

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

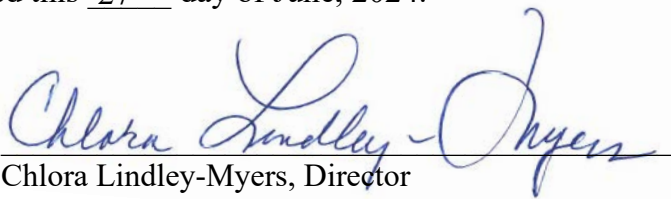
ORDER

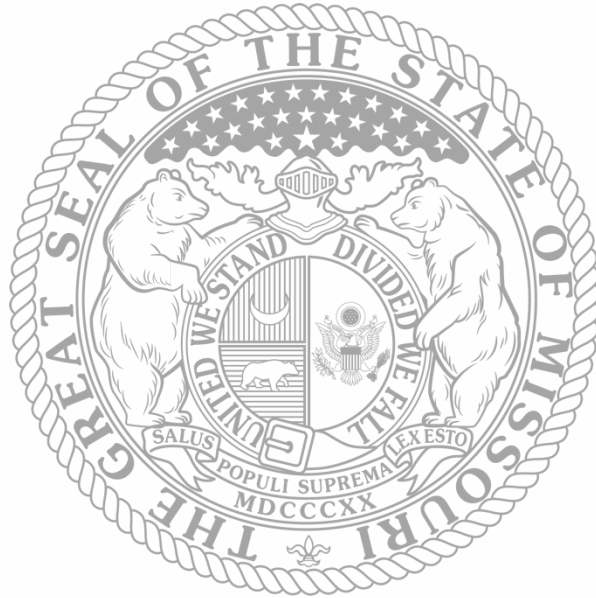
After full consideration and review of the report of the financial examination of National General Assurance Company for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of National General Assurance Company as of December 31, 2022, be and is hereby ADOPTED as filed and for National General Assurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 27th day of June, 2024.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

NATIONAL GENERAL ASSURANCE COMPANY

AS OF
DECEMBER 31, 2022

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Saint Louis, MO
June 11, 2024

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

National General Assurance Company (NAIC #42447)

hereinafter referred to as such, as NGAC, or as the Company. Its administrative office is located at 450 W. Hanes Mill Road, Ste. 101, Winston-Salem NC 27105, telephone number 336-435-2000. The fieldwork for this examination began on June 26, 2023, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multi-state financial examination of National General Assurance Company. The last examination of the Company by the Department covered the period of January 1, 2015, through December 31, 2017. The current examination covers the period of January 1, 2018, through December 31, 2022, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to the National General Holdings Company (NGHC) subgroup included Investments, Capital Management, Related Party, Reinsurance, Underwriting and Premiums – Property & Casualty (P&C),

Underwriting and Premiums – Accident and Health (A&H), Reserving – P&C and Reserving – A&H. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the NGHC subgroup of The Allstate Corporation (Allstate). The NGHC subgroup consists of twenty-eight insurance companies domiciled in numerous states. The North Carolina Department of Insurance (NCDI) is the lead state regulator for the subgroup. Along with Missouri, twelve other states participated in the coordinated examination. The examination was also conducted concurrently with the examinations of the Company’s Missouri domiciled affiliates, National General Insurance Online, Inc. (NGIO) and National General Insurance Company (NGIC).

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

NGAC, was incorporated on June 2, 1983, and commenced business as a stock property and casualty insurer in Missouri under Chapter 379 RSMo. (Insurance other than life) on January, 1, 1989. At its inception, NGAC was owned by NAVCO Corporation, which was owned by Crum & Forster, Inc. and ultimately by the Xerox Corporation.

In 1984, NGAC was purchased by Motors Insurance Corporation, which was owned by GMAC Insurance Holdings, Inc. The ultimate ownership was General Motors Acceptance Corporation (GMAC), part of the General Motors organization.

On March 1, 2010, American Capital Acquisition Corporation (ACAC) acquired GMAC’s U.S. personal lines private passenger auto business, including NGAC. ACAC, which was formed solely for purposes of the acquisition, was owned 79% by an individual, Michael Karfunkel, and 21% by AmTrust Financial Services, Inc. (ATFS)

In April 2013, ACAC changed its name to NGHC. In February 2014, NGHC became a standalone publicly traded entity.

On January 4, 2021, The Allstate Corporation, a publicly traded company, acquired all outstanding shares of NGHC. NGHC and all of its subsidiaries became wholly owned subsidiaries of Allstate.

Mergers, Acquisitions, and Major Corporate Events

During the examination period, Allstate acquired all outstanding shares of National General Holding Company’s stock, and the Company became a wholly owned subsidiary of The Allstate Corporation, a publicly traded company.

Dividends and Capital Contributions

No capital contributions were made during the examination period. The following ordinary dividends were paid to National General Holding Company (NGHC):

Year	Amount
2018	\$ 1,300,000
2019	0
2020	0
2021	0
2022	0
Total	\$ 1,300,000

Surplus Notes

There were no surplus notes issued or outstanding during the period under examination.

MANAGEMENT AND CONTROL**Board of Directors**

The management of the Company is vested in a Board of Directors that are elected by the shareholders. The Company's Articles of Incorporation specify that there shall be no less than nine, or more than twenty-five members. The Board of Directors elected and serving as of December 31, 2022, were as follows:

Name and Address

Donald Jerome Bolar
Lewisville, NC

Rebecca Hamrick Boone
Winston-Salem, NC

William Beveridge Borst III
Northbrook, IL

Berta Alvarez Castellano
Cooper City, FL

Adam Steven David
Chicago, IL

George Harvey Hall, Jr.
Oak Ridge, NC

Sarah Ann Inciong
Dundee, IL

Lawrence James Moloney
New York, NY

Principal Occupation and Business Affiliation

Senior Vice-President and Chief Accounting Officer
National General Holdings Corporation

Financial Reporting Manager
National General Holdings Corporation

President
Ivantage Brokerage

Executive Vice-President of Sales and Strategy
National General Holdings Corporation

Vice-President of Product Management
National General Insurance Company

Senior Vice-President and Chief Claims Officer
National General Management Corporation

SVP Property-Liability Sales and Distribution
Allstate

Senior Vice-President of Finance
National General Insurance Company

Senior Officers

The officers elected and serving, as of December 31, 2022, were as follows:

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

Principal Committees

The Allstate Insurance Holdings, LLC Audit Committee was designated as the Audit Committee for the Company on May 16, 2022. The Audit Committee serves the purpose of overseeing the audit of the annual statutory financial statements filed with state insurance regulators.

The Reinsurance Committee was established by the Board on June 8, 2022, and is authorized to review and approve all proposed treaty reinsurance placements for the Company and review approve proposed guidelines for facultative placements for the Company.

Audit Committee

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

Reinsurance Committee

Peter A. Rendall, Chair
 Michael W. Demetre
 Mark Q. Prindiville
 Patrick J. Macellaro
 John C. Pintozzi

Corporate Records

The Company’s Articles of Incorporation and Bylaws were reviewed. The Articles of Incorporation were updated in 2021 to change the principal office of the corporation from Hazelwood, Missouri to Jefferson City, Missouri. The amendment to the Articles was properly filed with the Missouri Secretary of State.

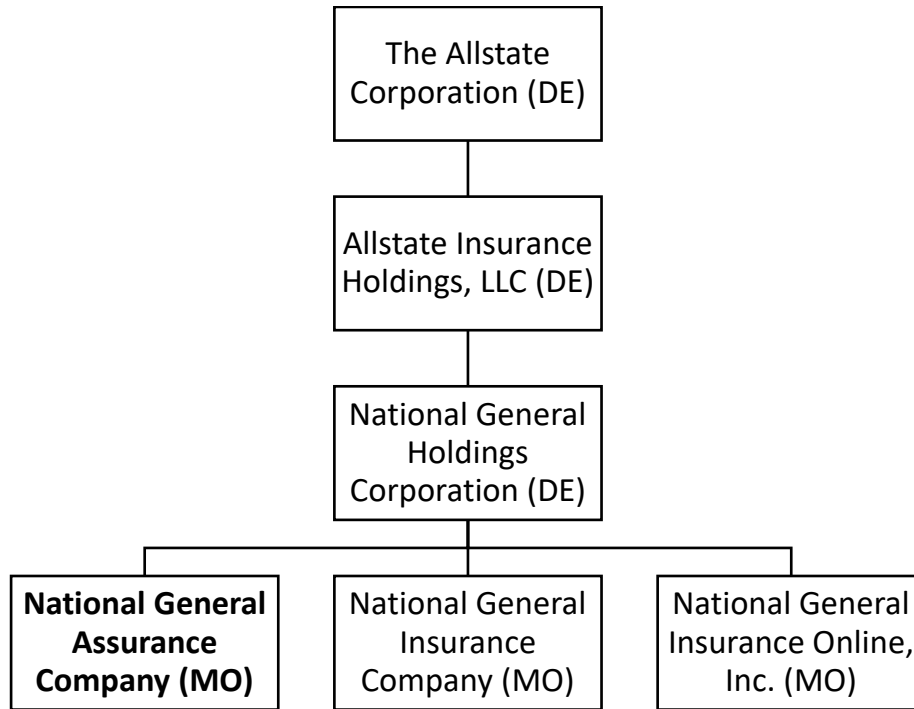
The minutes of the meetings of the Board of Directors for NGAC were reviewed for the years under examination. The meeting minutes of the sole shareholder, NGHC, were also reviewed.

Holding Company, Subsidiaries, and Affiliates

NGAC is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The Allstate Corporation is the ultimate controlling entity within the holding company system. Allstate directly and indirectly owned three life insurers and fifty-eight property and casualty companies across the United States as of December 31, 2022.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2022. All subsidiaries are wholly owned.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2022. A brief description of these agreements are as follows:

Management Services Agreement: An agreement between NGAC, NGIC, NGIO, Allstate Insurance Company (AIC), The Allstate Corporation (Allstate) and certain affiliates, effective January 4, 2021, whereby Allstate, AIC and certain affiliates provide certain marketing, claims, underwriting and policyholder services to the insurance entities.

Management Services Agreement: An agreement between NGAC, NGIC, NGIO and National General Management Corporation (NGMC), effective March 1, 2010, whereby NGMC provides underwriting duties, claims services, actuarial services, policyholder services, accounting, information technology and certain other administrative functions.

Tax Allocation Agreement: An agreement between NGAC, NGIC, NGIO and AIC, effective January 4, 2021, whereby each party is responsible for their tax liability as calculated on a separate return basis.

Investment Management Agreement: An agreement between NGAC, NGIC, NGIO, Allstate Insurance Company (AIC), The Allstate Corporation (Allstate) and Allstate Investments, LLC (AILLC), effective January 4, 2021, whereby AILLC serves as the investment manager of the investment assets of AIC and certain affiliates.

Agency Agreement: An agreement between NGAC, NGIC, NGIO, NGMC and Northeast Agencies Inc. (NEA), effective April 12, 2007, whereby NEA may represent certain affiliates formerly part of the GMAC Insurance brand, to receive and accept proposals for insurance covering certain classes of risks.

TERRITORY AND PLAN OF OPERATION

NGAC is licensed in Missouri under Chapter 379 RSMo (Insurance other than life) to write property, liability and miscellaneous insurance. The Company is licensed in 44 states and writes standard and preferred auto and RV business in 33 states. The Company's business is comprised of automobile coverages marketed to members of affinity groups on a direct response basis, and automobile coverage marketed by independent agents throughout the country. The Company's largest states for premium volume as of 2022 were California, Georgia, and New York.

Effective January 1, 2012, the Company entered into a 100% quota share agreement in which the Company ceded 100% of its net underwriting results to affiliate Integon National Insurance Company (INIC).

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's premium writings and writing ratios for the period under examination:

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2018	\$ 0	\$ 0	\$ 16,609	0%
2019	0	0	17,067	0%
2020	0	0	17,377	0%
2021	0	0	17,783	0%
2022	0	0	17,889	0%

The table below summarizes the Company's incurred losses and loss ratios for the period under examination:

(\$000s omitted)

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Loss Ratio
2018	\$ 0	\$ 0	0%
2019	0	0	0%
2020	0	0	0%
2021	0	0	0%
2022	0	0	0%

REINSURANCE

General

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

Premium Type	2022	2021	2020	2019	2018
Direct Premiums Written	\$ 91,621	\$ 97,141	\$ 97,861	\$ 105,892	\$ 115,755
Reinsurance Assumed:	0	0	0	0	0
Reinsurance Ceded:					
Affiliates	91,621	97,141	97,861	105,892	155,755
Net Premiums Written	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Assumed Reinsurance

The Company did not assume any premiums during the period under examination.

Ceded Reinsurance

The Company cedes 100% of its net underwriting results to an affiliate, INIC, through a 100% quota share agreement described above.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, Deloitte & Touche LLP, in Chicago IL, performed the statutory audit of the Company for the years 2021 and 2022. The CPA firm, Ernst & Young LLP, in New York, NY, performed the statutory audit of the Company for the years 2018, 2019, and 2020. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion

The Company's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Ian Sterling, FCAS, MAAA for 2021 and 2022, and Gareth Kennedy, ACAS, MAAA, for 2018, 2019, and 2020. Mr. Sterling, FCAS, MAAA is employed by KPMG LLP in Radnor, PA. Mr. Kennedy, ACAS, MAAA is employed by Ernst & Young LLP in Chicago, IL.

Consulting Actuary

As part of the coordinated examination, NCDOL contracted Risk & Regulatory Consulting (RRC) to review the underlying actuarial assumptions and methodologies used by NGAC to determine the adequacy of reserves and other actuarial items. RRC determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements, as of December 31, 2022.

Information Systems

As part of the coordinated examination, NCDOL contracted RRC to review the Company's information systems. Missouri DCI IT Examiner-In-Charge, Kim Dobbs, MBA, CFE, AES, CISA, reviewed the work of RRC.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of NGAC for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items.” These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 14,689,219	\$ 0	\$ 14,689,219
Cash, Cash Equivalents, and Short-Term Investments	472,657	0	472,657
Contract Loans			
Investment Income Due and Accrued Premiums and Considerations:	77,209	0	77,209
Uncollected Premiums and Agents' Balances in the Course of Collection	2,839,081	51,401	2,787,680
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	16,832,037	0	16,832,037
Accrued Retrospective Premiums			
Aggregate Write-Ins for Other-Than-Invested Assets	4,181	0	4,181
TOTAL ASSETS	\$ 34,914,383	\$ 51,401	\$ 34,862,982

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2022

Current Federal and Foreign Income Taxes	\$ 25,995
Net Deferred Tax Liability	166
Ceded Reinsurance Premiums Payable	15,255,659
Payable to Parent, Subsidiaries, and Affiliates	1,692,139
TOTAL LIABILITIES	\$ 16,973,959
Common Capital Stock	2,500,000
Gross Paid In and Contributed Surplus	13,500,000
Unassigned Funds (Surplus)	1,889,023
TOTAL CAPITAL AND SURPLUS	\$ 17,889,023
TOTAL LIABILITIES AND SURPLUS	\$ 34,862,982

STATEMENT OF INCOME
For the Year Ended December 31, 2022

Premiums Earned	\$	0
DEDUCTIONS:		
Losses Incurred		0
Total Underwriting Deductions	\$	0
Net Underwriting Gain (Loss)	\$	0
Net Investment Income Earned		198,289
Net Realized Capital Gains		(44,318)
Net Investment Gain (Loss)	\$	153,971
Federal and Foreign Income Taxes Incurred		37,776
NET INCOME (LOSS)	\$	116,195

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2018 to December 31, 2022

(\$000s omitted)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Capital and Surplus, Beginning of Year	\$ 17,783	\$ 17,377	\$ 17,067	\$ 16,609	\$ 17,421
Net Income (Loss)	116	377	263	406	87
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	0	0	0	0	21
Change in Net Deferred Income Tax	(2)	23	(13)	(62)	90
Change in Nonadmitted Assets	(9)	7	59	113	302
Dividends to Stockholders	0	0	0	0	(1,300)
Aggregate Write-ins for Gains and Losses in Surplus	0	0	0	0	(11)
Net Change in Capital and Surplus	106	407	309	458	(812)
Capital and Surplus, End of Year	\$ 17,990	\$ 17,783	\$ 17,377	\$ 17,067	\$ 16,609

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

None.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of National General Assurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Ken Tang, CFE, examiner for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION


State of Missouri)
) ss
County of Saint Louis)

I, Scott Reeves, CPA, CFE, CAMS, CCA, CHE, CSCD, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of National General Assurance Company, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

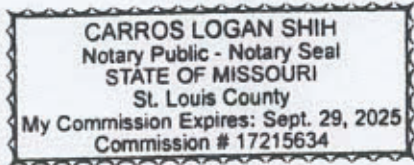


Scott Reeves, CPA, CFE, CAMS, CCA, CHE, CSCD
Examiner-In-Charge
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this 8th day of June, 2024.

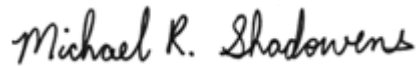
My commission expires: 9/29/2025


Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance