

**REPORT OF  
EXAMINATION**

**OF**

**OMEGA ONE INSURANCE COMPANY**

**ELBA, ALABAMA**

**AS OF**

**DECEMBER 31, 2023**

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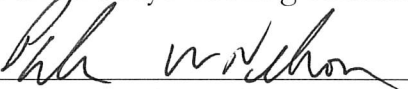
**EXAMINER'S AFFIDAVIT**

**STATE OF ALABAMA  
COUNTY OF COFFEE**


Palmer W. Nelson, CFE, being duly sworn, states as follows:

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

The affiant says nothing further.

  
\_\_\_\_\_  
Palmer W. Nelson, CFE

Subscribed and sworn before me by Palmer W. Nelson on the 27<sup>th</sup> day of September 2024.

(Seal)   
\_\_\_\_\_  
(Signature of Notary Public)

My commission expires \_\_\_\_\_ **MY COMMISSION EXPIRES  
JANUARY 3, 2027**





KAY IVEY  
GOVERNOR

MARK FOWLER  
COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 MONROE STREET, SUITE 502  
POST OFFICE BOX 303351  
MONTGOMERY, ALABAMA 36130-3351  
TELEPHONE: (334) 269-3550  
FACSIMILE: (334) 241-4192  
INTERNET: [www.aldoi.gov](http://www.aldoi.gov)

DEPUTY COMMISSIONER  
JIMMY W. GUNN  
LARRY CHAPMAN

CHIEF EXAMINER  
SHEILA TRAVIS

STATE FIRE MARSHAL  
SCOTT F. PILGREEN

GENERAL COUNSEL  
REYN NORMAN

September 27, 2024

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

Dear Commissioner Fowler:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2023, has been made of

**Omega One Insurance Company  
Elba, AL**

at its home office located at 661 East Davis Street Elba, AL 36323. The report of examination is submitted herewith. Where the description "The Company" and "Omega" appears herein, without qualification, it will be understood to indicate Omega One Insurance Company.

## SCOPE OF EXAMINATION

We have performed an examination of Omega One Insurance Company, a multi-state insurance company. The last examination covered the period of January 1, 2014 through December 31, 2018. The current examination covers the period of January 1, 2019 through December 31, 2023.

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, 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 systems (IS) was conducted concurrently with the financial examination. The IS 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 practices, advertising and marketing, underwriting and

rating, policyholders' complaints, compliance with producers' licensing requirements, and privacy standards. See the "Market Conduct Activities" section of this report on page 9 for further discussion.

Warren Averett, LLC, was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate. The workpapers of the Company's internal audit department were used to complete examination work as determined to be 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, 2023.

## **ORGANIZATION AND HISTORY**

The Company was incorporated on October 22, 1992, under the laws of the state of Alabama as a wholly owned subsidiary of National Security Fire & Casualty Company (NSFC), an Alabama property and casualty insurance company.

The authorized capital at incorporation was set at \$2,000,000. The Company commenced business with a minimum capitalization of \$1,500,000, which consisted of \$500,000 paid in capital and \$1,000,000 paid in surplus, derived from the issuance of 500,000 shares of \$1 par value common stocks at a subscription price of \$3 per share.

In 1994, the Company issued a surplus note in the amount of \$3,500,000 to National Security Insurance Company (NSIC), an affiliated life insurer. The surplus note was approved by the Alabama Department of Insurance on September 29, 1994. The Company increased its capital to \$650,000 on June 14, 1995, by declaring a stock dividend in the amount of \$150,000.

On June 7, 2000, the Company purchased all of the common stock of Liberty Southern Insurance Company (LSIC) for \$.01 per share (approximately \$7,300). Additionally, the Company paid off the outstanding surplus notes of LSIC (approximately \$625,000 including interest) to become the sole shareholder. LSIC's charter to conduct insurance business was turned in to the Alabama Department of Insurance.

The National Security Group (NSG) was purchased by VR Insurance SPV on June 30, 2022. The ownership is a mixture of individuals and companies, and the group is headed by Vivek Ranadive. As a result of the acquisition, NSG is no longer publicly

traded and is instead privately held. At December 31, 2023, the Company's capital structure consisted of 650,000 shares of common stock, issued and outstanding, with a par value of one dollar per share for a total capital of \$650,000. The Company also had \$1,000,000 in gross paid in and contributed surplus and reported \$6,271,664 of unassigned funds. The Company's total reported capital and surplus at December 31, 2023, was \$7,921,664.

## **MANAGEMENT AND CONTROL**

### **Stockholder**

The Company is a stock corporation with ultimate control vested in its stockholders. On December 31, 2023, 100% of the Company's issued and outstanding common stock was owned by NSFC.

### **Board of Directors**

Members elected to the board of directors by the sole shareholder and serving on December 31, 2023, were as follows:

<b><u>Directors/Residence</u></b>	<b><u>Principal Occupation</u></b>
Ross Peter Aron New York, NY	President/CEO The National Security Group, Inc.
Kelly Holland Jackson Enterprise, AL	Vice President, CFO, Treasurer The National Security Group, Inc.
Tonya Mathews Jones Brantley, AL	Vice President, Secretary, Assistant Treasurer Human Resources Manager, COO The National Security Group, Inc.
Laura Williams Jordan Jack, AL	Vice President, Assistant Secretary, CAO The National Security Group, Inc.



## Officers

Officers of the Company elected by the board of directors and serving on December 31, 2023, were as follows:

<u>Position</u>	<u>Name</u>
President/CEO	Ross Peter Aron
Treasurer/Vice President/CFO	Kelly Holland Jackson
Secretary/Vice President/COO	Tonya Mathews Jones
Vice President/Assistant Secretary/CAO	Laura Williams Jordan
Vice President	Phillip Tarkington Curtis

## Committees

The Company had no board of director committees during the examination. The Audit Committee of the holding company, The NSG, serves as the audit committee of all insurance companies of the group.

## Conflict of Interest

The Company requires that conflict of interest statements be completed annually by all directors, officers and exempt status employees. In addition, the Company requires every new employee, whether they are exempt, non-exempt, full-time, part-time or contracted, to attend a Code of Business Conduct and Compliance Program. This program provides employees with a formal statement of the Company's standards and rules of ethical business. At the end of the program, the employees are required to sign a statement of understanding, which is maintained in the employees' personnel files. Officers, directors, and managers are also required to complete a Code of Ethics Certification on an annual basis. This certifies their understanding and agreement to abide by the Company's ethical standards and expectations.

A review was conducted of all conflict of interest statements filed by the board of directors and the officers during the examination period. No items of disclosure, which may have had the potential of a material or adverse impact on the operations of the Company, were noted.

## **CORPORATE RECORDS**

The Company's Articles of Incorporation, By-Laws, and amendments thereto were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with usual corporate practices and applicable regulations.

## **HOLDING COMPANY AND AFFILIATE MATTERS**

### **Holding Company**

The Company was subject to the Alabama Insurance Holding Company Regulatory Act, as defined in ALA. CODE § 27-29-4(a)(1) (2022). VR Insurance Holdings, Incorporated was registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System.

Appropriate filings required under the Holding Company Act were made from time to time by the registrant. A review of the Company's filings during the period under review indicated that required disclosures were included in the Company's filings.

### **Dividends to Stockholders**

The Company did not pay any stockholder dividends during the examination period.

### **Management and Service Agreements**

The following agreements between the Company and its affiliates were in effect during the examination period.

#### ***Holding Company Management Service Agreement***

Effective July 1, 2010, The NSG entered into a Holding Company Management Service Agreement among and between, NSIC, NSFC, and Omega. The purpose of the agreement is to provide remuneration for services provided by NSG on behalf of and/or to the benefit of the subsidiaries. The primary intent of this fee is to cover operating costs of NSG related to providing additional risk management, board oversight, and various other benefits to its subsidiaries. The management fee is calculated and paid on a monthly basis.

Agreement for the Allocation of General and Administrative Expenses

On December 1, 2011, an amendment to the Management Agreement for Allocation of General and Administrative Expenses, Adjuster Employees, and Income Taxes was filed. A Form D Prior Notice of a Transaction was filed with the Alabama Department of Insurance by NSG on behalf of NSIC, NSFC, Omega, and NATSCO, Inc. The amendment provided for allocation of common expenses, adjuster fees, and income taxes between NSG and its subsidiaries. In consideration for the settlement of common expenses, adjuster fees, and income taxes between NSG and its subsidiaries, each subsidiary agreed to pay the respective amounts to the respective company as calculated using the most pertinent means which shall be construed as reimbursement of all direct costs.

The term of the agreement was for one-year, renewable for successive one-year periods until any party elects to terminate or until modified, amended, or superseded by a subsequent agreement.

Investment Management Agreement

On June 16, 2022, a Form D Prior Notice of a Transaction for an Investment Management Agreement was filed with the Alabama Department of Insurance by VR Insurance Holdings, Incorporated. The agreement was approved by the Commissioner on June 17, 2022. VR Asset Management, LLC, a direct wholly owned subsidiary of VR Insurance Holdings, Inc., NSIC, NSFC, and Omega entered into an Investment Management Agreement effective July 1, 2022, whereby VR Asset Management, LLC manages the investment portfolios of NSIC, NSFC, and Omega within each insurer's investment guidelines for a flat fee of 55 basis points.

The agreement shall be effective for a period ending on the five-year anniversary of the effective date. The agreement may be extended by mutual agreement of the Company and investment manager, but the extension is subject to the approval of the Alabama Department of Insurance. If the Company or investment manager does not perform satisfactorily under the agreement, the agreement may be terminated with 30 days prior written notice by either party. The Company or investment manager may terminate the agreement upon 180 days prior written notice or a shorter period of time if the parties agree in writing. A prior notice shall also be provided to the Commissioner.

## **ORGANIZATIONAL CHART**

The following chart presents the affiliations of the entities affiliated with the Company.



## **FIDELITY BONDS AND OTHER INSURANCE**

The Company was a named insured with Liberty Mutual Insurance Company for an aggregate amount, which met the suggested minimum requirements of the *NAIC Financial Condition Examiners Handbook*. In addition to this coverage, the Company also had insurance coverage for the following:

- Auto Coverage provided by Cincinnati Insurance Company.
- Cyber Liability Policy provided by Accredited Specialty Insurance Company

The Company was shown as the insured plan on all policies. Each policy included all subsidiaries as a group or by entity name.

## **EMPLOYEE AND AGENT WELFARE**

The Company did not have any employees at December 31, 2023; therefore it had no employee benefit plans. All functions of the Company were performed by employees of NSIC via the terms of an administrative services agreement. The Company did not issue any policies of insurance during the examination period and does not have any appointed agents.

### **Compliance with 18 U.S.C. § 1033**

The examiners reviewed the Company's internal procedures to determine if prospective and current employees and/or contractors are in compliance with 18 U.S.C. § 1033, which prohibits persons with certain felony offenses from participating in the business of insurance. Also, compliance with ALA. ADMIN. CODE 482-1-146 (2009) was examined.

A sample of NSIC employees was selected. The employees of the affiliated insurer are contract employees for the Company. For the sample of employees that were reviewed, the examiners verified that the Company performed criminal background checks of prospective employees as is required. The review also indicated that the Company performed criminal background checks of existing employees every three years, unless a background check had just been run during the past year for a newly hired employee on the date of obtaining the background checks. The managers indicated that those that were excluded because of a recent background check will be tested on the date that background checks will be obtained again for all existing employees. The Company did not have a documented procedure with the details of the intervals in which background checks would be obtained to verify that existing

employees did not have a felony conviction. 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:

...(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.

## **MARKET CONDUCT ACTIVITIES**

### **Territory**

On December 31, 2023, the Company was licensed to transact business in the state of Alabama and Louisiana. The Certificate of Authority from the respective jurisdictions were inspected and found to be in order.

### **Plan of Operation**

The Company is a wholly owned subsidiary of NSFC. The Company previously wrote homeowners multi-peril, private passenger auto liability, and auto physical damage policies. The Company's business is in run off. The Company's sole business activity now is reinsuring NSFC. The Company reinsures NSFC for catastrophes on an excess of loss basis. The Company reinsures catastrophe losses for \$1,000,000 in excess of \$3,000,000 per occurrence, with one reinstatement.

### **Advertising and Marketing**

The Company did not have a formal advertisement program during the examination period.

### **Policyholder's Complaints**

No Complaints were filed with the Company or the Alabama Department of Insurance during the examination period.

### **Claims Payment Practices**

The Company did not have any claims during the examination period.

### Compliance with Producer Licensing Requirements

The Company wrote no new business during the examination period. The Company had no producers.

### Underwriting and Rating

The Company did not issue any new policies during the examination period.

### Privacy Standards

The Company did not write any new business during the examination period, 2019 - 2023; therefore, it did not collect and disclose personal information in regard to ALA. ADMIN. CODE 482-1-122 (2001).

### **SPECIAL DEPOSITS**

The Company maintained the following deposit with the respective statutory authority at December 31, 2023, as required or permitted by law.

State	Book/Adjusted Carrying Value	Fair Value
Alabama	\$683,974	\$562,645

### **FINANCIAL CONDITION/GROWTH OF THE COMPANY**

The following information presents significant items that reflect the growth of the Company for the years indicated.

Year	Admitted Assets	Liabilities	Capital and Surplus	Net Underwriting Income
2019	\$11,863,004	\$433,356	\$11,429,647	\$464,018
2020	8,141,256	1,058,223	7,083,033	(1,475,511)
2021	7,211,314	265,181	6,946,131	(571,186)
2022	7,671,973	186,546	7,485,426	374,244
2023	8,175,509	253,845	7,921,663	366,496



## REINSURANCE

### Assumed Reinsurance

#### *Affiliated Property Catastrophe Excess of Loss Reinsurance Agreement*

The Company had a Property Catastrophe Excess of Loss Reinsurance Agreement with its sole shareholder, NSFC. The original agreement was for the term February 15, 2015, to February 15, 2016, and has been renewed for each annual period since the original term as is allowed by the agreement's provisions. The retention is \$3 million per catastrophe occurrence. The reinsurance limit is \$1 million per catastrophe occurrence. There is an aggregate limit of \$2 million. The agreement provisions allow the reinsurance limit to be reinstated by payment of a reinstatement premium that is based on the pro rata diminishment of the reinsurance limit.

### Ceded Reinsurance

#### *Property Catastrophe Multi-Layered Excess of Loss Reinsurance Agreement*

The term of the reinsurance agreement was 12:01 A.M. Central Standard Time, January 1, 2023 to 12:01 A.M. Central Standard Time, January 1, 2024. The ceding companies were NSFC and its subsidiary property and casualty insurer, Omega. The agreement included three excess of loss layers of reinsurance with each layer layered upon the other. There were no gaps of losses that were not reinsured after the retention is exceeded for the first excess layer up to the limit of the third excess of loss layer. The ultimate limit of the agreement was \$72.5 million, which is the sum of the limits for each of the three excess of loss layers. The retention of the first excess of loss layer was \$6 million. There is an aggregate limit for each excess of loss layer that is twice the amount of the respective per occurrence limit for each layer. The excess of loss retentions and limits were as follows:

<u>Layer</u>	<u>Retention</u>	<u>Limit</u>
1st Excess of Loss Layer	\$6 million	\$11.5 million
2nd Excess of Loss Layer	\$17.5 million	\$25 million
3rd Excess of Loss Layer	\$42.5 million	\$30 million

The reinsurance retentions and limits were for one catastrophe occurrence. The reinsurance limits could be reinstated by payment of a reinstatement premium. The reinstatement premium is determined on a pro rata basis based on the extent of the reinsurance limit that has been exhausted by a catastrophe occurrence.

The reinsurance intermediary was Guy Carpenter. The participating reinsurers were as follows.

<u>Reinsurer</u>	<u>1st Excess Layer</u>	<u>2nd Excess Layer</u>	<u>3rd Excess Layer</u>
Allied World Insurance Company	6.00%	3.00%	3.00%
American Family Connect Property and Casualty Insurance Company	3.50%	3.50%	4.00%
Arch Reinsurance Company	4.25%	4.25%	4.50%
Devk Ruckversicherungs Und Beteiligungs AG	3.50%	3.50%	3.50%
Everest Reinsurance Company	5.00%	5.00%	5.00%
Farm Mutual Reinsurance Plan, Inc.	8.00%	5.00%	3.00%
Hannover Ruck SE	10.00%	15.50%	6.50%
Lloyd's London #2791	9.75%	2.00%	
Lloyd's London #1729	1.50%	2.00%	1.50%
Lloyd's London #1955	3.50%		2.00%
Lloyd's London #2001		8.00%	8.00%
Lloyd's London #4444		6.00%	6.00%
R+V Versicherung AG	30.00%	30.00%	30.00%
Swiss Reinsurance America Corporation	10.00%	10.00%	10.00%
Taiping Reinsurance Company, Limited			10.00%
Validus Reinsurance, Limited	5.00%	2.25%	3.00%

*Underlying Property Catastrophe Excess of Loss Reinsurance Agreement*

The agreement is a catastrophe excess of loss reinsurance agreement that underlies the multi-layered Property Catastrophe Excess of Loss Agreement. The term of the reinsurance agreement was 12:01 A.M. Central Standard Time, January 1, 2023 to 12:01 A.M. Central Standard Time, January 1, 2024. The ceding companies were NSFC and Omega. The retention is \$3 million, however, there is a \$3 million aggregate deductible that must be met first. The reinsurance limit is \$3 million. There is also a \$1 million limit per mobile home park, unless the reinsurer allows a special acceptance. There is an aggregate limit of \$9 million. The retention and limit are applied on a per occurrence basis. The reinsurance limit could be reinstated with payment of a reinstatement premium that is based on the pro rata diminishment of the reinsurance limit.

The reinsurance intermediary was Guy Carpenter. The agreement was 86.5% placed with reinsurers. The participating reinsurers were as follows.

<u>Reinsurer</u>	<u>Percentage Participation</u>
Allied World Insurance Company	25.0%
Devk Ruckversicherungs Und Beteiligungs AG	3.5%
Farm Mutual Reinsurance Plan, Inc	8.0%
Hannover Ruck SE	50.0%

*Reinstatement Premium Protection Reinsurance Contract*

The term of the reinsurance agreement was 12:01 A.M. Central Standard Time, January 1, 2023 to 12:01 A.M. Central Standard Time, January 1, 2024. The ceding companies were NSFC and Omega. The business covered under the agreement was the liability incurred for the reinstatement premium under the multi-layered excess of loss reinsurance agreement. The agreement had two excess layers. The first excess layer provides reinsurance for up to \$11.5 million in excess of the retention of \$6 million. The second excess layer provides \$25 million in excess of \$17.5 million. The aggregate limits are \$23 million for the first excess layer and \$50 million for the second excess layer.

The reinsurance intermediary was Guy Carpenter. The agreement was partially placed with reinsurers with the first layer placed 52.5% and the second layer placed 55%. The participating reinsurers were as follows.

<u>Reinsurer</u>	<u>1st Excess Layer</u>	<u>2nd Excess Layer</u>
Farm Mutual Reinsurance Plan, Inc.	2.5%	5%
Hannover Ruck SE	50%	50%

**ACCOUNTS AND RECORDS**

The Company maintained its accounting, premiums, and losses data electronically. The Company maintained additional electronic workpapers, reconciliations and statements in its database of imaged records.

The Company's independent audit was performed by Warren Averett, a certified public accounting firm of Birmingham, Alabama.

## FINANCIAL STATEMENTS

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, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

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**Omega One Insurance Company**  
**Statement of Assets, Liabilities, Surplus and Other Funds**  
**For the Year Ended December 31, 2023**

<u>ASSETS</u>	Assets	Non Admitted Assets	Net Admitted Assets
Bonds	\$ 6,065,722	-	\$ 6,065,722
Common stocks	-	-	-
Cash, cash equivalents and short-term investments	2,021,093	-	2,021,093
Other invested assets	28,347	-	28,347
<b>Subtotals, cash and invested assets</b>	<b>\$ 8,115,212</b>	<b>-</b>	<b>\$ 8,115,212</b>
Investment income due and accrued	37,842	-	37,842
Net deferred tax asset	22,455	-	22,455
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	8,175,509	-	8,175,509
<b>TOTAL ASSETS</b>	<b>\$ 8,175,509</b>	<b>\$ -</b>	<b>\$ 8,175,509</b>
<u>LIABILITIES</u>			
Losses			\$ -
Reinsurance Payable on paid losses and loss adjustment expenses			3,425
Other expenses			121,389
Taxes, licenses and fees			1,046
Current federal and foreign income taxes			127,984
Payable to parent, subsidiaries and affiliates			
<b>TOTAL LIABILITIES</b>			<b>\$ 253,845</b>
<u>SURPLUS</u>			
Common capital stock			\$ 650,000
Gross paid in and contributed surplus			1,000,000
Unassigned funds (surplus)			6,271,664
Surplus as regards policyholders			\$ 7,921,664
<b>TOTAL LIABILITIES, SURPLUS AND OTHER FUNDS</b>			<b>\$ 8,175,509</b>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL  
PART THEREOF**

**Omega One**  
**Statement of Income**  
**For the Years Ended December 31, 2019-2023**

<u>UNDERWRITING INCOME</u>	2023	2022	2021	2020	2019
Premiums earned	\$ 515,000	\$ 515,000	\$ 515,000	\$ 515,000	\$ 563,078
DEDUCTIONS					
Losses incurred	(2,873)	(4,597)	951,524	1,738,801	4,241
Loss adjustment expenses	14,508	16,187	72,424	189,595	13,385
Other underwriting expenses incurred	136,869	129,166	62,238	62,115	81,434
Total underwriting deductions	\$ 148,504	\$ 140,756	\$ 1,086,186	\$ 1,990,511	\$ 99,060
Net underwriting gain (loss)	<u>\$ 366,496</u>	<u>\$ 374,244</u>	<u>\$ (571,186)</u>	<u>\$ (1,475,511)</u>	<u>\$ 464,018</u>
<u>INVESTMENT INCOME</u>					
Net investment income earned	\$ 204,441	\$ 190,467	\$ 180,173	\$ 329,204	\$ 301,492
Net realized capital gains (losses)	\$ (14,791)	\$ (23,700)	\$ 986,693	\$ 150,336	\$ (16,449)
Net investment gain (loss)	<u>\$ 189,650</u>	<u>\$ 166,767</u>	<u>\$ 1,166,867</u>	<u>\$ 479,540</u>	<u>\$ 285,043</u>
<u>OTHER INCOME</u>					
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 556,147	\$ 541,011	\$ 595,680	\$ (995,971)	\$ 749,061
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 556,147	\$ 541,011	\$ 595,680	\$ (995,971)	\$ 749,061
Federal and foreign income taxes incurred	\$ 131,929	\$ 9,537	\$ (288,286)	\$ (41,709)	\$ (156,124)
Net income	<u>\$ 424,218</u>	<u>\$ 531,474</u>	<u>\$ 883,966</u>	<u>\$ (954,262)</u>	<u>\$ 592,937</u>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL  
PART THEREOF**

**Omega One Insurance Company**  
**Capital and Surplus**  
**For the Years Ended December 31, 2019-2023**

	2023	2022	2021	2020	2019
<b>Surplus as regards policyholders,</b>					
<b>December 31 prior year</b>	\$ 7,485,426	\$ 6,946,131	\$ 7,083,033	\$ 11,429,647	\$ 10,783,086
Net income	424,218	531,474	883,966	(954,262)	592,937
Change in net unrealized capital gains or (losses) less capital gains tax	-	-	(816,947)	(96,451)	53,723
Change in net deferred income tax	12,019	7,821	(203,921)	204,099	(99)
Change in surplus notes	-	-	-	(3,500,000)	-
Change in provision for reinsurance	-	-	-	-	-
Dividends to stockholders	-	-	-	-	-
Change in surplus as regards policyholders for the year	436,237	539,295	(136,902)	(4,346,614)	646,561
<b>Surplus as regards policyholders,</b>					
<b>December 31 current year</b>	<u>\$ 7,921,663</u>	<u>\$ 7,485,426</u>	<u>\$ 6,946,131</u>	<u>\$ 7,083,033</u>	<u>\$ 11,429,647</u>

**THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL  
PART THEREOF**

## **NOTES TO FINANCIAL STATEMENTS**

### **Analysis of Changes to Surplus**

No changes were made to surplus.

## **COMMENTS AND RECOMMENDATIONS**

### **Compliance with 18 U.S.C § 1033 – Page 10**

It is recommended that the Company have a documented procedure that effectively ensures that none of the Company's employees and/or contractors are prohibited from engaging in the business of insurance in accordance with ALA. ADMIN. CODE 482-1-146.11 (2009) which states:

(1) a Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:

...(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.

## **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

There were not any recommendations in the previous examination report.

## **CONTINGENT LIABILITIES AND PENDING LITIGATION**

The examination for contingent liabilities and pending litigation included a review of the Company's annual statement disclosures, minutes of the corporate governing bodies, pending claims, and the usual examination of the accounts for unrecorded items. The review did not identify any items that would have a material impact on the Company's financial statements in the event of an adverse outcome.

## **SUBSEQUENT EVENTS**

A review of events after December 31, 2023, showed that the Company submitted a Form A for acquisition by PhenixFIN. There was a hearing with the Alabama Department of Insurance on August 21, 2024, to consider the acquisition's approval. The Alabama Department of Insurance approved the Form A filing on September 12, 2024, but the acquisition has not occurred.



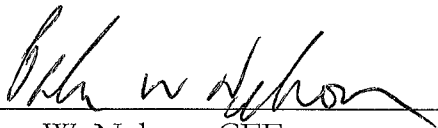
## CONCLUSION

Acknowledgement is hereby made of the courtesy and cooperation extended by all persons representing Omega during the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities set forth in this report.

In addition to the undersigned, Theo Goodin, AIE, ALMI, MCM, Mora Perkins-Taylor, MCM, Cristi Owen, CPA, CFE, AMCM, CPM, David Martin, Andarius Vincent, David Abbot, David Gordon, CISA, CIA, CFE (Fraud), CDFE, Lisa Bringman, CRP, CBA, Solomon Frazier, FSA, FCAS, MAAA, and Kirk Braunius, ASA, MAAA; all representing the Alabama Department of Insurance, participated in the examination of Omega.

Respectfully submitted,



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Palmer W. Nelson, CFE  
Examiner-in-charge  
Alabama Department of Insurance