

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

REPORT OF EXAMINATION

**ALFA MUTUAL FIRE 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 Fire 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 Fire Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

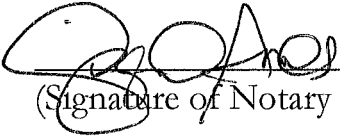
The affiant says nothing further.



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

Subscribed and sworn before me by Dan McBay on this 19th day of January 2023.

(SEAL)



(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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GENERAL COUNSEL
REYN NORMAN

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 Fire 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 "AMFIC" appears herein, without qualification, it will be understood to indicate Alfa Mutual Fire Insurance Company.

SCOPE OF EXAMINATION

We have performed our multi-state examination of Alfa Mutual Fire Insurance Company (AMFIC). 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. The 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 Insurance Company (AMIC) 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 AMFIC examination covered those issues identified during the planning deemed immaterial to the coordinated examination but were material to the AMFIC 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 13 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 AMFIC 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 May 1, 1945, under the name, Alabama Farm Bureau Mutual Insurance Services, Inc. It was organized as a mutual insurance company by the Alabama Farm Bureau Federation (AFBF) members to provide fire and allied lines 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 Fire Insurance Company (AMFIC).

During the interim from the Company's organization through 1987, the Company became affiliated with four other property and casualty insurers. They were AMIC, 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

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) 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.

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 had no employees; therefore, it had no formal employee or agent welfare program. Its operations were conducted by the personnel of AMIC under the terms of the Management and Operating Agreement (see page 9).

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:

<u>States, etc.</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Alabama	\$ 124,832	\$ 122,845
Reinsurance with Hannover	19,716,753	19,428,125
Total	\$ 19,841,585	\$ 19,550,970

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	\$ 770,389,671	\$ 332,684,995	\$ 437,704,676	\$ 388,784,934
2018	\$ 762,655,018	\$ 331,933,252	\$ 430,721,766	\$ 409,338,346
2019	\$ 831,019,097	\$ 321,735,337	\$ 509,283,760	\$ 400,799,152
2020	\$ 887,694,728	\$ 344,178,115	\$ 543,516,613	\$ 409,755,821
2021	\$ 1,004,900,061	\$ 430,121,661	\$ 574,778,400	\$ 535,375,194

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 state: Alabama. The Certificate of Authority from the respective jurisdiction was 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 license 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 assumed reinsurance from the following insurers according to Schedule F - Part 1 of the Company's 2021 Annual Statement:

- American Agricultural Insurance Company
- Other Non-U.S. Insurers:
 - Faraday (Lloyd's Syndicate Number 435)
 - Fidelis
 - Hannover Rueck
 - Hiscox Insurance Company (Bermuda) Ltd
 - Mapfre Re Compania De Reaseguros, S.A.
 - Peak Reinsurance Company Ltd
 - Renaissance Reinsurance Ltd

According to Schedule F - Part 1 of the Company's 2021 Annual Statement, the total assumed premium as of December 31, 2021 was \$668,798,000.

Reinsurance Ceded

Traditional Excess Catastrophe Reinsurance Contract

This agreement, effective June 1, 2021, was between the Company and various authorized and unauthorized reinsurers ("Reinsurers") subscribed through the related Interests and Liabilities Agreements. Under this agreement, subject to the terms of the Intercompany Pooling Agreement, the Reinsurers agreed to reinsure the excess liability accrued to the Company under its policies in force at the effective date or issued or renewed on or after the effective date, and classified by the Company as Fire and Allied Lines, Inland Marine, Auto Physical Damage (Comprehensive only), and the property perils only of Homeowners, Mobile Homeowners, Farmowners and Commercial Multiple Peril. The Company retained and was liable for the first amount of ultimate net loss per layer, as shown below. Likewise, the Reinsurer was liable, per layer, for the amount of ultimate net loss in excess of the Company's retention, not to exceed the per occurrence or term limits per layer, as shown below.

	First Excess	Second Excess	Third Excess
Company's Retention	\$100,000,000	\$200,000,000	\$550,000,000
Reinsurer's Per Occurrence Limit	\$100,000,000	\$350,000,000	\$50,000,000
Reinsurer's Term Limit	\$200,000,000	\$700,000,000	\$100,000,000

Multi-Year Traditional Excess Catastrophe Reinsurance Contract (2021-2023)

This agreement, effective June 1, 2021 - June 1, 2023, was between the Company and various authorized and unauthorized reinsurers ("Reinsurers") subscribed through the related Interests and Liabilities Agreements. Under this agreement, subject to the terms of the Intercompany Pooling Agreement, the Reinsurers agreed to reinsure the excess liability accrued to the Company under its policies in force at the effective date or issued or renewed on or after the effective date, and classified by the Company as Fire and Allied Lines, Inland Marine, Auto Physical Damage (Comprehensive only), and the property perils only of Homeowners, Mobile Homeowners, Farmowners and Commercial Multiple Peril. The Company retained and was liable for the first amount of ultimate net loss per layer, as shown below. Likewise, the Reinsurer was liable, per layer, for the amount of ultimate net loss in excess of the Company's retention, not to exceed the per occurrence or term limits per layer, as shown below.

	First Excess	Second Excess
Company's Retention	\$100,000,000	\$200,000,000
Reinsurer's Per Occurrence Limit	\$100,000,000	\$350,000,000
Reinsurer's Contract Year Limit	\$200,000,000	\$700,000,000

Multi-Year Traditional Excess Catastrophe Reinsurance Contract (2020-2022)

This agreement, effective June 1, 2020 - June 1, 2022, was between the Company and various authorized and unauthorized reinsurers ("Reinsurers") subscribed through the related Interests and Liabilities Agreements. Under this agreement, subject to the terms of the Intercompany Pooling Agreement, the Reinsurers agreed to reinsure the excess liability accrued to the Company under its policies in force at the effective date or issued or renewed on or after the effective date, and classified by the Company as Fire and Allied Lines, Inland Marine, Auto Physical Damage (Comprehensive only), and the property perils only of Homeowners, Mobile Homeowners, Farmowners and Commercial Multiple Peril. The Company retained and was liable for the first amount of ultimate net loss per layer, as shown below. Likewise, the Reinsurer was liable, per layer, for the amount of ultimate net loss in excess of the Company's retention, not to exceed the per occurrence or term limits per layer, as shown below.

	First Excess	Second Excess
Company's Retention	\$100,000,000	\$200,000,000
Reinsurer's Per Occurrence Limit	\$100,000,000	\$350,000,000
Reinsurer's Contract Year Limit	\$200,000,000	\$700,000,000

Reinstatement Premium Protection Reinsurance Contract (RPP)

Effective June 1, 2021, the Company entered into a RPP reinsurance contract with subscribing reinsurers to indemnify the Company for 100% of any reinstatement premium which the Company pays or becomes liable to pay as a result of losses arising out of loss occurrences commencing during the term of this contract under the provisions of the First Excess Layer (1) during the second contract year of the Company's Multi-Year Traditional Excess Catastrophe Reinsurance Contract,

effective June 1, 2020 and (2) during the first contract year of the Company's Multi-Year Traditional Excess Catastrophe Reinsurance Contract, effective June 1, 2021 (summarized above).

Intercompany Traditional Excess Catastrophe Reinsurance Contract

This intercompany contract, effective June 1, 2021, is between AGIC, AIC, AMIC, AMGIC, and AMFIC ("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.

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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Statements of Liabilities, Surplus and Other Funds	25
Statement of Income.....	26
Capital and Surplus.....	27

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

Assets	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 380,483,992	-	\$ 380,483,992
Preferred Stocks	305,800	-	305,800
Common Stocks	351,038,179	-	351,038,179
Real estate		-	
Properties held for the production of income	3,584,272	-	3,584,272
Cash	64,796,463	-	64,796,463
Other invested assets	70,417,713	891,589	69,526,124
Receivable for securities	104,526	-	104,526
Subtotals, cash and invested assets	\$ 870,730,944	\$ 891,589	\$ 869,839,355
Investment income due and accrued	3,494,189	-	3,494,189
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	39,964,444	6,886	39,957,558
Deferred premiums and agents' balances and installments booked but deferred and not yet due	84,293,197	5,953	84,287,244
Reinsurance			
Amounts recoverable from reinsurers	2,743,232	-	2,743,232
Funds held by or deposited with reinsured companies	1,600,000	-	1,600,000
Current federal and foreign income tax recoverable and interest thereon	2,648,651	-	2,648,651
Electronic data processing equipment and software	650,533	650,533	-
Receivables from parent, subsidiaries and affiliates	123,318	-	123,318
Health care and other amounts receivable	5,099	5,099	-
Aggregate write-ins for other than invested assets	291,287	84,773	206,514
TOTAL ASSETS	\$1,006,544,893	\$ 1,644,832	\$ 1,004,900,061

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

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

Liabilities	Current Year
Losses	\$ 150,232,237
Reinsurance payable on paid losses and loss adjustment expenses	42,639,415
Loss adjustment expenses	20,668,004
Commissions payable, contingent commissions and other similar charges	235,940
Other expenses	2,756,449
Taxes, licenses and fees	9,018
Net deferred tax liability	6,568,091
Unearned premiums	188,697,905
Advance premium	4,667,913
Ceded reinsurance premiums payable	9,215,797
Amounts withheld or retained by company for account of others	17,022
Remittances and items not allocated	4,592
Drafts outstanding	481,076
Payable to parent, subsidiaries and affiliates	2,991,373
Payable for securities	563,920
Aggregate write-ins for liabilities	372,909
TOTAL LIABILITIES	\$ 430,121,661
Aggregate write-ins for special surplus funds	39,954,106
Unassigned funds	534,824,294
Surplus as regards policyholders	574,778,400
TOTAL LIABILITIES, SURPLUS, AND OTHER FUNDS	\$ 1,004,900,061

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

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

Underwriting Income	2021	2020	2019	2018	2017
Premiums earned	\$ 535,375,194	\$ 409,755,821	\$ 400,799,152	\$ 409,338,346	\$ 388,784,934
DEDUCTIONS					
Losses incurred	357,979,995	296,693,752	240,648,209	285,221,843	270,246,960
Loss adjustment expenses	29,536,393	23,070,047	22,252,018	23,216,325	21,697,306
Other underwriting expenses incurred	168,529,645	125,628,340	122,184,677	126,469,190	125,904,569
Aggregate write-ins for underwriting deductions	(40,737)	(111,081)	4,409	(117,632)	(73,448)
Total underwriting deductions	\$ 556,005,296	\$ 445,281,057	\$ 385,089,313	\$ 434,789,726	\$ 417,775,387
Net underwriting gain (loss)	\$ (20,630,101)	\$ (35,525,236)	\$ 15,709,839	\$ (25,451,380)	\$ (28,990,453)
INVESTMENT INCOME					
Net investment income earned	\$ 20,668,463	\$ 14,731,904	\$ 15,933,746	\$ 17,476,847	\$ 13,766,869
Net realized capital gains (losses) less capital gains tax	\$ 13,961,928	\$ 31,261,942	\$ 2,409,645	\$ 4,092,567	\$ 7,209,412
Net investment gain (loss)	\$ 34,630,391	\$ 45,993,846	\$ 18,343,391	\$ 21,569,414	\$ 20,976,281
OTHER INCOME					
Net gain (loss) from agents' or premium balances charged off	\$ (4,265,082)	\$ (2,005,465)	\$ (2,451,574)	\$ (2,455,123)	\$ (2,129,538)
Finance and service charges not included in premiums	5,868,813	5,912,354	7,545,507	8,350,267	9,433,601
Aggregate write-ins for miscellaneous income	876,127	602,392	660,586	(866,088)	294,379
Total other income	\$2,479,858	\$ 4,509,281	\$ 5,754,519	\$ 5,029,056	\$ 7,598,442
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 16,480,148	\$ 14,977,891	\$ 39,807,749	\$ 1,147,090	\$ (415,759)
Federal and foreign income taxes incurred	1,383,810	(1,704,537)	(219,630)	(3,839,982)	(2,396,927)
Net income	\$ 15,096,338	\$ 16,682,428	\$ 40,027,379	\$ 4,987,072	\$ 1,981,198

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

**ALFA MUTUAL FIRE INSURANCE COMPANY
CAPITAL AND SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020	2019	2018	2017
Surplus as regards policyholders, December 31, prior year	\$ 543,516,613	\$ 509,283,760	\$ 430,721,766	\$ 437,704,676	\$ 420,138,325
Net income	15,096,338	16,682,428	40,027,379	4,987,072	1,981,198
Change in net unrealized capital gains (losses) less capital gains tax	6,228,716	9,808,746	38,482,210	(20,828,549)	(8,488,160)
Change in net deferred income tax	3,334,961	818,502	(7,731,717)	(2,981,848)	(3,944,575)
Change in nonadmitted assets	6,601,772	6,923,177	7,784,122	11,828,116	28,030,187
Change in provision for reinsurance	-	-	-	12,299	(12,299)
Change in surplus as regards policyholders for the year	31,261,787	34,232,853	78,561,994	(6,982,909)	17,566,351
Surplus as regards policyholders, December 31 current year	\$ 574,778,400	\$ 543,516,613	\$ 509,283,760	\$ 430,721,766	\$ 437,704,676

**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 \$39,954,106 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.

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..."

Complaint Handling – Page 15

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."

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

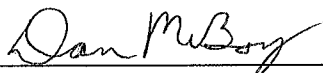
Merlinos & Associates, Inc. was contracted to perform the actuarial portions of this examination:

Greg Fanoë, 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