

**STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA**

REPORT OF EXAMINATION

**ALFA MUTUAL INSURANCE COMPANY
MONTGOMERY, ALABAMA**

AS OF

DECEMBER 31, 2021

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EXAMINER'S AFFIDAVIT

**STATE OF NORTH CAROLINA
COUNTY OF GUILFORD**

Dan McBay, CFE, CPA, CGMA, ARe, being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Alfa Mutual Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Alfa Mutual Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

Dan McBay
Dan McBay, CFE, CPA, CGMA, ARe
Examiner-in-Charge

Subscribed and sworn before me by Dan McBay on this 9th day of January 2023.

(SEAL)

[Signature]
(Signature of Notary Public)

My commission expires 3-25-2023



KAY IVEY
GOVERNOR

MARK FOWLER
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF INSURANCE

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January 19, 2023

Mark Fowler, Commissioner
State of Alabama
Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Fowler:

Pursuant to former Commissioner Riding's authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

**Alfa Mutual Insurance Company
Montgomery, Alabama**

as of December 31, 2021, at its home office located at 2108 East South Boulevard, Montgomery, Alabama 36116, and remotely at the Alabama Department of Insurance. The report of examination is submitted herewith.

Where the description "Company" or "AMIC" appears herein, without qualification, it will be understood to indicate Alfa Mutual Insurance Company.

SCOPE OF EXAMINATION

We have performed our multi-state examination of Alfa Mutual Insurance Company (AMIC). The last examination covered the period of January 1, 2012 through December 31, 2016. This examination covers the period of January 1, 2017 through December 31, 2021.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination was conducted as a coordinated examination with the following affiliated companies: Alfa Mutual Fire Insurance Company (AMFIC) of Alabama, Alfa Mutual General Insurance Company (AMGIC) of Alabama, Alfa General Insurance Corporation (AGIC) of Alabama, Alfa Insurance Corporation (AIC) of Alabama, Alfa Life Insurance Corporation (ALIC) of Alabama, Trexis Insurance Corporation (TIC) of Virginia, Trexis One Insurance Corporation (TOIC) of Virginia, and Alfa Alliance Insurance Corporation (AAIC) of Virginia. These companies were coordinated with the Company's five-year examination with Alabama being the lead state. During planning, examiners from Alabama and Virginia interviewed the members of management and reviewed lines of business and systems utilized to determine what areas would be coordinated. The key activities to be coordinated fully with the two states were Investments, Related Party, Reinsurance Assuming, and Reinsurance Ceding. The other key activities determined to be examined were Reserves/Claims Handling and Underwriting/Premiums. In addition, the AMIC examination covered those issues identified during the planning deemed immaterial to the coordinated examination but were material to the AMIC examination. Where deemed appropriate, transactions, activities, and similar items subsequent to 2021 were reviewed.

The examination was conducted in accordance with applicable statutory requirements of the *Code of Alabama 1975*, as amended, the Alabama Insurance Department regulations, bulletins, and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices. All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and

evaluating management's compliance with statutory accounting principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment was identified, the impact of such adjustment was documented separately following the Company's financial statements.

The Company's 2017 through 2021 annual statements were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information systems (IS) was conducted concurrently with the financial examinations of all the companies. All the companies utilize the same systems, except TIC and TOIC, which have their own business operations for policyholders and claims. The IS examination included a review of management and organizational controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls for all companies in the coordinated examination.

Alabama performed a market conduct examination concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims, policyholder complaints, marketing and sales, producers' licensing, policy forms and underwriting, and privacy standards. See "MARKET CONDUCT ACTIVITIES" on page 15 for further discussion of the Company's market conduct examination.

The Company maintains an Audit Services (AudSvc) Department, which is charged with performing the internal audit function for all companies. The AudSvc Department is subject to oversight by the Audit Committee, which is comprised of all outside directors. Reports generated by the AudSvc Department were made available to the examiners and were used in the examination as deemed appropriate. Risk Management and Compliance works with each business unit to document the process workflow, evaluate risks to the process, identify controls to mitigate those risks, and periodically test the effectiveness of those controls as required by the NAIC Model Audit Rule. The examiners reviewed the controls and procedures tested and requested the workpapers for specific ones which had been identified as significant to the key activities being examined. The workpapers were provided, retested, and utilized where deemed appropriate.

PricewaterhouseCoopers, LLP was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPA's workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed certificate of representation for AMIC was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2021.

This examination includes significant findings of fact, as mentioned in the Code of Alabama, 1975, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

ORGANIZATION AND HISTORY

The Company was incorporated August 13, 1947, under the name, Alabama Farm Bureau Mutual Casualty Insurance Company. It was organized as a mutual insurance company by the Alabama Farm Bureau Federation (AFBF) members to provide property and casualty insurance to the members of the AFBF.

On January 4, 1983, the holding company, now named Alfa Corporation (AC), was incorporated in Delaware under the name Federated Guaranty Corporation.

Effective May 1, 1987, AFBF withdrew as a franchise member from the national Farm Bureau Federation and changed its name to Alabama Farmers Federation. The name of the Company was changed to Alfa Mutual Insurance Company (AMIC).

During the interim from the Company's organization through 1987, the Company became affiliated with four other property and casualty insurers. They were AMFIC, AMGIC, AGIC and AIC. In 1987, an intercompany pooling agreement was formed between these five affiliates. The terms of the agreement provided that the affiliates cede all their direct business, reinsurance assumed business, and reinsurance ceded business to AMIC. The pooled business is then retroceded according to percentages provided in the pooling agreement. In 1989, an intercompany pooling committee, representing the boards of directors of the reinsurance pool participants, was established to review and approve any changes to the pooling agreement. In 2001, ASIC became a participant in the reinsurance pooling agreement. In 2005, AVIC became a participant in the agreement, and in 2007, AAIC became a participant. Effective April 16, 2008, the pooling agreement was amended to change the pool participation percentages.

AC, a Securities and Exchange Commission (SEC) registrant, was affiliated with AMIC, AMFIC, and AMGIC (collectively the Mutual Group). The Mutual Group owned 54.8% of AC's common stock, their largest single investment. On April 15, 2008, the Mutual Group completed a merger transaction in which they acquired AC's common shares not previously owned. Each of these shares was canceled and converted into the right to receive \$22 in cash, without interest. As a result of the merger, AC became a wholly-owned subsidiary of AMIC (65%) and AMFIC (35%). Also as a result of the merger, AC's common stock ceased to trade on the NASDAQ Global Select market as of the close of trading on April 15, 2008, and the registration of AC's common stock under the Securities Exchange Act of 1934, as amended, was terminated.

MANAGEMENT AND CONTROL

Policyholders

The Company is a mutual insurance corporation with ownership vested in its policyholders. Alabama customers are required to be members of the Alabama Farmers Federation to purchase insurance from the Company.

Board of Directors

Directors are elected at the annual stockholder's meeting and serve until their successors are elected and qualified, which is in accordance with the Company's Bylaws. The following directors were serving at December 31, 2021:

<u>Name and Residence</u>	<u>Principal Occupation</u>
James Louis Parnell Stanton, AL	Chairman of the Board, President and Chief Executive Officer Alfa Mutual Insurance Company
Rodney Mark Byrd Danville, AL	Farmer Director
John Bert East Leesburg, AL	Farmer Director
Jonathan Sidney Hegeman Anniston, AL	Farmer Vice President Alfa Mutual Insurance Company
George Ray Jeffcoat Gordon, AL	Farmer Vice President Alfa Mutual Insurance Company

Steven Royce Stroud Goshen, AL	Farmer Director
William Thomas Adams Newville, AL	Farmer Director
Willis Floyd Cook Jr. Montgomery, AL	Farmer Director
Brian Paul Glenn Hillsboro, AL	Farmer Director
James Louis Holliman Marion Junction, AL	Farmer Director
Mark Bryant Kaiser Daphne, AL	Farmer Director
Ronald Gray Vaughn II Huntsville, AL	Farmer Vice President Alfa Mutual Insurance Company
Joseph Earl Anders Northport, AL	Farmer Director
Stephen Leonard Dunn Evergreen, AL	Farmer Treasurer Alfa Mutual Insurance Company
Jacob Calhoun Harper Camden, AL	Farmer Vice President Alfa Mutual Insurance Company
Phillip Furgerson Hunter Birmingham, AL	Farmer Director
Joseph Edward Lambrecht Wetumpka, AL	Farmer Director
Timothy Grady Whitley Horton, AL	Farmer Director

Committees

The following committees were appointed by the Board of Directors and were serving as of December 31, 2021.

Executive Committee

The Executive Committee consisted of the following Directors:

James Louis Parnell

Jonathan Sidney Hegeman
Jacob Calhoun Harper
Stephen Leonard Dunn
Ronald Gray Vaughn, II
George Ray Jeffcoat

Audit Committee

The Company appointed the Audit Committee of Alfa Mutual Insurance Company as its Audit Committee. The following individuals were serving as of December 31, 2021:

Jacob Calhoun Harper, Chairman
Stephen Leonard Dunn
Jonathan Sidney Hegeman
Ronald Gray Vaughn, II
George Ray Jeffcoat

Compensation Committee

Jacob Calhoun Harper
Jonathan Sidney Hegeman
Stephen Leonard Dunn
Ronald Gray Vaughn, II
George Ray Jeffcoat

Contributions Committee

Ronald Gray Vaughn, II
Stephen Leonard Dunn
Jonathan Sidney Hegeman
Jacob Calhoun Harper
George Ray Jeffcoat

Officers

The Company's Bylaws provide that its principal officers shall be a Chairman of the Board, President, one or more Vice Presidents, a Secretary, and a Treasurer. These officers shall be elected for one year by the Board of Directors at its annual meeting after the annual meeting of stockholders.

The following officers were elected by the Board of Directors and were serving as of December 31, 2021:

<u>Officer</u>	<u>Title</u>
James Louis Parnell	Chairman of the Board, President and Chief Executive Officer
Angela Long Bradwell	Executive Vice President, General Counsel, and Secretary
Stephen Leonard Dunn	Treasurer
Kevin Scot Burke	Director, Actuarial Pricing / Appointed Actuary
William Scott Forrest	Executive Vice President, Administration & Asst Treasurer
John Delane Hemmings Jr.	Senior Vice President, Chief Financial Officer, Chief Investment Officer
Julie Meadows Parish	Senior Vice President, Chief Accounting Officer
William Thomas Coshatt Jr.	Executive Vice President, Operations
Jacob Calhoun Harper	Vice President
Bryan Daniel Hubbard	Senior Vice President, Claims
Ronald Gray Vaughn II	Vice President
Mark Andrew Evans	Executive Vice President, Marketing
Jonathan Sidney Hegeman	Vice President
George Ray Jeffcoat	Vice President

The Company did not include the full name of each officer on the jurat page of the 2021 Annual Statement. It was determined that the Company did not properly complete the jurat page in accordance with the NAIC Annual Statement Instructions which dictates that all required officers and directors “Show full name (initials not acceptable) and title...”

Conflicts of Interest

The Company has a written policy for the disclosure of conflicts between the Company’s interests and personal interests of its officers and employees. The process is performed on a biennial basis and is monitored by the Risk Management and Compliance Department. The Company’s procedures require the Board of Directors sign a written conflict of interest statement on an annual basis. These statements are maintained by the Company’s legal department. These files were reviewed and were determined to be complete and current. No material conflicts or exceptions were

noted in the statements of the officers, employees, or Board of Directors for the period under examination.

CORPORATE RECORDS

The Articles of Incorporation (Articles) and *Bylaws*, as amended, were inspected and found to provide for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations. During the period under examination, the Company did not amend the Articles or *Bylaws*.

Minutes of the Annual Membership meetings, Board of Directors and Board committees from January 1, 2017 to December 31, 2021 were reviewed. The minutes appeared to be complete with regard to recorded actions taken on matters before the respective bodies for deliberation and action.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company

The Company is subject to the Alabama Insurance Holding Company Regulatory Act as defined in ALA. CODE §27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance (ALDOI) as joint registrant of an Insurance Holding Company System. Appropriate filings required under the Holding Company Act were made from time to time by the Company as joint registrant. A review of the Company's filings during the period under review did not disclose any omissions in them.

Dividends to Stockholders

As the Company is a mutual company, it does not have any stockholders. Therefore, no dividends were paid during the period under examination.

Management and Service Agreements

Management and Operating Agreement

Alfa Mutual Insurance Company (AMIC) has a Management and Operating Agreement, (the M&O Agreement), under which AMIC provides substantially all of the facilities, management, and other operation services for Alfa Mutual Fire Insurance Company (AMFIC), Alfa Mutual General Insurance Company (AMGIC),

Alfa Life Insurance Corporation (ALIC), Alfa Insurance Corporation (AIC), Alfa General Insurance Corporation (AGIC), Trexis One Insurance Corporation (TOIC), Trexis Insurance Corporation (TIC), Alfa Alliance Insurance Corporation (AAIC), Alfa Financial Corporation (AFC), Alfa Corporation (AC), and certain non-insurance subsidiaries and affiliates.

AMIC pays the employees for services rendered and is reimbursed on an allocated percentage basis. Each company may employ personnel in its own name, upon written consent of AMIC. The company will be solely responsible for the employment, supervision, payment and discharge of all such personnel.

Each company will pay and/or reimburse AMIC the percentages of expense incurred by AMIC, based on special expense allocation studies. The expense allocation rates are variable and based upon business activity metrics that differ between companies, depending upon the type of business, marketing and distribution method, location, etc. The companies understand and agree that the metrics may change from time to time, and not every company will have the same metrics applied to its expense allocation. All books of accounts, documents and records relating to such expenses will at all times be open to inspection by the company to which the records are applicable.

The M&O Agreement was amended on December 1, 2017, with the purpose of changing the names of Alfa Specialty Insurance Corporation and Alfa Vision Insurance Corporation to TOIC and TIC, respectively. AMIC and any company may terminate its participation by giving written notice to all Parties not less than thirty days after deliver or mailing. In the event one or more companies terminate its participation, AMIC would reallocate the expense allocations on an equitable basis.

Monthly Billing Service Agreement

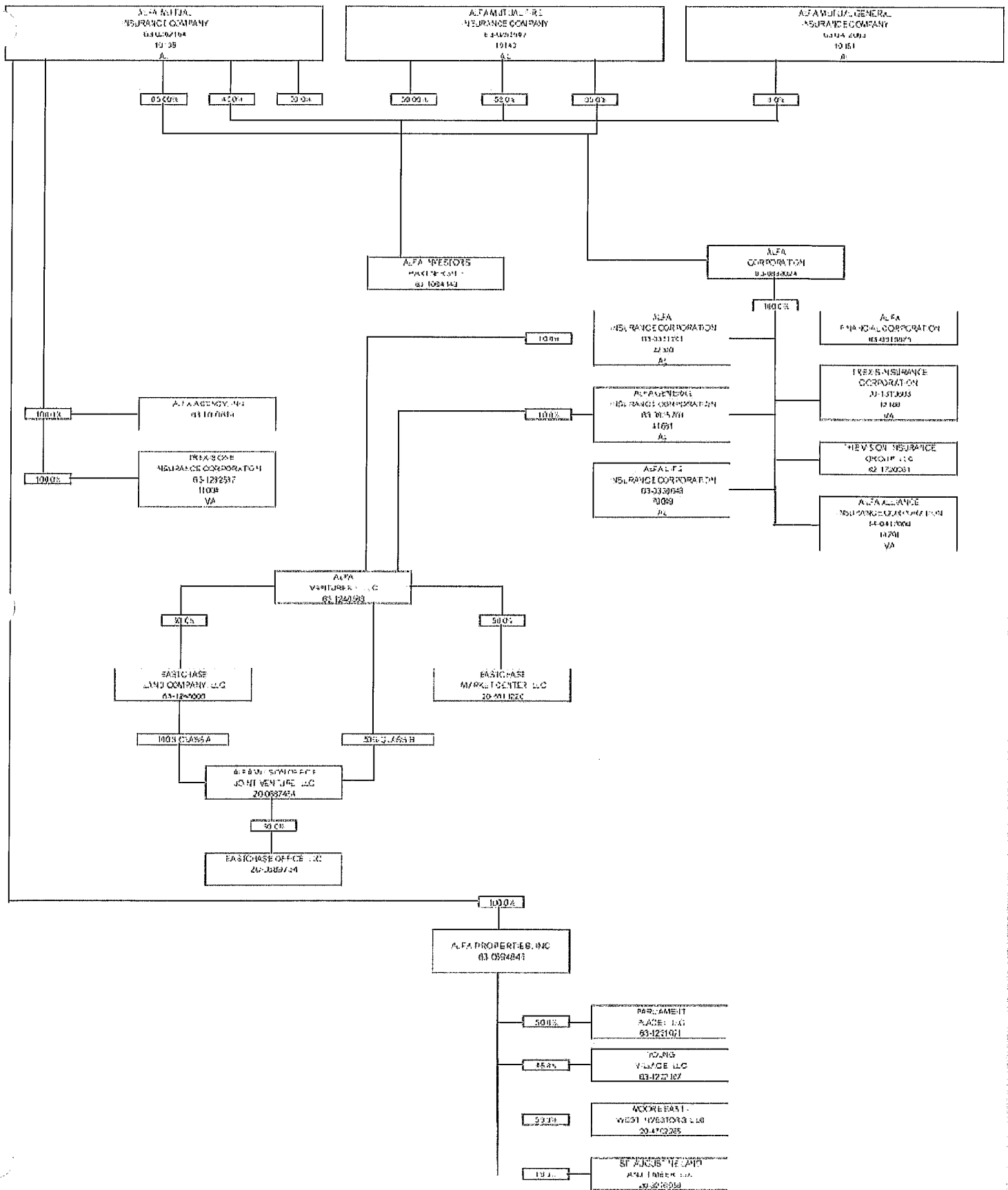
AFC entered into a Monthly Billing Service Agreement (Agreement) on January 1, 2005 with AMIC, AMGIC, AMFIC, AIC and AGIC (Insurers) whereby AFC grants a perpetual nontransferable license to use its software to process monthly billing payment methods for their insureds. The Insurers will pay AFC a non-refundable processing fee on a monthly basis. AFC is obligated to provide the software to the Insurers without further charge or obligation and to provide any and all updates to the software. The Agreement may be canceled by any party by giving to the other parties notice of cancellation in writing thirty days prior to the date cancellation is to become effective.

Consolidated Tax Allocation Agreement

AMIC (Parent) is a party to a Tax Allocation Agreement (Agreement) dated April 11, 2014 with Trexis One Insurance Corporation and various non-insurance subsidiaries. The Parent would file a U.S. consolidated income tax return for each taxable period. Each Subsidiary would execute and file consents, elections and other documents required or appropriate for the proper filing of the return. The Agreement allocates consolidated tax liability among the members and provides for allocation and payment of any refund. If the agreement is terminated, it would continue in effect with respect to any payment or refunds due for all taxable periods prior to termination. The agreement was amended on December 1, 2017, with the purpose of changing the names of ASIC and AVIC to TOIC and TIC, respectively.

Organizational Chart

The following chart represents the corporate affiliations of the Company as of December 31, 2021.



PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company was the employing entity for its insurance company affiliates using a management and operating agreement. Benefits were provided by the Company and costs were allocated to the affiliates in accordance with the agreement. The following benefits were provided to employees and agents during the examination period:

- Alfa Flex Plan
 - Health Insurance
 - Dental Insurance
 - Supplemental Cancer Insurance
 - Hospital Indemnity
 - Group Accident Insurance
 - Vision Insurance
 - Group Life Insurance
 - Long Term Disability Insurance
 - Accidental Death and Dismemberment Insurance
 - Health Care Spending Account and Dependent Care Spending Account
- Employee Stock Purchase Plan – Company privatized, and benefit terminated in April 2008
- Employee Savings Program
- College Savings Plan
- ID Shield
- Critical Illness
- Defined Benefit Pension Plan – closed to new participants hired after December 31, 2009
- Group Term Life Death Benefit – for employees that cannot participate in the defined benefit plan
- Death Benefit Only Plan
- Supplemental Life Plan – Alabama Farmers Federation employees only
- 401(k) Savings and Profit Sharing Plan
- Paid Holidays
- Paid Time Off (PTO)
- Short-Term Disability
- Leave of Absence – PTO or unpaid
- Family and Medical Leave Act – PTO or unpaid
- Jury Duty – PTO
- Military Leave – PTO or unpaid

- Voting Time – PTO

Benefits provided by the Company appeared to be in accordance with usual and customary practices within the insurance industry.

Compliance with 18 U.S.C. §1033

18 U.S.C. §1033 and ALA. ADMIN. CODE 482-1-146 (2009) require the Company to determine if prospective and current employees are in conflict with 18 U.S.C. § 1033, which prohibits persons with certain felony offenses from participating in conducting the business of insurance.

The Company provided the Corporate Policy used to comply with ALA. ADMIN. CODE 482-1-146-.11 (1) (2009). Upon review of the Corporate Policy, it was noted that it did not indicate pre-employment background checks were to be performed on new hires. The policy states a recertification of the Principles of Business Conduct (PoBC) would be administered biennially; however, it does not specify employees must complete a no-felony attestation.

A review of the Company's periodic no-felony attestations was performed. It was found that one individual, classified as an Independent Exclusive Financing Agent, did not complete the PoBC recertification and therefore did not complete a no-felony attestation. The Company responded to further inquiry by saying the state license renewal process has questions related to prohibited misdemeanor and felony convictions, and that Marketing has an internal procedure for ensuring independent exclusive agents have renewed their licenses with the Department. It is the exam team's position that this does not relieve the Company from the responsibility of obtaining the no-felony attestation directly. It was determined that the Company does not have an internal procedure after initial contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a 18 U.S.C. §1033 offense.

Fidelity Bonds and Other Insurance

As of December 31, 2021, the Company was a named insured on an insurance policy issued by Travelers Casualty and Surety Company of America which included fidelity coverage. The amount of fidelity coverage maintained by the Company exceeded the minimum amount suggested in the NAIC *Financial Condition Examiners Handbook*.

In addition to the fidelity bond, the examiner reviewed the Company's other insurance coverages and determined that adequate coverage was in force covering the hazards to which the Company is exposed.

SCHEDULE OF SPECIAL DEPOSITS

The Company had the following special deposits at December 31, 2021, as required or permitted by law:

States, etc.	Book/Adjusted Carrying Value	Fair Value
Alabama	\$ 1,178,988	\$ 1,431,188
Georgia	34,387	41,743
North Carolina	294,747	357,797
Virginia	294,747	357,797
Total	\$ 1,802,869	\$ 2,188,525

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

Year	Admitted Assets	Liabilities	Capital & Surplus	Premiums Earned
2017	\$ 1,344,864,755	\$ 845,337,384	\$ 499,527,371	\$ 673,903,815
2018	\$ 1,357,407,291	\$ 853,797,546	\$ 503,609,745	\$ 709,507,861
2019	\$ 1,472,472,673	\$ 850,038,946	\$ 622,433,726	\$ 694,729,129
2020	\$ 1,563,684,351	\$ 946,666,802	\$ 617,017,549	\$ 710,231,643
2021	\$ 1,575,948,222	\$ 824,681,343	\$ 751,266,880	\$ 593,625,518

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company marketed its products through captive producers. At December 31, 2021, the Company had 219 service centers in Alabama with 403 producers appointed to write business on behalf of the Company.

Although the Company was licensed in seven other states, it did not write business outside of Alabama during the examination period. The majority of the Company's direct premiums written were for private passenger automobile, homeowner, farm-owners, commercial lines and inland marine lines of business.

Territory

At December 31, 2021, the Company was licensed to transact property and casualty business in the following states: Alabama, Georgia, Indiana, Kentucky, North Carolina, Ohio, Pennsylvania and Virginia. The Certificates of Authority from the respective jurisdictions were inspected and found to be in effect at December 31, 2021.

Underwriting and Rating

Rates and Forms

The Company independently filed its rates and forms for its personal lines with the Alabama Department of Insurance (ALDOI). The examination indicated that all the forms and endorsements used in Alabama during the examination period had been properly filed and approved by the ALDOI. The Company's personal lines rates that were in use were filed with the ALDOI. The Company rates for commercial lines are based on loss costs filed with the ALDOI by the Insurance Services Office.

Underwriting

The examiner selected a sample of 116 Alabama direct written premium transactions from a population of 40,472,003 to verify that the Company followed its underwriting manuals and filed rates. The examiner selected second a sample of 116 insured-requested cancelations from a population of 365,401 cancellations to verify that reason for the cancellation were valid and in accordance with its policy provisions. The examiner selected a third sample of 116 rejected/declination applications from a population of 15,196. The Company followed its underwriting guidelines, and no discrepancies were noted during the review of underwriting.

Marketing and Sales

The Company's advertising materials were reviewed for the examination period. The examiners' review did not reveal any advertisements that misrepresented policy benefits, made unfair or incomplete comparisons with other policies, or made false, deceptive or misleading statements or representations.

The Company's web site www.alfainsurance.com was reviewed and found to include the following links: Auto, Life, Home, and Membership. Also, the site provided links to finding an agent, getting a quote, customer care, reporting a claim and making a payment.

Producers are not allowed to use their own advertising materials. All advertising materials must be ordered through the Alfa InTouch advertising portal where approved products are available. Only basic Alfa logo and name for prepared materials are permitted and must be sent to and approved by Marketing prior to use.

Claims Review

Paid Claims

The examiners reviewed random sample of Alabama paid claims which was equal to 109 claims from a population of 716,264. The transactions were reviewed for compliance with policy provisions, timeliness of payment and adequacy of documentation. The examiners verified the date that the claim was reported, the date that proof of loss was provided, the date that the claim was acknowledged by the Company, and the date the claim payment was issued. The examiners determined that the Company properly followed its policy provisions, timeliness of payment and adequacy of documentation for the Alabama paid claims during the examination period.

Review of Denied Claims

The examiners reviewed random sample of Alabama denied claims which was equal to 108 claims from a population of 34,616. The examiners verified for each denied claim in the sample that the claims were properly acknowledged, and claimants were notified. The denials complied with the policy provisions and were adequately documented.

Review of Litigated Claims

The examiners reviewed random sample of Alabama claims that involved litigation which was equal to 106 claims from a population of 2,530. The closed litigated claims did not point to problematic claims handling practices.

Complaint Handling

The Company recorded all complaints, both consumer direct and from the Department of Insurance. A sample of 84 complaints from a population of 315 total complaints was received. The population included complaints received from the Alabama Department of Insurance and complaints received directly by the Company.

There were two complaint files in the sample that the Company did not provide their response. The Company was not in compliance with ALA. CODE §27-27-29(a)(1975), which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its asset, transaction and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

The Alabama Department of Insurance (ALDOI) complaint files contained the complaint, the Company's support documents and letters for the response. There was a complaint file in which the Company's response time went over 10 days. The complaint did not have supporting documentation showing when the Company received the complaint. It was determined the Company was not in compliance with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states, "The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee of examiner of the commissioner."

In addition, it was determined the Company did not maintain adequate records and workpapers for two complaint files. The Company's response was not available. Therefore, the Company was not in compliance with ALA. CODE §27-27-29(a)(1975), which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its asset, transaction and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

Producers' Licensing

Appointments

The examiner selected a random sample of 117 new Alabama business transactions from a population of 31,779,039 during the examination period. The examiner verified that the producer held a current licensed and was appointed with the Company prior to writing the business.

Terminations

The examiner selected a sample of 84 producers from a population of 214 Alabama terminated producers. The examiner determined that the ALDOI was notified of the termination within thirty days following the effective date of the termination. The

producer was also notified of the termination by letter within 15 days of the termination.

Privacy

The Company's Privacy Notice disclosed the types of information collected, the way the information is used, the manner in which information is collected and how the information is protected. The Privacy Notice also specifically stated the customers' rights, and the Company does not disclose any information to any non affiliated third parties unless permitted to do so by law.

It was determined the Company complied with the privacy requirements of ALA. ADMIN. CODE 482-1-122 (2002).

REINSURANCE

Intercompany Pooling Agreement

The Intercompany Pooling Agreement, effective January 1, 2009 and amended and restated as of December 1, 2017, is between Alfa Mutual Insurance Company ("AMIC") and the following entities (the "Associates"):

- Alfa Mutual Fire Insurance Company (AMFIC)
- Alfa Mutual General Insurance Company (AMGIC)
- Alfa Insurance Corporation (AIC)
- Alfa General Insurance Corporation (AGIC)
- Trexis Insurance Corporation (TIC)
- Trexis One Insurance Corporation (TOI)
- Alfa Alliance Insurance Corporation (AAIC)

The purpose of this Pooling Agreement is to increase the solvency protection for policyholders and shareholders by increasing available surplus to draw on in the event of a large catastrophe. The Pooling Agreement also serves to increase geographic diversification, increase access to external capital markets, and spread and stabilize the writings of each of the participating companies by sharing underwriting operations.

Under this Pooling Agreement, all of the Associates cede 100% of their books of business and net liabilities to AMIC. In turn, the total pooled amounts are then ceded back to the participating companies according to percentages outlined in the Agreement. The following pooling percentages were in effect at December 31, 2021:

AMIC	42%
AMFIC	38%
AMGIC	6%
AIC	3%
AGIC	4%
TIC	4%
TOIC	3%

Reinsurance Assumed

Other than the Intercompany Pooling Agreement listed above, the Company had no additional reinsurance assumed at December 31, 2021.

According to Schedule F - Part 1 of the Company's 2021 Annual Statement, the total assumed premium as of December 31, 2021 was \$630,952,000.

Reinsurance Ceded

Intercompany Traditional Excess Catastrophe Reinsurance Contract

This intercompany contract, effective June 1, 2021, is between AGIC, AIC, AMIC, AMGIC, ("Reinsureds") and AMFIC ("Reinsurer"). This reinsurance agreement has an allocation component that mirrored the terms of the external catastrophe reinsurance contracts issued to AMFIC. AMFIC secures external reinsurance for the pool and then executes an internal reinsurance agreement that mirrors the outside reinsurance agreement. AMFIC essentially acts as a pass through entity. The purpose of this agreement is to fairly divide the costs of reinsurance among the participants in the intercompany pooling arrangement. This contract defines participation percentages between the Reinsureds. Under this agreement, the Reinsureds retain and are liable for the first amount of ultimate net loss for each excess layer. The following schedule defines the retentions, limits, and participation rates by company:

	Traditional Excess Catastrophe June 1, 2021			Multi-Year Traditional Excess Catastrophe June 1, 2021	
	First Excess	Second Excess	Third Excess	First Excess	Second Excess
Company's Retention	\$100,000,000	\$200,000,000	\$550,000,000	\$100,000,000	\$200,000,000
Reinsurer's Per Occurrence Limit	\$100,000,000	\$350,000,000	\$50,000,000	\$100,000,000	\$350,000,000

Reinsurer's Term Limit	\$200,000,000	\$700,000,000	\$100,000,000	\$200,000,000	\$700,000,000
Participation Rate:					
AMIC	82.79%	82.79%	82.79%	82.79%	82.79%
AMGIC	4.19%	4.19%	4.19%	4.19%	4.19%
AMFIC	2.84%	2.84%	2.84%	2.84%	2.84%
AIC	8.74%	8.74%	8.74%	8.74%	8.74%
AGIC	1.44%	1.44%	1.44%	1.44%	1.44%

The external reinsurance agreement that is mirrored by this internal agreement reinsured the participating companies for catastrophe losses exceeding the retention level of \$100 million. Losses below the retention level are shared on a percentage basis by the Intercompany Pooling Agreement.

Intercompany Reinstatement Premium Protection Reinsurance Contract

This intercompany contract, effective June 1, 2021, is between AGIC, AIC, AMIC, AMGIC, and AMFIC ("Reinsureds") and AMFIC ("Reinsurer"). Under this contract, the Reinsurer agrees to indemnify the Reinsureds for 100% of any reinstatement premium which the Reinsureds pay or become liable to pay as a result of losses arising out of loss occurrences commencing during the term of this contract under the provisions of certain external reinsurance contracts between AMFIC and external reinsurers ("Original Contracts"). This contract follows the terms, conditions, exclusions, definitions, warranties, and settlements of the Original Contracts.

Liability Excess of Loss Reinsurance Agreement

This agreement, effective June 1, 2021, is between AMIC, AGIC, AIC, AMFIC, and AMGIC as ceding companies ("Reinsured") and American Agricultural Insurance Company as reinsurer ("American"). American agrees to reimburse the Reinsured, on an excess of loss basis, for its share of the amount of ultimate net loss that the Reinsured has paid as a result of any one loss event arising under certain classified lines of business.

Maximum Policy Limits:

- Per Occurrence BI/PD: \$2,000,000
- Employer's Liability: Same as BI/PD

Property Per Risk and Coded Excess Reinsurance Agreement

This agreement, effective June 1, 2021, is between AMIC, AGIC, AIC, AMFIC, and AMGIC as ceding companies ("Reinsured") and American Agricultural Insurance Company as reinsurer ("American"). American agrees to reimburse the Reinsured, on an excess of loss basis for its share of each loss, to each risk, as a result of each occurrence arising under certain classified lines of business.

There are two layers of coverage provided under this agreement, Layer 1 - Property Per Risk and Layer 2 - Coded Excess. Each Layer shall attach at its Attachment Point as shown in the table below. As respects each Layer, American shall be liable for the amount of loss, to each risk, as a result of each occurrence that exceeds the Attachment Point, multiplied by the AAIC Share.

	Layer 1 Property Per Risk	Layer 2 Coded Excess
Maximum Ceded Loss	\$4,000,000	\$15,000,000
Attachment Point	\$1,000,000	\$4,000,000
Limit of Liability	\$3,000,000	\$11,000,000
AAIC Share	75%	100%

Umbrella Quota Share Reinsurance Agreement

This agreement, effective June 1, 2021, is between AMIC, AGIC, AIC, AMFIC, and AMGIC as ceding companies ("Reinsured") and American Agricultural Insurance Company as reinsurer ("American"). American agrees to reimburse the Reinsured, on a quota share basis, for American's Reinsurance Percentage (specified by layer and Class Group) of the amount of ultimate net loss that the Reinsured has paid as a result of any one loss event involving any new or renewal umbrella policies issued by the Reinsured to a qualified risk.

American's maximum liability under this agreement, including (where applicable) its aggregate limit, shall correspond to the Reinsurance Percentage of Treaty Capacity for each Policy Limit Layer included under any Class Group. Aggregate limits must be included in all commercial umbrella policies subject to this agreement.

ACCOUNTS AND RECORDS

The Company utilizes a centralized processing environment for the majority of its daily business requirements. This environment includes mainframe operations, server clusters, as well as mid-range (IBM AS400) computers at TIC and TOIC. The

Company operates a web site that has limited commerce functionality. Overall, the Company has a highly complex IT environment.

Unclaimed Property

The Company provided its outstanding checks detail as of June 30, 2021. The Company had one outstanding check totaling \$343.42 payable to Alabama residents with a dormancy period greater than three years. The outstanding check was considered unclaimed property per the Alabama Code. The Company escheated the outstanding check to the State of Alabama prior to the examination date.

It was determined that the Company did not properly escheat the unclaimed property to the State of Alabama in accordance with ALA. CODE §35-12-72(1975), which states: "(a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property... (10) Amount owed by an insurer on a life or endowment insurance policy or an annuity that has matured or terminated, three years after the obligation to pay arose or, in the case of a policy or annuity payable upon proof of death, three years after the insured has attained, or would have attained if living, the limiting age under the mortality table on which the reserve is based." All Alabama unclaimed property is to be included in the unclaimed property reports in accordance with reporting procedures described in ALA. CODE §35-12-76(1975).

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

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ALFA MUTUAL INSURANCE COMPANY
STATEMENT OF ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

Assets	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 523,531,693	-	\$ 523,531,693
Preferred Stocks	9,442,072	-	9,442,072
Common Stocks	513,849,694	346,216	513,503,478
Real estate		-	
Properties occupied by the company	31,220,788	-	31,220,788
Cash	89,388,591	-	89,388,591
Other invested assets	116,445,080	214,454	116,230,627
Receivable for securities	179,526	-	179,526
Subtotals, cash and invested assets	\$ 1,284,057,444	\$ 560,670	\$ 1,283,496,775
Investment income due and accrued	2,787,490	-	2,787,490
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	34,383,764	7,610	34,376,153
Deferred premiums and agents' balances and installments booked but deferred and not yet due	93,166,223	6,579	93,159,644
Reinsurance			
Amounts recoverable from reinsurers	45,167,319	-	45,167,319
Funds held by or deposited with reinsured companies	11,924	-	11,924
Current federal and foreign income tax recoverable and interest thereon	343,520	-	343,520
Net deferred tax asset	27,389,334	1,872,205	25,517,129
Guaranty funds receivable or on deposit	269,089	-	269,089
Electronic data processing equipment and software	22,710,973	22,710,973	-
Furniture and equipment, including health care delivery assets	10,253,344	10,253,344	-
Receivables from parent, subsidiaries and affiliates	31,322,326	100,787	31,221,539
Health care and other amounts receivable	2,183,675	159,247	2,024,429
Aggregate write-ins for other than invested assets	61,577,612	4,004,401	57,573,211
TOTAL ASSETS	\$ 1,615,624,037	\$ 39,675,815	\$ 1,575,948,222

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.**

ALFA MUTUAL INSURANCE COMPANY
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Liabilities	Current Year
Losses	\$ 204,638,487
Reinsurance payable on paid losses and loss adjustment expenses	49,339,257
Loss adjustment expenses	35,796,420
Commissions payable, contingent commissions and other similar charges	5,888,675
Other expenses	93,616,031
Taxes, licenses and fees	935,207
Unearned premiums	208,569,285
Advance premium	5,159,275
Ceded reinsurance premiums payable	15,445,650
Funds held by company under reinsurance treaties	8,217
Amounts withheld or retained by company for account of others	11,380,464
Remittances and items not allocated	764,742
Drafts outstanding	35,409,481
Payable to parent, subsidiaries and affiliates	175,601
Payable for securities	10,482,809
Aggregate write-ins for liabilities	147,071,742
TOTAL LIABILITIES	\$ 824,681,343
Aggregate write-ins for special surplus funds	91,444,280
Unassigned funds	659,822,600
Surplus as regards policyholders	751,266,880
TOTAL LIABILITIES, SURPLUS, AND OTHER FUNDS	\$ 1,575,948,222

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.**

ALFA MUTUAL INSURANCE COMPANY
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Underwriting Income</u>	2021	2020	2019	2018	2017
Premiums earned	\$593,625,518	\$710,231,643	\$694,729,129	\$709,507,861	\$673,903,815
DEDUCTIONS					
Losses incurred	391,348,660	513,621,037	416,671,521	494,505,960	470,295,655
Loss adjustment expenses	31,371,409	40,077,248	38,553,381	40,311,334	37,684,726
Other underwriting expenses incurred	158,556,536	217,952,502	213,089,781	218,282,930	218,037,509
Aggregate write-ins for underwriting deductions	(102,111)	(192,541)	7,638	(203,891)	(127,313)
Total underwriting deductions	\$581,174,494	\$771,458,246	\$668,322,321	\$752,896,334	\$725,890,578
Net underwriting gain (loss)	\$12,451,024	\$(61,226,603)	\$26,406,807	\$(43,388,473)	\$(51,986,762)
INVESTMENT INCOME					
Net investment income earned	\$27,522,881	\$21,782,969	\$18,284,454	\$16,733,169	\$10,684,635
Net realized capital gains (losses) less capital gains tax	\$11,807,724	\$41,080,669	\$2,469,275	\$3,861,042	\$10,667,340
Net investment gain (loss)	\$39,330,605	\$62,863,638	\$20,753,730	\$20,594,212	\$21,351,975
OTHER INCOME					
Net gain (loss) from agents' or premium balances charged off	\$1,759,700	\$(3,476,138)	\$(4,249,395)	\$(4,255,547)	\$(3,691,198)
Finance and service charges not included in premiums	6,486,587	10,248,080	13,078,878	14,473,796	16,351,575
Aggregate write-ins for miscellaneous income	1,758,650	1,593,293	1,671,588	(1,412,599)	1,277,568
Total other income	\$10,004,938	\$8,365,235	\$10,501,071	\$8,805,651	\$13,937,946
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$61,786,567	\$10,002,270	\$57,661,608	\$(13,988,611)	\$(16,696,842)
Federal and foreign income taxes incurred	5,685,420	(11,705,976)	(7,345,280)	(10,881,151)	(7,233,052)
Net income	\$56,101,148	\$21,708,246	\$65,006,888	\$(3,107,460)	\$(9,463,790)

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT
ARE AN INTEGRAL PART THEREOF.**

NOTES TO FINANCIAL STATEMENTS

Analysis of Changes to Surplus

No adjustment was made to surplus as a result of the examination.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included an inspection of representations made by the Company's managers, a review of the Company's records and files for the period under examination, and a review of the records subsequent to the examination date. The reviews performed did not identify any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

The Company has committed to invest \$91,444,280 in subsidiaries, controlled, and affiliated entities under SSAP No. 97 - *Investments in Subsidiary, Controlled, and Affiliated Entities* and in partnerships, which are investments in joint ventures, partnerships and limited liability companies under SSAP No. 48 - *Joint Ventures, Partnerships, and Limited Liabilities Companies*. This amount has been reported as special surplus.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effects of COVID-19 on the U.S. and Global insurance and reinsurance industry. However, COVID-19 has seen a significant decrease in reported cases during 2022. At the time of releasing this report, the examination's review of the Company noted that there has not been a significant impact on the Company. The Alabama Department of Insurance has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Alabama Department of Insurance continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

Effective March 1, 2022, TIC acquired Arizona Automobile Insurance Company (AZ Auto) of Arizona.

Effective December 9, 2022, TIC and TOIC re-domesticated to the State of Tennessee.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with prior examination recommendations except for the following:

Complaint Handling

It is recommended that the Company respond to all policyholder-initiated complaints in accordance with its Complaint Handling Policy.

COMMENTS AND RECOMMENDATIONS

Jurat Page – Page 8

It is recommended that the Company complete the Annual Statement jurat page in accordance with the NAIC Annual Statement Instructions which dictates all required officers and directors "Show full name (initials not acceptable) and title..."

Compliance with 18 U.S.C. §1033 – Page 14

It is recommended that the Company have a dedicated policy, with procedures in writing, documenting compliance with ALA. ADMIN. CODE 482-1-146-.11 (2009), which states:

1. A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:
 - a. An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.
 - b. An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.
 - c. An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.

2. Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department.
3. As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed, and the effectiveness of the procedures.

Complaint Handling – Page 17

It is recommended that the Company respond to the ALDOI complaints within ten (10) days, which complies with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states, "The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee of examiner of the commissioner."

It is also recommended that the Company maintain adequate records and workpapers at its principal place of business, which complies with ALA. CODE §27-27-29(a)(1975), which states, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its asset, transaction and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

Unclaimed Property – Page 23

It is recommended that the Company comply with ALA. CODE §35-12-72(1975), which states: "(a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property... (18) All other property, three years after the owner's right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs." All Alabama unclaimed property is to be included in the unclaimed property reports in accordance with reporting procedures described in ALA. CODE §35-12-76(1975).

CONCLUSION

Acknowledgment is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, the following examiners, representing the Alabama Department of Insurance, participated in certain phases of this examination:

Cristi Owen, CFE, CPA, AMCM, CPM
Theo Goodin, AIE, ALMI, MCM
Mora Perkins-Taylor, MCM
Jacob Grissett, CFE (Fraud)
David Martin
Andarius Vincent
Jackson Goodwin

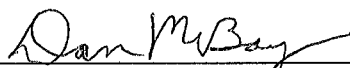
Merlinos & Associates, Inc. was contracted to perform the actuarial portions of this examination:

Greg Fanoie, FCAS, MAAA

Noble Consulting Services, Inc. was contracted to perform the information technology portions of this examination:

Stefan Obereichholz-Bangert, AES, CISA, CISM

Respectfully submitted,



Dan McBay, CFE, CPA, CGMA, ARe, Noble Consulting Services, Inc.
Examiner-in-Charge
State of Alabama Department of Insurance



Francis Blase Abreo, CFE
Insurance Examination Supervisor
Alabama Department of Insurance