

**REPORT OF
EXAMINATION**

OF

OMEGA ONE INSURANCE COMPANY

ELBA, ALABAMA

AS OF

DECEMBER 31, 2018

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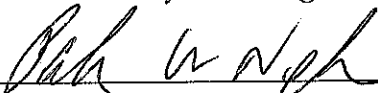
EXAMINER'S AFFIDAVIT

**STATE OF ALABAMA
COUNTY OF COFFEE**

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

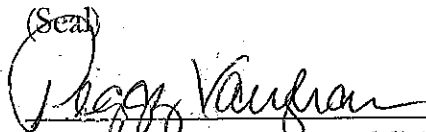
1. I have the authority to represent Alabama in the examination of Omega One Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and 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 25th day of October, 2019.

(Seal)


(Signature of Notary Public)

My commission expires _____ MY COMMISSION EXPIRES
February 5, 2023



KAY IVEY
GOVERNOR

JIM L.
RIDLING
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
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DEPUTY COMMISSIONER
JERRY WORKMAN
MARK FOWLER

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
SCOTT F. PILGREEN

GENERAL COUNSEL
REYN NORMAN

October 25, 2019

Honorable Jim L. Ridling
Commissioner of Insurance
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, AL 36104

Dear Commissioner Ridling:

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, 2018, 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" 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, 2010 through December 31, 2013. The current examination covers the period of January 1, 2014 through December 31, 2018.

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 10 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, 2018.

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, 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, a life insurer affiliate. 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.

At December 31, 2018, 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 \$5,633,086 of unassigned funds. The Company also had a surplus note payable in the amount of \$3,500,000. The Company's total reported capital and surplus at December 31, 2018, was \$10,783,086.

MANAGEMENT AND CONTROL

Stockholder

The Company is a stock corporation with ultimate control vested in its stockholders. At December 31, 2018, 100% of the Company's issued and outstanding common stock was owned by The National Security Group, Inc., a Delaware corporation.

Board of Directors

William Lister Brunson, Jr. Elba, AL	President, National Security Insurance Company; CEO, National Security Group, Inc.; Chairman of the Board, National Security Insurance Company, National Security Fire & Casualty Company, and Omega One Insurance Company
Jack Edward Brunson Elba, AL	President, National Security Fire & Casualty Company and Omega One Insurance Company
Brian Richard McLeod Elba, AL	Treasurer and CFO, National Security Insurance Company, National Security Fire & Casualty Company, and Omega One Insurance Company
Patricia Bowdoin Henderson Elba, AL	Vice President, National Security Insurance Company

Officers

Officers of the Company elected by the Board of Directors and serving at December 31, 2018 were as follows:

Officer	Title
Jack Edward Brunson	President
Brian Richard McLeod	Treasurer
Tonya Mathews Jones	Secretary
Timothy Wilson	Vice President
Patricia Bowdoin Henderson	Vice President
Kelly Holland Jackson	Controller

Committees

The Company had no committees of the Board during the examination. The Audit Committee of the holding company, The National Security Group, Inc., serves as the audit committee of all insurance companies of the group.

Conflict of Interest

The conflict of interest statements filed by the officers and directors of the Company were reviewed for this examination period. There were no conflicts disclosed.

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 § 27-29-1(1975). The Company's sole owner, The

National Security Group, Inc. 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 examination indicated that all required filings were made.

Dividends to Stockholders

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

Management and Service Agreements

Holding Company Management and Service Agreement

Effective July 1, 2010, The National Security Group, Inc. (the Holding Company) entered into a Holding Company Management Service Agreement among and between, National Security Fire and Casualty Company, Omega One Insurance Company and National Security Insurance Company.

The one year term of the Holding Company Management Service Agreement is renewable for successive one year periods until either party terminates or until modified, amended or superseded by a subsequent agreement.

The purpose is to provide remuneration for services provided by the Holding Company on behalf of and/or to the benefit subsidiaries. The primary intent of this fee is to cover operating cost of The National Security Group, Inc. related to providing additional risk management, board oversight and various other benefits to its subsidiaries. The Holding Company 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 The National Security Group, Inc., (NSG) on behalf of the following Insurance Companies: National Security Insurance Company, National Security Fire & Casualty Company, Omega One Insurance Company and Natsco,

Inc. The amendment provided for allocation of common expenses, adjuster fees and income taxes between NSG and its subsidiaries.

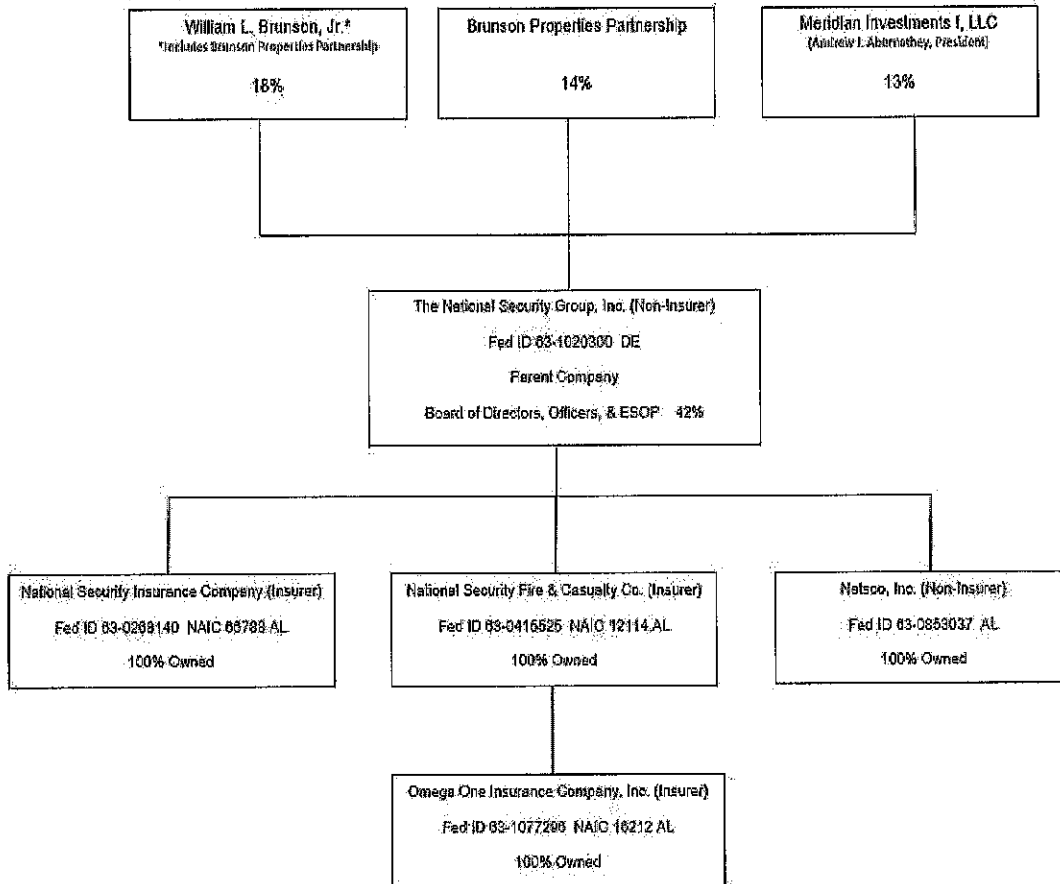
In consideration for the settlement of common expenses adjuster fees and income taxes between NSG and its subsidiaries, each subsidiary agreed to pay the respective amounts to the respective Company as calculated using the most pertinent means which shall be construed as reimbursement of all direct costs.

This 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.

ORGANIZATIONAL CHART

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

ORGANIZATIONAL CHART



FIDELITY BONDS AND OTHER INSURANCE

The Company was named insured by a Financial Institution Bond issued by Liberty Mutual Insurance Company. The bond was issued to The National Security Group, Inc., Inc. and Subsidiaries beginning in May 2018. The amount of the fidelity bond maintained by the Company exceeded the minimum amount suggested in the NAIC *Financial Condition Examiners Handbook*.

In addition to the above coverage, the Company was named insured under policies affording the following protections at December 31, 2018:

- Business Auto Coverage with The Cincinnati Insurance Company.
- Commercial Property Coverage with The Cincinnati Insurance Company.
- Commercial General Liability Coverage with The Cincinnati Insurance Company.
- Electronic Data Processing Coverage with The Cincinnati Insurance Company.
- Claims Liability Insurance with National Union Fire Insurance Company of Pittsburgh, PA.
- IT Cyber Security Insurance Coverage with National Union Fire Insurance Company of Pittsburgh, PA.
- System Failure Coverage with National Union Fire Insurance Company of Pittsburgh, PA.

It was assessed the Company held adequate coverage in force covering the hazards to which the Company may have been exposed to.

EMPLOYEE AND AGENT WELFARE

The Company did not have any employees at December 31, 2018; therefore it had no employee benefit plans. All functions of the Company were performed by employees of National Security Insurance Company 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 or employees of affiliates are in compliance with 18 U.S.C. § 1033, which prohibits persons with certain felony offences from participating in conducting the business of insurance.

The examiners determined that the Company had adequate procedures and were in compliance with 18 U.S.C. § 1033 and ALA. ADMIN. CODE 482-1-146 (2009) during the exam period.

MARKET CONDUCT ACTIVITIES

Territory

At December 31, 2018, 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 National Security Fire & Casualty Company. The Company previously wrote homeowners multi-peril, private passenger auto liability, and auto physical damage policies. The Company's business is being run off. The Company's sole business activity now is reinsuring National Security Fire & Casualty Company (NSFC). The Company reinsures NSFC for catastrophes on an excess of loss basis. The Company will reinsure 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 advertising and marketing 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's book of business is in run-off. No new business was written during the examination period.

Privacy Standards

The Company's business is in run-off. The Company did not write any new business during the examination period (2014-2018). The Company did not collect or disclose personal information from customers and was in compliance with ALA. ADMIN. CODE 482-1-122 (2001).

SPECIAL DEPOSITS

At December 31, 2018, as required or permitted by law, the Company maintained deposits with the respective statutory authorities as follows:

State	Book/Adjusted Carrying Value	Fair Value
Alabama	\$617,836	\$596,436

FINANCIAL CONDITION/GROWTH OF THE COMPANY

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Admitted Assets	\$ 10,682,969	\$ 11,527,157	\$ 11,432,005	\$ 12,119,388	\$ 11,066,272
Liabilities	819,259	838,562	713,383	1,136,880	283,185
Gross Written Premium	-	611,156	611,156	611,156	611,156
Net Losses Incurred	(216,663)	(189,651)	879,396	721,670	819,670
Net Loss Adjustment					
Expenses Incurred	(87,907)	(44,250)	127,965	94,536	125,607
Common Capital Stock	650,000	650,000	650,000	650,000	650,000
Gross Paid in and Contributed Surplus	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned Funds	4,713,710	5,538,595	5,568,623	5,832,508	5,633,086

REINSURANCE

Assumed Reinsurance

Affiliated

Catastrophe Excess of Loss Reinsurance Agreement with National Security Fire & Casualty Company

The Company had a catastrophe reinsurance agreement with its parent company, National Security Fire & Casualty Company (NSFC) effective February 15, 2015 for a one year term. The agreement has subsequently been renewed each year and the agreement for the term February 15, 2018 to February 15, 2019 was in effect as of the examination date. The agreement may be cancelled by either party giving the other sixty days advance notice of cancellation. The Company reinsures NSFC's business known as dwelling fire, allied lines, homeowners (section I only), and mobile home. Under the terms of the agreement, the Company agreed to reinsure catastrophe losses in excess of \$3 million from any one occurrence up to a limit of \$1 million per occurrence. The reinsurance may be reinstated following a catastrophe event by payment of the reinstatement premium. The aggregate limit for all events under the contract is \$2 million.

Ceded Reinsurance

Unaffiliated

Property Catastrophe Excess of Loss Reinsurance Program

As of December 31, 2018, the Company had a property catastrophe agreement that involved three excess layers. The business of the Company's parent company, National Security Fire & Casualty Company, was also reinsured under the agreement. The limits, retentions, and reinsurance premiums were applicable to the combined losses and premiums of the Company and its parent company. The business reinsured was policies classified as dwelling and commercial fire, allied lines, homeowners (section I only), mobile homes, inland marine, special multi-peril (section I only) and industrial fire in force at the inception of this contract or written or renewed during the term of the contract. The term of the agreement was January 1, 2018 to January 1, 2019, with respect to losses occurring during the contract term.

The retentions and limits were per occurrence. There was an aggregate loss limit for losses from all occurrences within each layer that was twice the per occurrence limit. Each layer began where the previous layer ended leaving no gaps in reinsurance from the first layer to the third. The catastrophe reinsurance program provided reinsurance for \$72.5 million of catastrophe losses from any one occurrence with a retention of \$4 million for any one event. The layers of excess of loss reinsurance were as follows:

- First Layer - \$13.5 million each occurrence, in excess of \$4 million
- Second Layer - \$25 million each occurrence in excess of \$17.5 million
- Third Layer - \$30 million each occurrence in excess of \$42.5 million

Reinsurers and Percentage of Participation:

Participating Reinsurer	1st Layer	2nd Layer	3rd Layer
Allied World Reinsurance Company	7.50%	2.50%	2%
American Standard Insurance Company of Wisconsin	0%	1%	1.75%
Arch Reinsurance Company	0%	5%	5%
Employers Mutual Casualty Company	0%	1.50%	0%
Everest Reinsurance Company	16%	13%	11%
Farm Mutual Reinsurance Plan, Inc.	8%	2.25%	1%
Fidelis Insurance Bermuda Limited	1.50%	1.50%	1.50%
Hamilton Re, Ltd.	0%	1.50%	1.50%
Hanover Rueck SE	2%	1%	0%
Hanover Rueck SE	5%	4.50%	0%
Lloyds London Syndicate 2001	5%	15%	15%
Lloyds London Syndicate 2791	8.75%	0%	0%
Lloyds London Syndicate 2791	3.75%	0%	0%
Lloyds London Syndicate 1729	1.50%	2.50%	6.50%
Lloyds London Syndicate 2014	1%	2%	2%
Lloyds London Syndicate 4444	0%	7%	7%
Lloyds London Syndicate 2010	0%	1%	1%
Lloyds London Syndicate 2007	0%	2%	3.50%
Lloyds London Syndicate 5886	0%	1%	1%
Lloyds London Syndicate 780	0%	1%	1%
Lloyds London Syndicate 3334	0%	0.75%	1%
Lloyds London Syndicate 1225	0%	1%	1%
MS Amlin AG, Bermuda Branch	0%	2%	5%
R+V Versicherung AG	22.50%	22.50%	21%
Renaissance Reinsurance Ltd.	1.50%	0%	1%
Swiss Reinsurance America Corporation	5%	3%	3%
Taiping Reinsurance Company Limited	0%	0%	2.25%
Validus Reinsurance, Ltd.	10%	2.50%	3.50%
Fidelis Underwriting Limited	1%	3%	1.50%

The catastrophe reinsurance was administered by a reinsurance intermediary, Guy Carpenter. Interest and liability agreements with the subscribing reinsurers were a part of the agreement. All communications between the parties were transmitted through the intermediary. Payments by the Company were deemed to constitute payment to the participating reinsurers. Payments by the reinsurers to the intermediary were deemed to constitute payment to the Company, to the extent that such payments were actually received by the Company. The agreement provided reinsurance for any one occurrence. The agreement had provisions for a reinstatement premium to reinstate the reinsurance subsequent to an occurrence.

The Property Catastrophe Excess of Loss Agreement and the Reinstatement Premium Protection Reinsurance Agreement were replaced by agreements for the subsequent year beginning January 1, 2019 with terms that were substantially the same as the terms of the agreements that were in effect at December 31, 2018.

Reinstatement Premium Protection Reinsurance

The Company and its parent company, National Security Fire & Casualty Company, had an agreement for the purpose of indemnifying the Company and its affiliate for reinstatement premiums due under the Company's Property Catastrophe Excess of Loss Reinsurance Agreement. The term of the agreement was January 1, 2018 to January 1, 2019. The agreement was structured with two excess layers of reinsurance. The reinsurers and the percentage of participation were as follows:

Reinsurer	1 st Layer Participation	2 nd Layer Participation
Everest Reinsurance Company	20%	20%
Farm Mutual Reinsurance Plan, Inc.	5%	10%
Hanover Rueck SE	35%	35%
Lloyds London Syndicate 1729	5%	10%
Validus Reinsurance, Ltd.	35%	25%

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, LLC, 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, 2018. 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, 2018

<u>ASSETS</u>	<u>Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 8,854,677	-	\$ 8,854,677
Common stocks	1,457,600	-	1,457,600
Cash, cash equivalents and short-term investments	669,016	-	669,016
Subtotals, cash and invested assets	\$ 10,981,293	-	\$ 10,981,293
Investment income due and accrued	54,967	-	54,967
Current federal and foreign income tax recoverable and interest thereon	30,012	-	30,012
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	11,066,272	-	11,066,272
TOTAL ASSETS	\$ 11,066,272	\$ -	\$ 11,066,272
<u>LIABILITIES</u>			
Losses			\$ 21,499
Reinsurance Payable on paid losses and loss adjustment expenses			7,571
Other expenses			14,318
Taxes, licenses and fees			1,046
Net deferred tax liability			238,751
TOTAL LIABILITIES			\$ 283,185
<u>SURPLUS</u>			
Common capital stock			\$ 650,000
Surplus notes			3,500,000
Gross paid in and contributed surplus			1,000,000
Unassigned funds (surplus)			5,633,086
Surplus as regards policyholders			\$ 10,783,086
TOTAL LIABILITIES, SURPLUS AND OTHER FUNDS			\$ 11,066,272

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF

Omega One Insurance Company
Statement of Income
For the Year Ended December 31, 2018

<u>UNDERWRITING INCOME</u>	2018	2017	2016	2015	2014
Premiums earned	\$ 611,156	\$ 611,156	\$ 611,156	\$ 611,156	\$ -
DEDUCTIONS					
Losses incurred	819,670	721,670	879,396	(189,651)	(216,633)
Loss adjustment expenses	125,607	94,536	127,965	(44,250)	(87,907)
Other underwriting expenses incurred	55,338	66,414	63,894	68,336	96,701
Total underwriting deductions	<u>\$ 1,000,616</u>	<u>\$ 882,620</u>	<u>\$ 1,071,255</u>	<u>\$ (165,565)</u>	<u>\$ (207,839)</u>
Net underwriting gain (loss)	<u>\$ (389,460)</u>	<u>\$ (271,464)</u>	<u>\$ (460,099)</u>	<u>\$ 776,721</u>	<u>\$ 207,839</u>
<u>INVESTMENT INCOME</u>					
Net investment income earned	\$ 295,555	\$ 248,142	\$ 303,508	\$ 299,948	\$ 318,327
Net realized capital gains (losses)	<u>\$ 5,594</u>	<u>\$ 32,593</u>	<u>\$ 310,725</u>	<u>\$ 15,658</u>	<u>\$ 79,484</u>
Net investment gain (loss)	<u>\$ 301,150</u>	<u>\$ 280,735</u>	<u>\$ 614,233</u>	<u>\$ 315,606</u>	<u>\$ 397,811</u>
<u>OTHER INCOME</u>					
Aggregate write-ins for miscellaneous items	-	10	-	-	-
Total other income	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ (88,310)	\$ 9,282	\$ 154,133	\$ 1,092,327	\$ 605,650
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(88,310)	9,282	154,133	1,092,327	605,650
Federal and foreign income taxes incurred	<u>\$ (24,428)</u>	<u>\$ (24,408)</u>	<u>\$ (71,258)</u>	<u>\$ 321,312</u>	<u>\$ (223,873)</u>
Net income	<u>\$ (63,882)</u>	<u>\$ 33,690</u>	<u>\$ 225,392</u>	<u>\$ 771,015</u>	<u>\$ 829,523</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF

Omega One Insurance Company
Capital and Surplus
For the Year Ended December 31, 2018

	2018	2017	2016	2015	2014
Surplus as regards policyholders, December 31 prior year	<u>\$ 10,982,508</u>	<u>\$ 10,718,623</u>	<u>\$ 10,688,595</u>	<u>\$ 9,863,705</u>	<u>\$ 8,975,180</u>
Net income	(63,882)	33,690	225,392	771,015	829,523
Change in net unrealized capital gains or (losses) less capital gains tax of \$...(22,453)	(132,486)	230,986	(196,977)	59,558	196,541
Change in net deferred income tax	(3,054)	(791)	1,613	(5,683)	(169,572)
Change in nonadmitted assets	-	-	-	-	32,033
Change in provision for reinsurance	-	-	-	-	-
Dividends to stockholders	-	-	-	-	-
Change in surplus as regards policyholders for the year	(199,422)	263,885	30,028	824,890	888,525
Surplus as regards policyholders, December 31 current year	<u>\$ 10,783,086</u>	<u>\$ 10,982,508</u>	<u>\$ 10,718,623</u>	<u>\$ 10,688,595</u>	<u>\$ 9,863,705</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

The examination did not result in any significant examination findings. The examiners do not have any comments or recommendations.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was performed to determine if the Company had complied with the recommendations made in the last examination report. The review indicated that the Company complied with the recommendations contained in the most recent Report of Examination.

CONTINGENT LIABILITIES AND PENDING LITIGATION

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

SUBSEQUENT EVENTS

On February 2, 2017, Meridian Investments I, LLC (Meridian), represented by the entity's principal owner, Andrew Abernathey, was approved to acquire an ownership of 14.9% of The National Security Group, Inc., Inc. (NSG), the publicly traded holding company. The Department held a Form A hearing on March 21, 2019. An order was signed March 27, 2019 approving Meridian acquiring an ownership of NSG up to 20.9%.

The review of the events subsequent to December 31, 2018, did not reveal any other items of a material amount or noteworthy in nature.

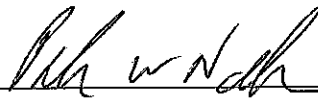
CONCLUSION

Acknowledgement is hereby made of the courtesy and cooperation extended by all persons representing Omega One Insurance Company 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, ALMI, MCM, Jacob Grissett, Chemeka Thomas, Charles Turner, CISA, and Kizzy Williams, Examiners; and Brent Sallay, FCAS, MAAA, of Taylor Walker & Associates, Consulting Actuary; all representing the Alabama Department of Insurance, participated in the examination of Omega One Insurance Company.

Respectfully submitted,



Palmer W. Nelson, CFE

Examiner-in-charge

Alabama Department of Insurance