

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

REPORT OF EXAMINATION

**AGENT ALLIANCE INSURANCE COMPANY
WINSTON-SALEM, NORTH CAROLINA**

AS OF

DECEMBER 31, 2022

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**EXAMINER'S AFFIDAVIT
STATE OF ALABAMA
COUNTY OF JEFFERSON**

Agnes Denise Riggins being duly sworn, states as follows:


1. I have authority to represent Alabama in the examination of Agent Alliance 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 Agent Alliance Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.


Agnes Denise Riggins
Examiner-In-Charge

Subscribed and sworn before me by Agnes Denise Riggins, on this 17th day of May 2024.





(Signature of Notary Public)

My commission expires 10/4/25

EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF JEFFERSON**

Francis Blase Abreo being duly sworn, states as follows:

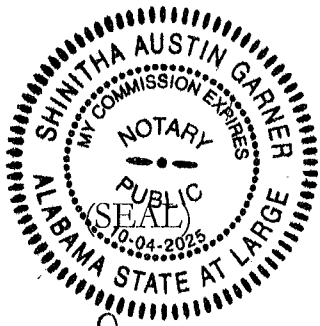
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2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Agent Alliance Insurance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

The affiant says nothing further.

Francis Blase Abreo

Francis Blase Abreo, CFE
Insurance Examination Supervisor

Subscribed and sworn before me by Francis Blase Abreo, on this 17th day of May 2024.



Shinita Austin Garner

(Signature of Notary Public)

My commission expires 10/4/25



KAY IVEY
GOVERNOR

MARK FOWLER
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF INSURANCE

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CHIEF EXAMINER
SHEILA TRAVIS

STATE FIRE MARSHAL
SCOTT F. PILGREEN

GENERAL COUNSEL
REYN NORMAN

May 17, 2024

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

Dear Commissioner Fowler:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope examination has been made of the affairs and financial condition of

Agent Alliance Insurance Company
Winston-Salem, North Carolina

as of December 31, 2022. The examination was performed remotely. The report of examination is submitted herewith.

Where the description "Company" appears herein, without qualification, it will be understood to indicate Agent Alliance Insurance Company.

SCOPE OF EXAMINATION

We have performed an examination of Agent Alliance Insurance Company, a multi-state company. The previous examination of the Company covered the period of January 1, 2016 through December 31, 2020. The current examination covers the period of January 1, 2021 through December 31, 2022.

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.

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 participating states: California, Illinois, Indiana, Michigan, Missouri, Mississippi, New Jersey, New York, North Carolina, Ohio and Texas, with North Carolina being the facilitating state and Illinois as the lead state. The coordinated examination was coordinated with the five-year examination of National General Holdings Corp., (NGHC), (parent of the companies within the NGHC group and a wholly owned subsidiary of Allstate Insurance Holdings, LLC, who is a wholly owned subsidiary of The Allstate Corporation (Allstate)). The coordinated examination was also coordinated with the examination of Allstate. During the planning phase, a kickoff meeting was held with the participating states to discuss the business overview of the NGHC group, examination coordination, examination strategy and an overview of the examination administration. The key functional activities were Investments, Capital and Surplus, Related Party, Reinsurance, Underwriting/Premiums and Reserves.

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 is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report 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, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology systems (IT) was conducted concurrently with the coordinated financial examination. All the companies in the NGHC group use primarily the same systems. The IT examination included a review of management and organizational controls, logical and physical security controls, changes in application controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed by Alabama concurrently with the financial examination. The market conduct examination included reviews of the Company's territory, plan of operation, claims handling, advertising and marketing, policy forms and underwriting, policyholders' complaints, producers' licensing requirements, and privacy standards.

Deloitte & Touche, was the Company's certified public accountant (CPA) for all years under examination. The coordinated exam team examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2022.

ORGANIZATION AND HISTORY

Berkley Insurance Company of the Carolinas (Berkley) was organized on December 8, 1995, under the laws of the state of North Carolina for the purpose of providing multiple lines of property and casualty insurance. July 10, 2006, Emerald Investments, LLC acquired 100% of Berkley's stock and changed the name of the Company to Agent Alliance Insurance Company. On December 31, 2009, the Company re-domesticated and reincorporated under the laws of the state of Alabama. Article Two of the Articles of Redomestication and Incorporation list the purpose for which the organization was formed as:

To conduct and transact generally the business of an insurance corporation under Title 27, Chapter 5, Code of Alabama 1975, and to do all things and exercise all powers and perform all functions that an insurance corporation is authorized or empowered to do, exercise or to perform under and by virtue of the laws of Alabama, or that may be by law hereafter authorized to do, exercise or perform; and do all the above things as an Alabama corporation and insofar as is consistent with the laws of Alabama.

Article V of the Articles of Redomestication and Incorporation authorized 10,000,000 shares of common stock with a par value of \$1 per share.

Integon National Insurance Company, a North Carolina insurer, acquired 100% of the issued and outstanding capital stock of the Company from Emerald Investments, LLC on September 1, 2011. ACP Re, Ltd., a company organized under the laws of Bermuda and under the same common ownership as Integon National, acquired all the issued and outstanding capital stock of the Company effective November 9, 2012. Integon National re-acquired Agent Alliance on July 1, 2014, after purchasing 100% of the issued and outstanding stock from ACP Re, Ltd.

In 2015, the Company began voluntary run-off of its private passenger automobile coverage (non-standard), with the liability portion ceded to the North Carolina Motor Vehicle Reinsurance Facility (NCMVRF).

During the second quarter of 2016 the Company began writing surplus lines business. The Company does business on a non-admitted basis in forty-eight (48) states plus the District of Columbia.

January 4, 2021, National General Holdings Corp., (NGHC), became a wholly owned subsidiary of Allstate Insurance Holdings, LLC who is a wholly owned subsidiary of Allstate. As a result of the acquisition, Allstate became the ultimate controlling entity of NGHC and its subsidiaries.

The Company reported the following in its December 31, 2022, Annual Statement: Bonds totaling \$48,816,665, Gross paid in and contributed surplus of \$37,417,279, Unassigned funds (surplus) of \$2,997,107 and Surplus as regards policyholders of \$50,214,386.

MANAGEMENT AND CONTROL

Stockholders

The Company is a wholly owned subsidiary of Integon National Insurance Company. On January 4, 2021, National General Holdings Corp., the ultimate parent of the Company, was acquired by Allstate. The Company is now an indirect subsidiary of Allstate.

Board of Directors

The following were elected to the Board of Directors of the Company by the sole member and serving at December 31, 2022:

Director and Residence

Peter Andrew Rendall
Winston-Salem, North Carolina
Robert Edwin Bruce
Daphne, Alabama
Aaron Benjamin Kuluk
Nashville, Tennessee

Principal Occupation

President/Chief Operating Officer

Senior Territory Sales Manager

Executive Vice President, Sales and
Distribution

Officers

The following Officers were appointed by the Board of Directors and serving as of December 31, 2022:

<u>Name</u>	<u>Title</u>
Peter Andrew Rendall	President/Chief Operating Officer/ Chairman of the Board
Donald Jerome Bolar	Vice-President/Chief Accounting Officer
Alexandra Tal Band	Senior Vice-President/Treasurer
George Harvey Hall Jr.	Vice-President & Chief Claims Officer
Christina Hwang	Senior Vice-President
Patrick James Macellaro	Vice-President/Chief Financial Officer

Audit Committee

The Allstate Insurance Holdings Audit Committee was appointed the Audit Committee of the Company, effective March 24, 2021. The following were members of the Audit Committee as of December 31, 2022:

Thomas J. Wilson, Chairman
John C. Pintozzi
Glenn T. Shapiro

Conflict of Interest

Conflict of Interest Statements were reviewed for each director, officer, and key personnel. No material conflicts were noted.

CORPORATE RECORDS

The Articles of Incorporation and By-Laws, as amended, were inspected during the examination period of January 1, 2020 through December 31, 2022 and were found to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

Minutes of the Stockholder and Board of Directors meetings that took place during the examination period were reviewed. The minutes appeared complete and adequately documented the actions of the respective governing bodies.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration

The Company is a wholly owned subsidiary of Integon National Insurance Company and is subject to the Alabama Holding Company Regulatory Act as defined by ALA. CODE § 27-29-1 (2022), as amended. The review of the Company's filings during the examination period of January 1, 2021 through December 31, 2022, indicated that the required disclosures were included in the Company's filings.

On January 4, 2021, National General Holdings Corp., the ultimate parent of the Company, was acquired by Allstate Insurance Holdings, LLC, a wholly owned subsidiary of The Allstate Corporation. The Company is now an indirect subsidiary of The Allstate Corporation.

Dividends to Stockholders

The Company paid no dividends to stockholders during the examination period.

MANAGEMENT AND SERVICE AGREEMENT

AMENDED AND RESTATED MANAGEMENT SERVICES AGREEMENT

This Amended and Restated Management Services Agreement (Agreement) was among the Company and several of its affiliates. The Agreement was effective January 1, 2012. The Agreement was amended on November 1, 2012 and June 26, 2014. In this Agreement the Companies delegate certain underwriting and claims services, policyholders' services, accounting, information technology and other administrative functions to the Administrator. In this Agreement the Companies delegate certain underwriting and claims services, policyholders' services, accounting, information technology and other administrative functions to the Administrator. During the examination period the following Amendments were made to the Agreement:

Amended and Restated Management Services Agreement – Amendment 3

Effective Date: June 1, 2016

The Agreement was amended to add Century-National Insurance Company to the Agreement and provided the guidance for compensation owed to the Administrator of the Agreement must be paid in cash or cash equivalents and guidance for parties whose business is not ceded to Integon National under a reinsurance agreement. All other provisions of the Agreement remain in full force and effect.

Amended and Restated Management Services Agreement – Amendment 4

Effective Date: June 26, 2016

The Agreement was amended to include the Missouri Companies, provide guidance for compensation/reimbursement expenses, added/amended Articles in accordance with the Accounting Practices and Procedures Manual, the Missouri Code of State Regulations, the Missouri Revised Statutes: Article IV.E, Article IV.F, Article V.F, and Article V.G. Amendment 4 of this Agreement also amended Article X (1) was amended as follows: “This Agreement shall be governed and interpreted in accordance with the laws of the State of New York, except as it applies to Agent Alliance Insurance Company, an Alabama domestic insurer, which shall be governed by the laws of the State of Alabama. ...”. All other provisions of the Agreement remain in full force and effect.

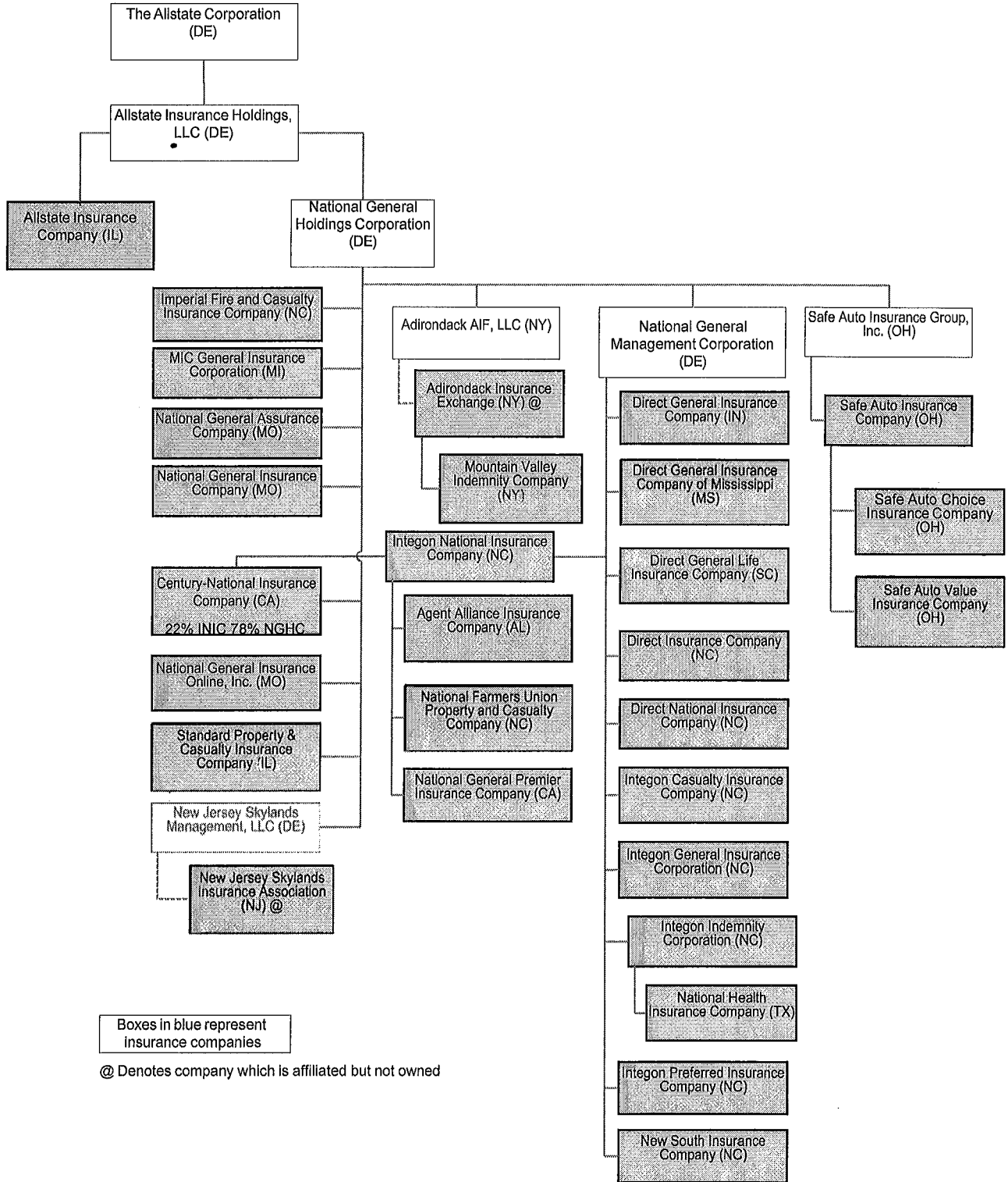
Amended and Restated Management Services Agreement – Amendment 5

Effective Date: October 7, 2016

The Agreement was amended to add Standard Property and Casualty Insurance Company. All other provisions of the Agreement remain in full force and effect.

ORGANIZATIONAL CHART

Abbreviated Organizational Chart



FIDELITY BONDS AND OTHER INSURANCE

The examiners reviewed the Company's Fidelity Bonds and Other Insurance. The review determined the Company maintained sufficient insurance coverage to protect itself against hazards to which it may be exposed.

PENSIONS AND STOCK OWNERSHIP

Management services and the operations of the Company are provided under the Amended and Restated Management Services Agreement with National General Management Corp. See page 7 for the Amended and Restated Management Services Agreement. The Company has no employees. The Company does not offer pensions and stock ownership.

COMPLIANCE WITH 18 U.S.C. § 1033

18 U.S.C. § 1033 of the U.S. Code and ALA. ADMIN. CODE 482-1-146-.11 (2009) requires the Company to determine if prospective and current employees are in conflict with 18 U.S.C. § 1033 (e), which prohibits persons with certain felony offenses from participating in conducting the business of insurance without the written consent of the Commissioner of Insurance.

The Company has no employees. The operational functions of the Company were performed by National General Management Corp. (NGMC) under the terms of the Amended and Restated Management Services Agreement. An initial background check is performed on new hires and a periodic procedure is in place to determine if employees were convicted of a Section 1033 offense.

The review determined the Company was in compliance with 18 U.S.C. § 1033 of the U.S. Code and ALA. ADMIN. CODE 482-1-146-.11 (2009).

SCHEDULE OF SPECIAL DEPOSITS

At December 31, 2022, as required or permitted by law, the Company maintained deposits with the respective statutory authorities as follows:

<u>State</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Alabama	199,655	191,930
North Carolina	1,986,199	1,782,755
South Carolina	200,006	179,461
Total	2,385,860	2,154,146

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Company for the period under review.

	2022	2021
Admitted Assets	\$62,856,898	\$59,721,626
Liabilities	12,642,512	9,750,429
Common Capital Stock	9,800,000	9,800,000
Gross paid in and Contributed Surplus	37,417,279	37,417,279
Unassigned funds (surplus)	2,997,107	2,753,918

MARKET CONDUCT ACTIVITIES

Plan of Operation and Territory

The Company writes two lines of business.

- The Company writes private passenger automobile coverage (non-standard). This line of business is currently in voluntary run-off. The liability portion is ceded to the North Carolina Motor Vehicle Reinsurance Facility (NCMVRF).
- The Company writes lien holder placed property insurance. Agent Alliance Insurance Company is a surplus line carrier in forty-eight states plus the District of Columbia.

The review determined the Company was properly licensed and held certificates of authority in Alabama and North Carolina. The Company has received approval to write surplus line business in forty-eight states plus the District of Columbia.

Advertising and Marketing

The Company's private passenger automobile coverage is in voluntary run-off. There were no advertising and marketing materials for review during the examination period.

Claims Handling

The Company's private passenger automobile coverage is in voluntary run-off. There were no Alabama claims during the examination period.

Dividends to Policyholders

The Company paid no dividends to policyholders during the examination period.

Policyholders' Complaints

There were no complaints during the examination period. The review determined the Company has an adequate method for distribution, obtaining and recording complaints.

Producers' Licensing Requirements

The Company's private passenger automobile coverage is in voluntary run-off. The Company had no new Alabama business during the examination period, therefore, the review to determine if Alabama producers were properly licensed and appointed was not performed.

Underwriting and Rating

The Company's private passenger automobile coverage is in voluntary run-off. The Company did not write any business in Alabama during the examination period. There were no new policy forms filed during the examination period. There were no rate filings during the examination period.

Privacy

The Company's private passenger automobile coverage is in voluntary run-off. The Company is not actively writing Alabama business. The Company has a privacy

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

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the examination period.

Reinsurance Ceded

The Company and several of its property and casualty insurance affiliates are party to an Amended and Restated Reinsurance Agreement with Integon National Insurance Company, an affiliate and the lead insurance company of the National General Group during the examination period. The effective date of the agreement was January 1, 2012. Under the terms of this Agreement, the Company and its affiliated ceding companies cede and transfer 100% of all of the ceding companies' respective books of business in force to Integon National Insurance Company an affiliate by common ownership.

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained in electronic format. The operational functions of the Company were performed by National General Management Corp. (NGMC) under the terms of the Amended and Restated Management Services Agreement. See page 7 for the Amended and Restated Management Service Agreement.

The Company has obtained a permitted practice letter from the Alabama Department of Insurance that allows the Company to keep its records in Winston-Salem, North Carolina.

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, 2020. 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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Statement of Changes in Capital and Surplus	18

AGENT ALLIANCE INSURANCE COMPANY
STATEMENT OF ASSETS
For the Year Ended December 31, 2022

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	<u>Net</u> <u>Admitted</u> <u>Assets</u>
ASSETS			
Bonds	\$ 48,816,665		\$ 48,816,665
Cash (\$..., Schedule E-Part 1), cash equivalents (\$1,297,356 Schedule E-Part2) and short-term investments (\$ 0, Schedule DA)	1,297,356		1,297,356
Subtotals, cash and invested assets	\$ 50,114,021		\$ 50,114,021
Investment income due and accrued	375,179		375,179
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of correction	12,184,051	368,057	11,815,994
Deferred premiums, agents' balances and installments booked but deferred and not yet due including \$ 0 earned but unearned premiums)	399,720		399,720
Reinsurance:			
Amounts recoverable from reinsurers	76,700		76,700
Net deferred tax asset	<u>202,407</u>	<u>127,123</u>	<u>75,284</u>
TOTAL ASSETS	\$ 63,352,078	\$ 495,180	\$ 62,856,898

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

AGENT ALLIANCE INSURANCE COMPANY
STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS
For the Year Ended December 31, 2022

	<u>Current Year</u>
Liabilities:	
Taxes, licenses and fees (excluding federal and foreign income taxes)	\$ 220
Current federal and foreign income taxes (including \$124,255 on realized capital gains (losses))	106,148
Ceded reinsurance premiums payable (net of ceding commissions)	12,044,516
Payable to parent, subsidiaries and affiliates	491,628
Total Liabilities	\$ 12,642,512
Capital and Surplus:	
Common capital stock	9,800,000
Gross paid in and contributed surplus	37,417,279
Unassigned funds (surplus)	2,997,107
Surplus as regards policyholders	\$ 50,214,386
Total Liabilities, Capital and Surplus	\$ 62,856,898

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

AGENT ALLIANCE INSURANCE COMPANY
STATEMENT OF REVENUE AND EXPENSES
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
INVESTMENT INCOME		
Net investment income earned	\$ 1,108,550	\$ 1,309,406
Net realized capital gains (losses) less capital gains tax of (\$124,255) (Exhibit of Capital Gains (Losses))	<u>(465,715)</u>	<u>715,696</u>
Net investment gain (loss)	\$ 642,835	\$ 2,025,102
OTHER INCOME		
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>\$ 642,835</u>	<u>\$ 2,025,101</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	642,835	2,025,101
Federal and foreign income taxes incurred	<u>230,450</u>	<u>245,217</u>
Net income	\$ 412,385	\$ 1,779,884

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

AGENT ALLIANCE INSURANCE COMPANY
STATEMENT OF CHANGES IN CAPITAL AND SURPLUS
For the Years Ended December 31, 2022 and 2021

	2022	2021
Surplus as regards policyholders, December 31 prior year	\$49,971,197	\$47,765,209
Net income	412,385	1,779,884
Change in net unrealized capital gains or (losses) less capital gains tax of \$0	(13,763)	
Change in net deferred income tax	120,935	991
Change in nonadmitted assets	<u>(276,369)</u>	<u>425,113</u>
Change in surplus are regards policyholders for the year	\$ 243,188	\$ 2,205,988
Surplus as regards policyholders, December 31 current year	\$50,214,385	\$49,971,197

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Analysis of Changes to Surplus

There were no adjustments made to surplus.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of contingent liabilities and pending litigation included a review of the Company's statutory financial statement disclosures, minutes of the corporate governing bodies, examination of the accounts and unrecorded items; and obtaining a letter of representation from management. These reviews did not disclose any items that would have a material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

There were no previous examination recommendations.

COMMENTS AND RECOMMENDATIONS

The examination did not result in any significant examination findings. There were no comments or recommendations.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2022, examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

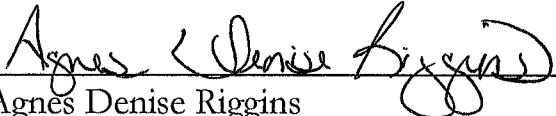
CONCLUSION

Acknowledgment is hereby made of the courtesy and cooperation extended by all persons representing Agent Alliance Insurance Company during the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, 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, examiners representing the following states participated in the examination: California, Illinois, Indiana, Michigan, Missouri, Mississippi, New Jersey, New York, North Carolina, Ohio and Texas.

Respectfully submitted,



Agnes Denise Riggins
Examiner-in-Charge
State of Alabama Department of Insurance