

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

REPORT OF EXAMINATION

OF

**ALABAMA MUNICIPAL INSURANCE CORPORATION
MONTGOMERY, ALABAMA**

AS OF

DECEMBER 31, 2021

TABLE OF CONTENTS

EXAMINER'S AFFIDAVIT	iii
SALUTATION	1
SCOPE OF EXAMINATION	2
ORGANIZATION AND HISTORY	3
MANAGEMENT AND CONTROL	4
Policyholders	4
Board of Directors	4
Committees	5
Officers	6
Conflict of Interest	6
Dividends to Policyholders	6
CORPORATE RECORDS	7
HOLDING COMPANY AND AFFILIATE MATTERS	7
Management and Service Agreements	7
FIDELITY BONDS AND OTHER INSURANCE	10
ORGANIZATIONAL CHART	11
PENSION AND STOCK OWNERSHIP	12
COMPLIANCE WITH 18 U.S.C. § 1033	12
SCHEDULE OF SPECIAL DEPOSITS	13
FINANCIAL CONDITION / GROWTH OF THE COMPANY	13
MARKET CONDUCT ACTIVITIES	14
Plan of Operation	14
Territory	14
Marketing and Sales	14
Claims	14
Policyholders' Complaints	15
Compliance with Producer Licensing Requirements	16
Underwriting and Rating	17
Privacy	18
REINSURANCE	18
Reinsurance Assumed	18
Reinsurance Ceded	18
ACCOUNTS AND RECORDS	20

FINANCIAL STATEMENT INDEX.....	21
NOTES TO FINANCIAL STATEMENTS.....	26
CONTINGENT LIABILITIES AND PENDING LITIGATION	26
SUBSEQUENT EVENTS.....	26
COMPLIANCE WITH PREVIOUS RECOMMENDATIONS	27
COMMENTS AND RECOMMENDATIONS	27
CONCLUSION	29

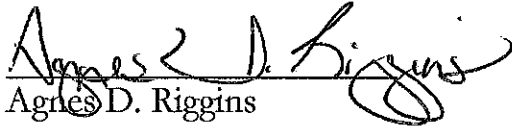
EXAMINER'S AFFIDAVIT

STATE OF ALABAMA COUNTY OF MONTGOMERY

Agnes D. Riggins being duly sworn, states as follows:

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


The affiant says nothing further.


Agnes D. Riggins
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 26th day of May 2023.

(SEAL)




(Signature of Notary Public)

My commission expires December 17, 2024



KAY IVEY
GOVERNOR

MARK FOWLER
COMMISSIONER

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SCOTT F. PILGREEN
GENERAL COUNSEL
REYN NORMAN

May 26, 2023

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 financial and market conduct examination as of December 31, 2021, has been made of

**Alabama Municipal Insurance Corporation
Montgomery, Alabama**

and was conducted remotely with support from the Company's management located in Montgomery, Alabama. The Company's statutory home office is located at 110 North Ripley Street, Montgomery, AL 36104. Where the description "Company" appears herein, without qualification, it will be understood to indicate Alabama Municipal Insurance Corporation.

SCOPE OF EXAMINATION

We have performed an examination of Alabama Municipal Insurance Corporation, a single state insurance company. The last examination covered the period of January 1, 2013 through December 31, 2017. The current examination covers the period of January 1, 2018 through December 31, 2021.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama 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.

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 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 financial examination. The IT examination included a review of management and organizational controls, logical and physical security controls, changes in applications 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 concurrently with the financial examination. The 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.

TaylorChandler, LLC, was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPA 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, 2021.

ORGANIZATION AND HISTORY

The Company was incorporated March 29, 1989, in Montgomery County, Alabama, as a mutual insurance company. The Articles of Incorporation permit the Company to provide property and casualty insurance and risk management services to its members. The Company is only authorized to solicit as its members, incorporated cities and towns that are members of the Alabama League of Municipalities (ALM). At December 31, 2021, the Company had 588 members, which consisted of the following:

- 398 Municipalities
- 78 Utility Boards
- 40 Associations
- 52 Solid Waste/Water Authorities
- 20 Transit Authorities

Since inception, the Company has been exempt from federal income taxes per Section 115(1) of the Internal Revenue Code, Revenue Ruling 90-74. On December 3, 1999, the Company was granted exemption from Alabama premium taxes under the provisions of ALA. CODE § 27-4A-3 (4) (e) (2019).

At December 31, 2021, the Company's gross paid in and contributed surplus was \$6,053,305 and Unassigned funds (surplus) was \$66,314,062.

MANAGEMENT AND CONTROL

Policyholders

The Company is a mutual insurance corporation with ownership vested in its policyholders. All policyholders of the Company are municipal organizations that are members of the Alabama League of Municipalities (ALM). The Company's charter prevents it from soliciting business from any entities that are not members of ALM.

Board of Directors

Directors are elected at the annual meeting of the members and serve until their successors are elected and qualified. The following were serving at December 31, 2021:

<u>Name and Address</u>	<u>Principal Occupation</u>
Charles Harold Murphy, Chairman Robertsdale, Alabama	Mayor of Robertsdale, Alabama
William Rhodney Marks, Vice-Chair Athens, Alabama	Mayor of Athens, Alabama
Howard Jay Rubenstein Saraland, Alabama	Mayor of Saraland, Alabama
Randy Allen Garrison Hartselle, Alabama	Mayor of Hartselle, Alabama
Leigh Barnett Dollar Guntersville, Alabama	Mayor of Guntersville, Alabama

Committees

Members of the committees of the Board at December 31, 2021, were as follows:

Audit Committee

The Board of Directors serve as the Audit Committee. The following were serving at December 31, 2021:

<u>Name</u>	<u>Title</u>
Charles Harold Murphy	Audit Committee Chairman
William Rhodney Marks	Audit Committee Vice-Chairman
Howard Jay Rubenstein	
Randy Allen Garrison	
Leigh Barnett Dollar	

Nominating Committee

The By-Laws provide that the Board of Directors may elect a Nominating Committee consisting of two or more directors. The following directors were elected at December 31, 2021:

Charles Harold Murphy
William Rhodney Marks
Howard Jay Rubenstein
Randy Allen Garrison
Leigh Barnett Dollar

Claims Committee

The Claims Committee was composed of the following members at December 31, 2021:

Charles Harold Murphy, Chairman
William Rhodney Marks, Vice-Chairman

By-Laws Committee

The Board of Directors serve as the By-Laws Committee. The following were serving at December 31, 2021:

Charles Harold Murphy
William Rhodney Marks
Howard Jay Rubenstein
Randy Allen Garrison
Leigh Barnett Dollar

Officers

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

Name

Title

Charles Harold Murphy

*President

Gregory Don Cochran

Secretary/Treasurer

*Effective March 2022 Sean W. Duke was appointed as President. This change was documented in the Subsequent Section of this report on page 26.

Conflict of Interest

Conflict of Interest Statements were signed and filed by all directors, officers and key personnel. No conflicts were noted.

Dividends to Policyholders

The Company paid the following dividends to policyholders during the examination period:

YEAR DIVIDEND

2018	\$	679,843
2019	\$	1,176,825
2020	\$	1,246,481
2021	\$	1,363,741

CORPORATE RECORDS

The Articles of Incorporation and *By-Laws*, as amended, were inspected during the course of the examination and were found to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

Minutes of meetings of the Board of Directors were reviewed for the period under examination. The minutes appeared to be complete and provided for the operation of the Company in accordance with usual corporate practices and applicable statutes and regulations.

HOLDING COMPANY AND AFFILIATE MATTERS

The Company was organized as a mutual insurance company and classified as a not-for-profit organization by federal and state authorities. Therefore, the Company is not subject to the Alabama Insurance Holding Company Act, as defined in ALA. CODE § 27-29-1 (2022).

Management and Service Agreements

Administrative and Professional Services Agreement

The Company had no employees during the examination period. It operated under an Administrative and Professional Services Agreement with the Alabama League of Municipalities (ALM).

The Administrative and Professional Services Agreement was entered into on March 20, 2014, by Alabama League of Municipalities (ALM) and Alabama Municipal Insurance Corporation. In the Agreement, certain administrative and professional services, including but not limited to preparation of payroll, lobbying, administration of employee benefits, marketing and office space (Loss Control), as well as promotion and sponsorship of the Company's programs were provided by ALM, with payment for the services due on or before the fifteenth of each month. Payroll disbursements made by ALM on the Company's behalf will be reimbursed by the Company in a timely manner. The Agreement is an automatic yearly renewal agreement which may be terminated by either party upon sixty days written notice of such termination.

Raymond James Custody Agreement

The Raymond James Custody Agreement was entered into on January 8, 2015, by Alabama Municipal Insurance Corporation and Raymond James Trust, N.A. Bank (Custodian). The Custody Agreement authorized Raymond James Trust, N.A. Bank to act as the custodian for the Company, to hold and safe keep the securities of the Company. The custodian may resign as custodian at any time by so notifying, in writing, the Company and the Alabama Department of Insurance Commissioner. Any termination of this Agreement shall only be effective after thirty days notification by certified mail to the Alabama Department of Insurance Commissioner.

Arthur J. Gallagher Risk Management Services Agreement

The 2016 - 2021 Agreement was entered into on February 1, 2016, by and between the Alabama Municipal Insurance Corporation (AMIC) and Arthur J. Gallagher Risk Management Services, Inc. (Broker or Contractor). This Agreement was effective for a term of five years, beginning on February 1, 2016, and remained in full force until February 1, 2021.

The 2021 – 2026 Agreement was entered into on February 1, 2021, by and between Alabama Municipal Insurance Corporation (AMIC) and Arthur J. Gallagher Risk Management Services, Inc. (Broker or Contractor). This Agreement is effective for a term of 5 years, beginning on February 1, 2021, and remains in force until February 1, 2026, or until either party provides a thirty (30) days' notice in writing to the other party.

In the Agreement:

- The Company reinsures its General Liability, Errors & Omissions, Crime, Property, Boiler and Machinery, Automobile Liability & Physical Damage risks and similar coverages with the Broker.
- The Broker engages in the business of advising its clients on their insurance/reinsurance needs and procuring insurance/reinsurance on behalf of its clients as an insurance broker.
- The Company and the Broker consents to certain administrative services and required insurance/reinsurance brokerage services, in accordance with the terms of the Agreement.

The agreement may be terminated by either party upon thirty (30) days' written notice of such termination. The Agreement may be terminated for cause listed in the term and termination section of the agreement.

Raymond James Custody Agreement

The agreement was effective January 8, 2015, by and between Alabama Municipal Insurance Corporation and Raymond James Trust, N.A. Bank, Montgomery, Alabama. In this Agreement Raymond James Trust, N. A. Bank (Custodian) agreed to act as custodian for the Company, to hold and safe keep the securities of the Company. The Agreement may be terminated by providing a thirty (30) days' written.

Preferred Service Agreement, Warren Averett Technology Group, LLC

The Preferred Service Agreement between Warren Averett Technology Group, LLC (WATG) and the Company commenced upon the first day of the month following the date of approval by both parties and remain in effect unless terminated by either party. The Agreement was signed by WATG on August 5, 2015, and by the Company on September 1, 2015. The Agreement may be terminated by either party for any reason upon sixty days prior written notice.

Under this Agreement WATC will provide IT support services and backup data recover (BDR) services under WATC Preferred Service Agreement for the Company. The WATC IT service plan includes proactive maintenance and support of the Information Technology infrastructure and end user devices. WATC will provide unified off-site backup and data recovery (BDR) services for covered server(s) of the Company.

*Warren Averett Technology Group, LLC (WATG), Information Security Solution, Proposal to Serve**

The proposal to serve between Warren Averett Technology Group, LLC (WATG), and the Company commenced on September 27, 2018. This proposal to serve expired and was replaced subsequent to December 31, 2021. This proposal was for proposal of services provided IT support services under the WATG Preferred Service Agreement with the Company.

*Effective February 27, 2023, the Company entered into a new proposal to provide Technical Services and Security Solutions with Warren Averett Technology Group, LLC. The new proposal was documented in the Subsequent Events section of this report on page 26.

*Warren Averett Technology Group, LLC (WATG), Monthly Managed IT Support Services, Backup/ Recovery Proposal to Serve Agreement.**

The proposal to serve between Warren Averett Technology Group, LLC (WATG), and the Company commenced on September 27, 2018. This proposal expired and was replaced subsequent to December 31, 2021. This IT service plan included proactive maintenance and support of the IT infrastructure and end user devices.

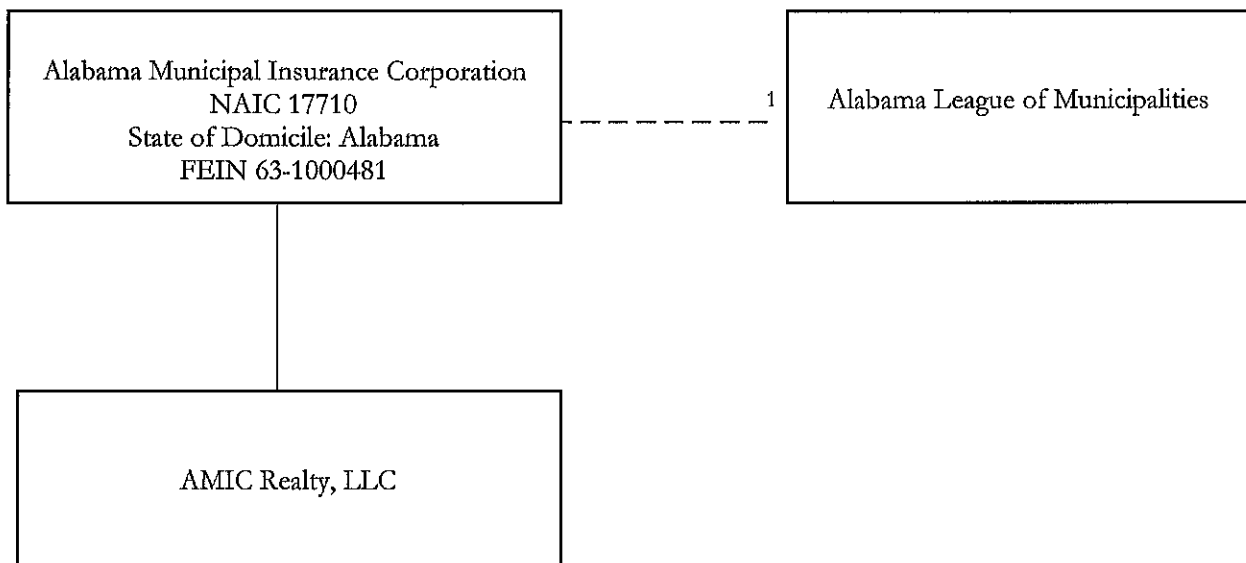
*Effective February 28, 2023, the Company entered into a new proposal to provide MFA for Workstations (Add-On to Complete TSSP). The new proposal was documented in the Subsequent Events section of this report on page 26.

FIDELITY BONDS AND OTHER INSURANCE

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*.

ORGANIZATIONAL CHART

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



¹ While unaffiliated, the Alabama League of Municipalities provides administrative services to Alabama Municipal Insurance Corporation pursuant to the Administrative Services Agreement detailed on page 7.

PENSION AND STOCK OWNERSHIP

The Company had no employees, provided no direct benefits and had no employee benefit plans in effect during the examination period. All administrative and employee services were provided by Alabama League of Municipalities (ALM), under the terms of the "*Administrative and Professional Services Agreement*" – page 7.

COMPLIANCE WITH 18 U.S.C. § 1033

ALA. ADMIN. CODE 482-1-146-.11 (2009) 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.

The Company had internal procedures in place for determining if applicants for employment had been convicted of a Section 1033 offense. There were procedures to periodically ascertain if existing employees had been convicted of a Section 1033 offense since the date of hire as well.

SCHEDULE OF SPECIAL DEPOSITS

Statutory Deposits

In order to comply with the statutory requirements for doing business in the State of Alabama, the Company had the following on deposit with the Alabama Department of Insurance as of December 31, 2021.

Description	Market Value
Certificate of Deposit*	\$ <u>135,413</u>
Total	\$ <u>135,413</u>

*For the benefit of all Policyholders

The Company did not complete 2021 Annual Statement, Schedule E - Part 3 - Special Deposits in accordance with the NAIC *Annual Statement Instructions, Schedule E – Part 3 – Special Deposits*, which states:

Deposits for the Benefit of All Policyholders

Report only the statutory deposit held for the benefit of all policyholders.

FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Company for the examination period:

	Admitted <u>Assets</u>	<u>Liabilities</u>	Capital & <u>Surplus</u>	Premiums <u>Earned</u>
2021	\$147,251,174	\$ 74,883,807	\$ 72,367,367	\$ 37,320,837
2020	141,796,502	68,524,214	73,272,288	36,684,623
2019	132,035,511	67,143,928	64,891,583	35,078,122
2018	124,119,880	68,302,174	55,817,706	34,736,743

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company is a mutual insurance company whose members are also members of the Alabama League of Municipalities (ALM). Alabama Municipal Insurance Corporation (AMIC) participants must be members in good standing of ALM to be eligible to participate in AMIC insurance and risk management programs. The Company writes a variety of commercial multiple peril coverages to municipal organizations in the State of Alabama.

Territory

During the examination period the Company was licensed to provide automobile, commercial general liability, police professional liability, public officials' errors and omissions, property and surety bond coverage in the state of Alabama only.

Marketing and Sales

The Company does not have a formal marketing program. The Company's advertising file contained a journal and brochure that described the Company and the Alabama League of Municipalities and the services they provide. The examiners determine that the Company did not make false, deceptive or misleading statements or representations.

The Company's webpage (www.amicentral.org) was reviewed and found to include the following links: Home, Sales & Underwriting, Loss Control, Employment Hotline, Claims, About AMIC and Board of Directors. To request additional information, the prospective consumer can call or write the home office for additional information.

Producers are not allowed to create their own advertising or marketing materials.

Claims

Paid Claims

A sample of 109 paid claims was taken from a total population of 10,206 paid claims for the examination period. The sample selection was reviewed with regards to compliance with policy provisions, timeliness of payments, and adequacy of documentation. No significant discrepancies were found. Based on the review

performed, the Company complied with ALA. ADMIN. CODE 482-1-125-.07 (2020) which states:

- (6) The insurer shall tender payment within thirty (30) days or the time specified in the policy, after accepting liability, reaching an agreement on the amount of the claim and receipt of any documents necessary to consummate the settlement.

Denied Claims

A sample of 108 denied claims was selected from a total population of 2,908 denied claims for the examination period. The sample selections were reviewed to determine if the claims were settled in accordance with policy provisions and applicable statutes and regulations. There were no discrepancies found. The documentation maintained in the claim files supported or justified the ultimate claim determination. Based on the review performed, the Company complied with ALA. ADMIN. CODE 482-1-125-.07 (2020) which states:

- (1) Within thirty (30) days, or the number of days specified in the policy, after receipt by the insurer of properly executed proofs of loss, the first party claimant shall be advised of the status of acceptance or denial of the claim by the insurer. No insurer shall deny a first party claim on the grounds of a specific policy provision, condition or exclusion unless reference to such provision, condition, or exclusion is included in the denial.

Policyholders' Complaints

During the examination period, there were Alabama complaints documented in the Company's complaint register. The Company had a total of 4 complaints for the examination period. It was determined that all four were for Alabama. The Company appropriately maintained the following information in its complaint register: line of business, function and reason for the complaint. The Company's responses fully addressed the issues raised, and the complaints were appropriately resolved within the required time frame. Based on the review of the Company's complaint procedures, it was determined that the Company had a sufficient method for the distribution and

obtaining and recording responses to complaints. The review of the complaints determined that the responses were submitted in a timely manner and addressed the issues raised.

Compliance with Producer Licensing Requirements

Producer Appointments

A sample of 116 policies was selected from a population of 33,852 written policies for the examination period of January 1, 2018 – December 31, 2021. The sample was reviewed to determine if the producers were properly licensed and appointed prior to writing business. The following was noted during the review:

- 55 policies were written by in-house producers who were properly licensed and appointed
- 56 policies were written by independent producers that were properly licensed and appointed
- 2 policies were written by 1 producer who was appointed after the effective date of the policy
- 3 policies were written by 2 producers who were not appointed by the Company

The review determined five (5) policies were written by producers that were not properly appointed. Premiums written and commissions paid the agencies for years-ending 2018 - 2021 were \$3,481,042 and \$299,520 respectively.

The Company was not in compliance with ALA. CODE § 27-7-4(a) (2001) which states:

No person shall in this state sell, solicit, or negotiate insurance for any class or classes of insurance unless the person is then licensed for that line of authority in accordance with this chapter. Any insurer accepting business directly from a person not licensed for that line of authority and not appointed by the insurer shall be liable to a fine up to three times the premium received from the person.

Producer Terminations

The Company had a total of twelve (12) producers that were terminated during the examination period. Due to the total number of terminated producers the examiners reviewed all twelve (12) producer files. The review determined Company did not notify the twelve (12) producers they were terminated within 15 days. Therefore, the Company was not in compliance with ALA. CODE § 27-7-30.1(a) (2001) which states:

Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

Underwriting and Rating

A sample of 116 transactions out of a population of 33,852 written premium transactions for the examination period was selected for review. The sample selection was reviewed with regards to compliance with underwriting guidelines and unfair discriminatory practices. The premiums were calculated in accordance with the Company's guidelines and the rates used were filed with Alabama Department of Insurance (ALDOI). The information reviewed indicated the Company did not use unfair discriminatory practices.

There were 15 cancelled policies for the examination period. All of the policies were reviewed in regard to: (1) compliance with cancellation policies and procedures; and (2) proper documentation. The review of cancellation/non renewed files determined the Company maintained proper documentation and was handled in accordance with the Company's policies and procedures and without excessive amount of paperwork.

Policy Forms

The Company did not have any rate filings for the examination period.

Privacy

The Company only wrote commercial multiple peril insurance during the examination period. ALA. ADMIN. CODE 482-1-122.02 (2001) states:

B. Scope. This regulation applies to nonpublic personal financial information about individuals who obtain or seek to obtain products or services primarily for personal, family or household purposes from licensees. This regulation does not apply to information about companies or about individuals who obtain or seek to obtain products or services for business, commercial or agricultural purposes, nor does it apply to workers compensation claims, workers compensation insurance, workers compensation programs, or employee welfare benefits plans as defined in 29 U.S.C. § 1002(1) or any third party administrator to the extent it provides services to a workers compensation program or employee welfare benefit plan.

REINSURANCE

The Company's reinsurance/insurance brokerage services and certain administrative services were provided by Arthur J. Gallagher Risk Management Services, Inc.

Reinsurance Assumed

The Company had no reinsurance assumed at December 31, 2021.

Reinsurance Ceded

At December 31, 2021, the Company's ceded reinsurance program consisted of property reinsurance, casualty reinsurance, boiler and machinery reinsurance and privacy liability (cyber) reinsurance.

Property Reinsurance

Effective Date: 5/1/2021 – 4/30/2022
Self-Insured Retention: \$ 150,000
Per Occurrence: \$ 450,000
Corridor: \$5,000,000: May 1 – December 31
\$5,000,000: January 1 – April 30

\$10,000,000
Carrier: *Lloyd's of London, Sompo/Convex, Everest*

\$25,000,000 xs \$10,000,000
Carriers: *Lloyd's of London, Westchester*
Berkshire Hathaway Specialty Insurance Company
Everest

\$50,000,000 xs \$10,000,000
Carriers: *Lloyds of London, Sompo/Conves, Colony,*
Old Republic, Fidelis, CNP

\$25,000,000 xs 50,000,000
Carrier: *Colony, Ironshore, Westchester, Fidelis, CNP*

\$25,000,000 xs \$75,000,000
Carriers: *Lloyd's of London, Everest, CNP*

Casualty Reinsurance

Effective Date: 11/1/2021 – 11/1/2022
Self-Insured Retention: \$ 350,000 – AL/GL
\$ 500,000 – POL/LEL
Limits: \$1,650,000 – AL/GL
\$1,500,000 – POL/LEL
Annual Aggregate/Corridor: \$ 750,000
\$ 450,000 additional for Auto & Class Action
claims
Carrier: *Old Republic*

Boiler & Machinery Reinsurance

Effective Date: 5/15/2021 – 5/15/2022
Self-Insured Retention: \$ 25,000 **
Limit: \$50,000,000 – Per Occurrence

Carrier *Travelers Boiler Re*

Privacy Liability (Cyber)

Effective Date: 11/1/2021 – 11/1/2022
AMIC Member Retention: \$ 2,500 Minimum or GL Deductible if Higher
Limit: \$ 1,000,000
Carrier: *Self-Insured*

ACCOUNTS AND RECORDS

The Company's principal accounting records were maintained primarily on electronic data processing (EDP) equipment. Management and record-keeping functions were performed by the personnel of Alabama League of Municipalities (ALM) under the terms of a Management and Operating Agreement. Warren Averett Technology Group, LLC provided the Company with IT support services which included proactive maintenance and support of the Company's Information Technology infrastructure and end user devices. The Company's financial statement preparation for each year under examination and other accounting services were provided by TaylorChandler, LLC, the Company's independent auditor under the terms of a contract with TaylorChandler, LLC. The Company's actuarial loss reserve report and statement of actuarial opinion for each year under examination were prepared by Merlinos & Associates, Inc.

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.

Statement of Assets.....	22
Statement of Liabilities, Surplus and Other Funds.....	23
Statement of Income.....	24
Statement of Changes in Capital and Surplus.....	25

ALABAMA MUNICIPAL INSURANCE CORPORATION
STATEMENT OF ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Assets	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 67,756,155	-		\$ 67,756,155
Preferred Stocks	104,984	-		104,984
Common Stocks	38,865,066	-		38,865,066
Real estate				
Properties occupied by the company	932,673	-		932,673
Cash	9,133,201	-		9,133,201
Other invested assets	1,010,387	-		1,010,387
Subtotals, cash and invested assets	\$ 117,802,466	-		\$ 117,802,466
Investment income due and accrued	470,675	-		470,675
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	6,996,503	974,993		6,021,510
Reinsurance				
Amounts recoverable from reinsurers	21,071,328	-		21,071,328
Electronic data processing equipment and software	32,504	-		32,504
Furniture and equipment, including health care delivery assets	166,084	166,083		1
Aggregate write-ins for other-than-invested assets	3,832,028	1,979,338		1,852,690
TOTAL ASSETS	\$ 150,371,588	\$ 3,120,414		\$ 147,251,174

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

**ALABAMA MUNICIPAL INSURANCE CORPORATION
STATEMENT OF LIABILITIES, SURPLUS AND OTHER FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Liabilities	Current Year
Losses	\$ 23,147,722
Loss adjustment expenses	30,379,007
Other expenses	49,771
Unearned premiums	19,089,627
Ceded reinsurance premiums payable	2,217,680
TOTAL LIABILITIES	\$ 74,883,807
Gross paid in and contributed surplus	6,053,305
Unassigned funds (surplus)	66,314,062
Surplus as regards policyholders	72,367,367
TOTAL LIABILITIES, SURPLUS, AND OTHER FUNDS	\$ 147,251,174

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

ALABAMA MUNICIPAL INSURANCE CORPORATION
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020	2019	2018
UNDERWRITING INCOME				
Premiums earned	\$ 37,320,837	\$ 36,684,623	\$ 35,078,122	\$ 34,736,743
DEDUCTIONS:				
Losses incurred	21,719,748	16,683,161	13,229,126	12,570,130
Loss adjustment expenses incurred	11,755,728	7,677,598	8,986,406	11,967,944
Other underwriting expenses incurred	9,044,738	8,597,494	7,738,514	9,150,909
Total underwriting deductions	\$ 42,520,214	\$ 32,958,253	\$ 29,954,046	\$ 33,688,983
Net underwriting gain (loss)	\$ (5,199,377)	\$ 3,726,370	\$ 5,124,076	\$ 1,047,760
INVESTMENT INCOME				
Net investment income earned	2,913,324	2,595,346	2,528,997	2,429,508
Net realized capital gains (losses) less capital gains tax	2,424,262	(707,020)	287,577	79,140
Net investment gain (loss)	\$ 5,337,586	\$ 1,888,326	\$ 2,816,574	\$ 2,508,648
OTHER INCOME				
Finance and service charges not included in premiums	18,787	16,546	17,208	28,383
Aggregate write-ins for miscellaneous income	50,019	26,181	21,707	30,936
Total other income	\$ 68,806	\$ 42,727	\$ 38,915	\$ 59,319
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 207,015	\$ 5,657,423	\$ 7,979,565	\$ 3,615,727
Dividends to policyholders	1,363,741	1,246,481	1,176,825	679,843
Net Income, after dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes	(1,156,726)	4,410,942	6,802,740	2,935,884
Net income	\$(1,156,726)	\$ 4,410,942	\$ 6,802,740	\$ 2,935,884

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

**ALABAMA MUNICIPAL INSURANCE CORPORATION
CAPITAL AND SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020	2019	2018
Surplus as regards policyholders, December 31, prior year	\$ 73,272,288	\$ 64,891,583	\$ 55,817,706	\$ 54,955,239
Net income	(1,156,726)	4,410,942	6,802,740	2,935,884
Change in net unrealized capital gains (losses) less capital gains tax	301,523	4,658,651	2,065,470	(2,066,953)
Change in nonadmitted assets	(55,717)	(688,888)	206,167	(6,464)
Surplus adjustments Paid in	(1)	-	-	-
Aggregate write-ins for gains and losses in surplus	6000	-	(500)	-
Change in surplus as regards policyholders for the year	(904,922)	8,380,705	9,073,877	862,467
Surplus as regards policyholders, December 31 current year	\$ 72,367,367	\$ 73,272,288	\$ 64,891,583	\$ 55,817,706

**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 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.

SUBSEQUENT EVENTS

A review of events subsequent to the December 31, 2021, 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

March 2022: Sean W. Duke was appointed President.

February 27, 2023: The Company entered into a new proposal to serve Agreement with Warren Averett Technology Group, LLC (WATG). In this Agreement WATG provided Technical Services and Security Solutions for the Company. This proposal to serve is a monthly recurring for a term of twenty-four (24) months and may be terminated by either party with upon providing sixty (60) days' written notice.

February 28, 2023: The Company entered into a new proposal to provide MFA for Workstations (Add-On to Complete TSSP) with Warren Averett Technology Group, LLC. This proposal to serve is a monthly recurring for a term of twenty-four (24) months and may be terminated by either party with upon providing sixty (60) days' written notice.

The COVID-19 pandemic continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Order regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Order and will take necessary action if a solvency concern arises.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the examination with regards to the Company's compliance with the recommendations made in the prior examination report. The review indicated that the Company had satisfactorily complied with the prior examination recommendations with the exception of the following:

Producer Terminations – Page 17

It is again recommended that the Company send termination notices to terminated producers. The Company terminated fifteen (15) producers during the examination period. The Company did not send termination notices to the producers. It is again recommended the Company send termination notices to terminated producers in accordance with ALA. CODE § 27-7-30.1(a) (2001).

COMMENTS AND RECOMMENDATIONS

Schedule of Special Deposits – Page 13

It is recommended that the Company complete Schedule E - Part 3 - Special Deposits in accordance with NAIC *Annual Statement Instructions, Schedule E – Part 3 – Special Deposits*, which states:

Deposits for the Benefit of All Policyholders

Report only the statutory deposit held for the benefit of all policyholders.

Producer Appointments – Page 16

It is recommended that the Company only accept business from producers licensed in Alabama and appointed by the Company. It is recommended that the Company comply with ALA. CODE § 27-7-4 (2001) which states:

- (a) No person shall in this state sell, solicit, or negotiate insurance for any class or classes of insurance unless the person is then licensed for that line of authority in accordance with this chapter. Any insurer accepting business directly from a person not licensed for that line of authority and not appointed by the insurer shall be liable to a fine up to three times the premium received from the person.

Terminated Producers – Page 17

It is recommended the Company send termination notices to its producers in accordance with ALA. CODE § 27-7-30.1(a) (2001) states:

Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

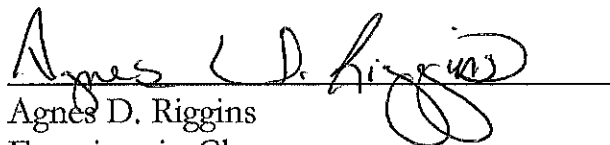
CONCLUSION

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, Mora Perkins-Taylor, MCM, David Martin, Simon K. Wong, FCAS, FSA, MAAA, Milliman, Jessica Carvalho, Milliman, Dave Gordon, CISA, CFE (Fraud), CDFE, The INS Companies and Jesse Jordan, IT Examiner, The INS Companies all representing the Alabama Department of Insurance, participated in certain phases of this examination.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Agnes D. Riggins", is written over a horizontal line.

Agnes D. Riggins

Examiner-in-Charge

State of Alabama Department of Insurance