maturity securities	8,302	8,138
Changes in assets and liabilities:		
Decrease (increase) in:		
Accrued investment income	263	308
Amounts due from policyholders	(31,572)	(24,442)
Reinsurance recoverables and prepaid reinsurance premium	10,873	16,906
Amounts due from Florida Special Disability Trust Fund	1,865	81
Deferred policy acquisition costs	(5,589)	(4,604)
Other assets	(1,222)	(652)
Increase (decrease) in:		
Loss and loss adjustment expenses	18,115	(3,903)
Unearned premiums	31,615	28,986
Accrued expenses and other liabilities	13,762	1,300
Accrued policyholder dividends	551	(1,395)
Premiums refundable and loss fund deposits	(101)	388
Income tax payable	3,133	2,741
Net cash provided by operating activities	100,176	56,183
Cash flow from investing activities:		
Sales and maturities of investments	224,631	252,051
Purchases of investments	(338,492)	(264,669)
Proceeds from sales of property and equipment	178	163
Purchases of property and equipment	(5,731)	(3,868)
Net used in investing activities	(119,414)	(16,323)
Cash flow from financing activities:		
Proceeds from credit facility	-	186,475
Principal payments on credit facility	-	(186,475)
Net cash provided by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(19,238)	39,860
Cash and cash equivalents, beginning of year	54,687	14,827
Cash and cash equivalents, end of year	$ 35,449	54,687
Cash paid during the year for:		
Interest	$ 2,227	2,824
Income taxes	$ 14,255	10,677

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements (in thousands)

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 twelve 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 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, 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 twelve 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.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Recently Issued Accounting Standards

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Update No. 2013-02 (Topic 220), *Comprehensive Income Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI), either on the face of the statement of income or in the Notes to the Consolidated Financial Statements. Significant amounts reclassified out of AOCI should be provided by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified in its entirety to net income in the same reporting period. For amounts not required to be reclassified in their entirety to net income, a cross-reference to other disclosures provided for in accordance with U.S. GAAP is required. This guidance is effective for nonpublic entities for periods beginning after December 15, 2013. The adoption of this guidance did not have a material effect on the Company's results of operations, financial position or liquidity.

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.

Subsequent Events

The Company has evaluated events subsequent to December 31, 2014, and through the consolidated financial statements issuance date of March 30, 2015.

On January 23, 2015, the Company renewed its line of credit (LOC) in the amount of $20,000,000 with Northern Trust Company. The new maturity date is January 22, 2016.

Notes to Consolidated Financial Statements (in thousands)

3. Investments

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

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

2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Treasury and US government agencies and corporations	$ 47,223	982	(1,131)	47,074
State and political subdivisions	484,957	12,146	(9,780)	487,323
Mortgage-backed and asset-backed securities	227,085	10,080	(6,453)	280,712
Corporate bonds	268,424	10,002	(666)	277,760
Foreign government and foreign corporate bonds	60,221	2,499	(45)	62,665
Total fixed maturity securities	1,137,900	35,709	(18,075)	1,155,534
Common stock	166,147	25,945	(1,655)	190,437
Total available-for-sale securities	$ 1,304,047	61,654	(19,730)	1,345,971

The amortized cost and fair value of fixed maturity securities as of December 31, 2014 by contractual maturities follow:

	Amortized Cost [(1)]	Fair Value [(1)]
Due in one year or less	$ 76,053	77,412
Due after one year through five years	367,591	375,722
Due after five years through ten years	381,595	391,525
Due after ten years	376,748	399,351
Total fixed maturities	$ 1,201,987	1,244,010

[(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	
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

	Less Than 12 Months		12 Months or More		Total	
2013	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available for sale:						
Bonds	$ 8,851	244,120	2,771	15,742	11,622	259,862
Equity securities	1,655	30,686	-	-	1,655	30,686
Mortgage-backed and asset-backed securities	4,141	59,927	2,312	23,526	6,453	83,453
	$ 14,647	334,733	5,083	39,268	19,730	374,001

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 in 2014 was $1,956, representing an 8.7% decline, on an equity security.

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. During 2013 the Company did not recognize any other-than-temporary impairment losses.

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, 2014. Management bases this conclusion on its understanding, which includes the opinions of their outside investment consultant 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, 2014 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:

	2014	2013
Bonds	$ 42,007	40,547
Equity securities	10,664	9,923
Other invested assets	(254)	(254)
Cash, cash equivalents and short-term investments	3	3
Gross investment income	52,420	50,219
Investment expenses	(5,342)	(4,965)
Net investment income	$ 47,078	45,254

Proceeds from sales or maturities of fixed maturity securities during 2014 and 2013 were $224,262 and $228,493, respectively. Proceeds from sales of equity securities during 2014 and 2013 were $369 and $23,556, respectively.

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

	2014	2013
Fixed maturity securities:		
Gross gains	$ 4,039	5,539
Gross losses	(1,415)	(306)
Equity securities:		
Gross gains	-	1,742
Gross losses	-	-
OTTI charges incurred on fixed maturity securities [(1)]	(1,418)	-
Total realized investments gain	$ 1,206	6,975

[(1)] The impaired security was subsequently sold during 2014 and is no longer included in the investment portfolio.

The Company recorded $1,418 and $0 impairment write-downs during 2014 and 2013, respectively, and realized $82 in losses from subsequent sales in 2014.

At December 31, 2014 and 2013, bonds, cash, and cash equivalents with fair values of $17,652 and $17,629, 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, 2014 and 2013.

Notes to Consolidated Financial Statements (in thousands)

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 BB- 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	$ 935	938	936	-

Other Invested Assets

FCCI, MGIC and NTI, all companies within the FCCI Insurance Group, 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 $1,124, including its cost of $2,392. Amortization was $254 for both 2014 and 2013. The investment is being amortized over ten years from the initial date of acquisition. The Company has five 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, 2014.

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 marketplace 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 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:

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.

2013	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	$ 47,074	47,074	-	-
State and political subdivisions	487,323	-	487,323	-
Mortgage-backed and asset-backed securities	280,712	-	280,712	-
Corporate bonds	277,760	-	277,760	-
Foreign government and foreign corporate bonds	62,665	-	62,665	-
Total fixed maturity securities	1,155,534	47,074	1,108,640	-
Common stock [1]	182,673	182,673	-	-
Total investment securities	$ 1,338,207	229,747	1,108,460	-

[1] The Company holds $7,764 of other common stock carried at its contractually specified redemption value.

4. Amounts Due from Policyholders

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

	2014	2013
Premiums in course of collection	$ 29,793	25,480
Premiums deferred not yet due	229,964	202,274
Premiums due on retrospectively rated policies	3,124	2,971
Amounts due on deductible policies	1,502	1,635
Amounts due from policyholders, gross	264,383	232,360
Allowance for doubtful accounts	(4,948)	(4,497)
Amounts due from policyholders, net	$ 259,435	227,863

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:

	2014	2013
January 1,	$ 35,477	30,873
Capitalized costs	95,448	82,048
Amortized costs	(89,859)	(77,444)
December 31,	$ 41,066	35,477

Notes to Consolidated Financial Statements (in thousands)

6. Land, Building and Equipment

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

	2014	2013
Land	$ 4,269	4,269
Building and improvements	50,153	49,940
Furniture and equipment	14,490	14,562
Software in use	33,908	33,764
Software under development	2,915	580
Land, building and equipment, at cost	105,735	103,115
Accumulated depreciation and amortization	(62,064)	(59,635)
Land, building and equipment, net	$ 43,671	43,480

Depreciation and amortization expense for land, building and equipment for the years ended December 31, 2014 and 2013 amounted to $5,323 and $5,211, 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 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 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, 2014, 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:

	2014		2013	
	Goodwill	Other Intangibles [1]	Goodwill	Other Intangibles [1]
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)	(2,970)	(1,309)	(2,475)
Goodwill and other intangible assets, net	$ 24,151	1,979	24,151	2,474

[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, 2014 and 2013.

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:

	2014	2013
January 1, gross	$ 719,416	723,319
Less:		
Reinsurance recoverable, unpaid losses	88,583	106,332
Florida Special Disability Trust Fund recoverable (Note 9)	4,422	4,503
Salvage and subrogation recoverables	5,874	5,022
Retroactive reinsurance reserves assumed	2,226	2,351
Liability for loss and LAE on deductible policies	1,635	992
January 1, net	$ 616,676	604,119
Incurred related to:		
Current year	406,575	387,999
Prior years	(22,043)	(37,232)
	384,532	350,767
Paid related to:		
Current year	147,944	147,510
Prior years	208,776	190,700
	356,720	338,210
December 31, net	$ 644,488	616,676
Plus:		
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	2,113	2,226
Liability for loss and LAE on deductible policies	1,502	1,635
December 31, gross	$ 737,531	719,416

The liability for loss and LAE developed favorably in 2014 and 2013 by $22,043 and $37,232, respectively, due mainly 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:

	2014	2013
Amounts paid by the Company submitted to the SDTF pending reimbursement	$ 605	1,251
Amounts paid by the Company not yet submitted to the SDTF	165	358
Amounts not yet paid by the Company	1,787	2,813
	$ 2,557	4,422

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

For the years ended December 31, 2014 and 2013, assessments were $1,595 and $1,729, respectively, and the Company collected $1,743 and $1,337, 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.

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

	2014	2013
Recoverable for loss and LAE reserves	$ 79,211	88,583
Recoverable for paid loss and LAE	373	905
Prepaid reinsurance premium	9,401	10,370
	$ 88,985	99,858

Notes to Consolidated Financial Statements (in thousands)

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

	Direct	Assumed	Ceded	Net
2014				
Written premiums	$ 669,940	6,432	37,202	639,170
Earned premiums	638,253	6,348	38,171	606,430
2013				
Written premiums	$ 593,490	6,509	40,890	559,109
Earned premiums	564,829	6,013	39,240	531,602

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

	Direct	Assumed	Ceded	Net
2014	$ 387,876	3,998	7,342	384,532
2013	$ 367,758	3,559	20,550	350,767

11. Income Tax

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

	2014	2013
Current income tax expense		
Federal	$ 15,420	11,583
State	1,969	1,835
Total current income tax expense	17,389	13,418
Deferred income tax expense		
Federal	1,525	(1,166)
State	179	1,676
Total deferred income tax expense	1,704	510
Total income tax expense	$ 19,093	13,928

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

	2014	2013
Deferred income tax assets:		
Discount of unearned and advance premiums	$ 21,156	18,702
Discount of liability for loss and LAE	12,985	16,247
Deferred compensation	6,442	5,665
Unrealized loss on investment securities	3,336	7,399
Net state operating loss carryforwards	2,637	2,822
Accrued policyholder dividends	1,980	1,777
Allowance for doubtful accounts	1,856	1,686
Subsequent injury tax	793	1,149
Other	2,905	2,965
Total gross deferred income tax assets	54,090	58,412
Less valuation allowance	(2,602)	(2,822)
Total net deferred income tax assets	51,488	55,590
Deferred income tax liabilities:		
Unrealized gain on investment securities	27,054	23,121
Deferred policy acquisition costs	15,401	13,305
Other	5,602	6,032
Total deferred income tax liabilities	48,057	42,458
Net deferred income tax asset	$ 3,431	13,132

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 $2,637 related to net operating losses in the state of Indiana, the Company will need to generate future taxable income of approximately $348,625 prior to the expiration of the net operating loss carryforwards in 2019 to 2025. Indiana taxable income for the years ended December 31, 2014 and 2013 was $43 and $155, 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, 2014. 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, 2014 and 2013) to the expense recorded for the years ended December 31:

	2014	Effective Tax Rate	2013	Effective Tax Rate
Expected tax	$ 22,195	35.00%	16,121	35.00%
Tax-exempt interest	(5,698)	(8.99)	(4,712)	(10.23)
State income taxes, net of federal benefit	1,330	2.10	2,285	4.96
Provision to return adjustment	(448)	(0.71)	(315)	(0.68)
Additional current and deferred adjustments	736	1.16	-	-
Other, net	978	1.54	549	1.19
Actual income tax expense	$ 19,093	30.10%	13,928	30.24%

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, 2014, 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 22, 2016. Bonds with a carrying value of $29,796 have been pledged as collateral. There is no balance outstanding on the LOC as of December 31, 2014 and 2013.

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, 2014 and 2013, the Company owned FHLB stock in the amount of $7,395 and $7,764, respectively. As of December 31, 2014, 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, 2014 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%
2-Year Fixed Rate Note	47,750	10/21/2013	10/21/2015	0.492%
	$ 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 2014 and 2013 were $5,573 and $5,222, respectively.

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 2014 and 2013, the Company recognized expense related to these units of $1,396 and $2,158, respectively. As of December 31, 2014 and 2013, the Company has a liability for the Performance Units outstanding of $8,976 and $9,495, respectively.

Notes to Consolidated Financial Statements (in thousands)

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 2014 and 2013, the Company recognized expense related to Appreciation Rights of $2,918 and $2,550, respectively. As of December 31, 2014 and 2013, the Company has a liability for the Appreciation Rights outstanding of $9,026 and $7,445, 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, 2014 and 2013, the Company's liability for such deferred compensation, not funded by Performance Units, was $1,023 and $1,056, respectively. During 2014 and 2013, the Company recognized a reduction in expense of $33 and $88, respectively.

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, 2014 and 2013, 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, follow:

	2014	2013
Net income	$ 41,885	28,390
Policyholders' surplus	578,708	552,115

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, 2014 follow:

	Amount
2015	$ 1,870
2016	1,678
2017	1,398
2018	1,405
2019	1,051
Thereafter	6,552
	$ 13,954

Rent expense for the years ended December 31, 2014 and 2013 was $1,846 and $2,727, 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, 2012	$ 53,988
Decrease in unrealized gains on investments, net of taxes of $14,058	(23,428)
Reclassification adjustments for realized gains in net income, net of taxes of $2,616	(4,359)
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



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