



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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 Insurance Online, Inc. for the period ended December 31, 2017, 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 Insurance, Financial Institutions and Professional Registration 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 findings, subsequent events, company history, management and control, territory and plan of operations, reinsurance, accounts and records, analysis of examination changes, comments on financial statements, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of National General Insurance Online, Inc. as of December 31, 2017 be and is hereby ADOPTED as filed and for National General Insurance Online, Inc. 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 12th day of June, 2019.

A handwritten signature in blue ink that reads "Chlora Lindley-Myers".

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration



February 28, 2019
Hazelwood, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 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 Insurance Online, Inc.

hereinafter referred to as “NGIO” or the “Company.” The Company's home office is located at 5757 Phantom Drive, Suite 200, Hazelwood, Missouri 63042, telephone number (314) 493-8000. Examination fieldwork began on September 10, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of National General Online, Inc. The last examination was completed as of December 31, 2014. This examination covers the period from January 1, 2015, through December 31, 2017, and also includes material transactions or events occurring subsequent to December 31, 2017.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department or DIFP) 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 identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

This examination was conducted as part of a coordinated examination of the National General group (NAIC Group Code #4928). The National General group consists of 26 insurance companies domiciled in numerous states. The North Carolina Department of Insurance is the lead state regulator for the group. The examination was also conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, National General Insurance Company and National General Assurance Company.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes 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 is documented separately following the Company's financial statements. The following key activities were identified during the coordinated examination: Investing, Capital Adequacy and Liquidity, Premiums and Underwriting, Pricing, Reserve Adequacy, Reserve Data/Claims Handling, Related Parties, Reinsurance Assumed and Reinsurance Ceded.

This examination report includes significant findings of fact 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 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 balance sheet or income statement identified during the examination.

SUBSEQUENT EVENTS

As of December 31, 2017, NGIO was designated by the NAIC as part of the National General Holdings Corporation (NGHC) subgroup within the AmTrust NGH group (NAIC Group Code #2538). The Delaware Department of Insurance was the lead state regulator for the group. Effective August 1, 2018, a separate National General group was created for the former NGHC subgroup.

COMPANY HISTORY

General

NGIO, formerly known as GMAC Insurance Company Online, Inc., was incorporated on April 6, 2000, and commenced business as a stock property and casualty insurer in Missouri under Chapter 379 RSMo (Insurance other than life) on January 1, 2001. At its inception, the Company was owned 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 NGIO. 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.

ACAC changed its name to National General Holdings Corporation in April 2013. In February 2014, NGHC became publicly-traded on the NASDAQ Global Market under the symbol “NGHC.”

AmTrust Financial Services, Inc. sold the majority of its remaining ownership of NGHC in June 2017 and owned 1.7% as of December 31, 2017. Leah Karfunkel, as trustee of Leah Karfunkel 2016-NG GRAT and the Michael Karfunkel Family 2005 Trust, directly and indirectly owned 41.8% of NGHC’s common stock as of December 31, 2017.

Dividends

The Company has not declared or paid any dividends to stockholders during the examination period.

Acquisitions, Mergers and Major Corporate Events

NGIO was not involved in any direct acquisitions or mergers during the examination period. However the Company’s parent, NGHC, did acquire eleven additional insurance entities. As of December 31, 2017, the NGHC subgroup included a total of 26 insurance companies.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors which per the Articles of Incorporation and Bylaws, will consist of not less than nine or more than twenty-five members. The Company had nine Directors serving at December 31, 2017, as follows:

| <u>Name</u> | <u>Principal Occupation and Business Affiliation</u> |
|---|--|
| Berta A. Castellano Pembroke Pines, FL | Senior Vice President National General Management Corporation |
| Susan M. Eylward New York, NY | Vice President & Corporate Counsel National General Holdings Corporation |
| George H. Hall, Jr. Oak Ridge, NC | Senior Vice President & Chief Claims Officer National General Management Corporation |
| Barry S. Karfunkel Rockaway Park, NY | Co-Chairman and Chief Executive Officer National General Holdings Corporation |
| Robert M. Karfunkel Brooklyn, NY | Co-Chairman and President National General Holdings Corporation |
| Thomas E. Newgarden New York, NY | Chief Products and Analytics Officer National General Holdings Corporation |
| Peter A. Rendall New York, NY | Chief Operating Officer, Treasurer and Executive Vice President National General Holdings Corporation |

Michael H. Weiner Chief Financial Officer
New York, NY National General Holdings Corporation

Jeffrey A. Weissmann General Counsel
Clifton, NJ National General Holdings Corporation

Officers

Officers serving as of December 31, 2017, were as follows:

| <u>Name</u> | <u>Position</u> |
|----------------------|---|
| Barry S. Karfunkel | President |
| Donald J. Bolar | Vice President & Chief Accounting Officer |
| Jeffrey A. Weissmann | Secretary |
| Berta A. Castellano | Vice President |
| Peter A. Rendall | Treasurer |
| George H. Hall, Jr. | Vice President & Chief Claims Officer |
| Michael H. Weiner | Chief Financial Officer |
| Brad M. Schock | Vice President, Tax |

Committees

NGHC had an Audit Committee, Finance Committee and Risk Management Committee in place as of December 31, 2017. These committees provide management oversight to all the NGHC subsidiaries, including NGIO.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. Both documents were updated in 2015 to reflect the principle office moving from Maryland Heights, Missouri to Hazelwood, Missouri. The amendment to the Articles was properly filed with the Missouri Secretary of State.

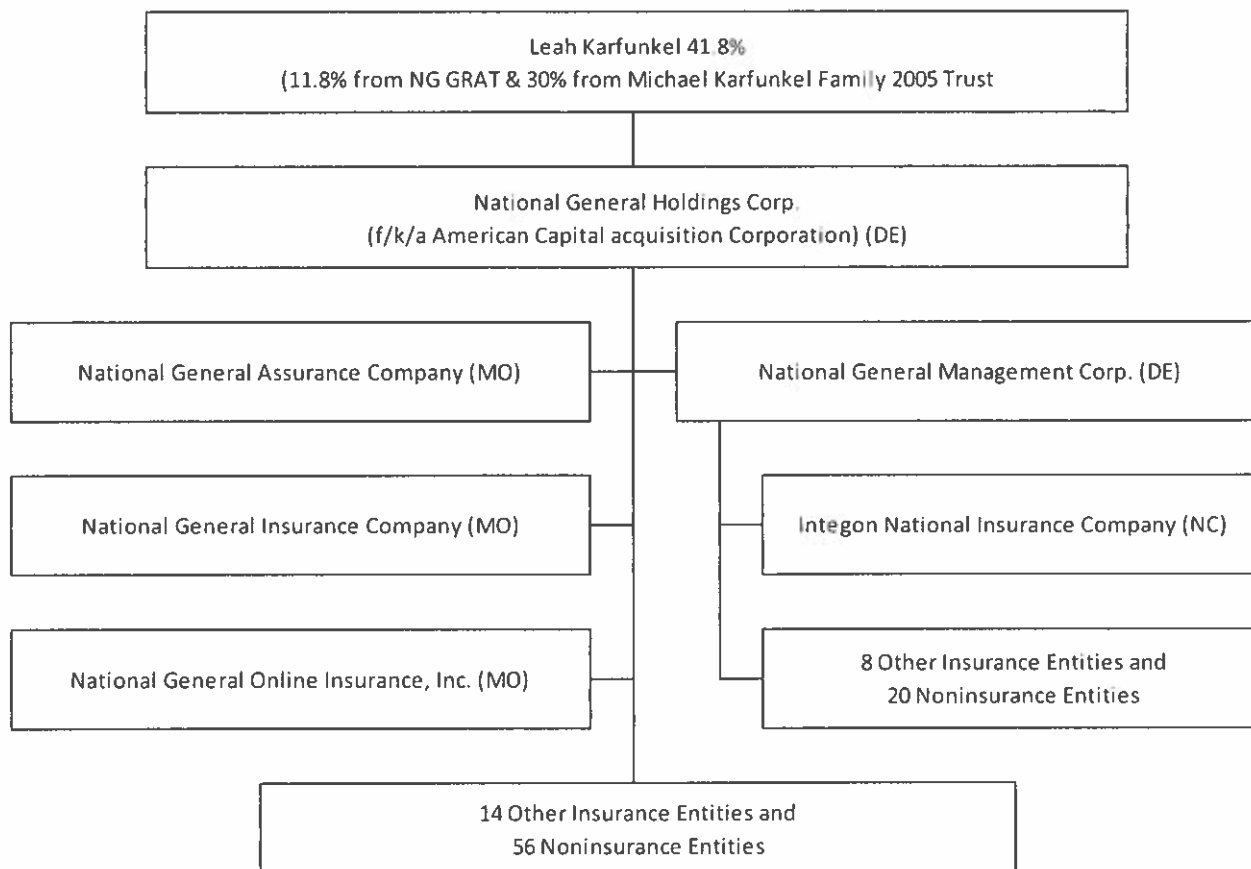
Minutes of the meetings of the Board of Directors for NGIO were reviewed for the years under examination. The minutes of the sole shareholder, NGHC, and relevant committees acting on behalf of NGIO were also reviewed. All minutes appear to properly support and approve the corporate transactions and events for the period under examination.

Holding Company, Subsidiaries and Affiliates

NGIO is a member of an insurance holding company system as defined by Chapter 382 RSMo (Insurance Holding Companies). NGIO is wholly owned by NGHC, a holding company with insurance and reinsurance companies in the United States, Bermuda, Luxembourg and Sweden. The insurance subsidiaries of NGHC specialize in a variety of personal lines of business including automobile liability and physical damage, homeowners, umbrella, recreational vehicle (RV) and supplemental health products. Commercial automobile insurance and various lender placed insurance products are also provided by NGHC subsidiaries.

Organization Chart

The following is an abridged organizational chart, which depicts the structure of companies relating to National General Insurance Online, Inc., as of December 31, 2017. All subsidiaries are wholly owned unless otherwise noted.



Affiliated Transactions

The Company was a party to the following affiliated agreements at December 31, 2017:

Asset Management Agreement

Affiliates: All Insurance Management Limited (AIM) and NGHC and its subsidiaries.
Effective: March 1, 2010.
Terms: AIM provides investment management services to NGHC and its subsidiaries in accordance with each company's investment guidelines. Fees are computed from a set fee schedule based on the average account value.

Management Services Agreement

Affiliates: National General Management Corporation (NGMC) and NGHC subsidiaries
Effective: March 1, 2010.
Terms: NGMC provides underwriting duties, claims services, actuarial services, policyholder services, accounting, information technology and other administrative functions to the NGHC subsidiaries. The compensation for providing the services

is based on actual cost with no built- in profit factor. Indirect and shared expenses are allocated with a method of cost allocation in conformity with SSAP No. 70.

Reinsurance Agreement

Affiliates: Integon National Insurance Company (INIC) and NGHC subsidiaries
Effective: January 1, 2012.
Terms: This is a 100% quota share reinsurance agreement under which INIC assumes 100% of each NGHC subsidiary's net liability on all policies and assumed reinsured business outstanding and in force. Each affiliate cedes 100% of premiums and losses to INIC with no retrocessions made back to the affiliates.

Tax Allocation Agreement

Affiliates: NGHC and its subsidiaries
Effective: March 1, 2010.
Terms: NGHC and its subsidiaries consolidate their federal income tax returns. Amounts due are based on liability as calculated on a separate return basis. Amounts are due at the time of legal obligation. Any refunds due are to be submitted to the applicable party within 30 days of the end of the calendar quarter in which the refund is received by NGHC.

TERRITORY AND PLAN OF OPERATIONS

NGIO is licensed in Missouri under Chapter 379 RSMo (Insurance other than life) to write property, liability, accident and health, and miscellaneous insurance. The Company is licensed in 46 states and the District of Columbia and writes business in 8 states.

NGIO is a member of the National General Group of companies writing standard and preferred auto and RV business. The Company's business is comprised primarily of automobile coverages marketed through multiple channels to members of affinity groups throughout the country. Approximately 82% of 2017 direct premiums were written in New York.

Effective January 1, 2012, the Company, together with eight other affiliates, entered into a 100% quota share agreement in which each company ceded 100% of its net underwriting results to lead affiliate Integon National Insurance Company (INIC). At year-end 2017 the group of National General insurers ceding to INIC had grown to 20, all ceding 100% of their underwriting results to INIC.

REINSURANCE

General

Premiums written by the Company during the examination period were as follows:

| | 2015 | 2016 | 2017 |
|-----------------------------|---------------|---------------|----------------|
| Direct Written | \$ 81,401,557 | \$ 93,898,426 | \$ 103,390,631 |
| Assumed from Affiliates | 0 | 0 | 0 |
| Assumed from Non-Affiliates | 0 | 0 | 0 |
| Ceded to Affiliates | 81,401,557 | 93,898,426 | 103,390,631 |
| Ceded to Non-Affiliates | 0 | 0 | 0 |
| Net Written Premiums | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Assumed

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

Ceded

The Company's only ceded reinsurance agreement is with an affiliate, INIC. Effective January 1, 2012, NGIO entered into a 100% quota share agreement with INIC that provides for the cession by NGIO of 100% of its net underwriting results to INIC.

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

ACCOUNTS AND RECORDS

Independent Auditor

The Company's 2017 financial statements were audited by the accounting firm Ernst & Young, LLP. The 2015 and 2016 statements were audited by the firm BDO USA, LLP. The workpapers and reports of the 2017 independent audit were reviewed and used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial accounts reported in the financial statements were reviewed and certified for the Company by Garreth L. Kennedy, ACAS, MAAA, of Ernst & Young, LLP.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company and present the financial condition of the Company for the period ending December 31, 2017. 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.

There may have been additional differences found in the course of this examination that are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

STATEMENT OF INCOME

Underwriting Income:

| | | | |
|--------------------------------------|----|--------------|----------------|
| Premiums earned | | \$ | 0 |
| Deductions: | | | |
| Losses incurred | \$ | 0 | |
| Loss adjustment expenses incurred | | 0 | |
| Other underwriting expenses incurred | | 7,822 | |
| Total underwriting deductions | | <u>7,822</u> | 7,822 |
| Net Underwriting Gain (Loss) | | \$ | (7,822) |

Investment Income:

| | | | |
|-----------------------------------|----|-----------|----------------|
| Net investment income earned | \$ | 142,900 | |
| Net realized capital gains | | 3,923 | |
| Net Investment Gain (Loss) | | \$ | 146,824 |

Other Income:

| | | | |
|--|----|-----------|----------|
| Net loss from agents or premium balances charged off | \$ | 0 | |
| Finance and service charges | | 0 | |
| Miscellaneous income | | 0 | |
| Total Other Income | | \$ | 0 |

Net income before dividends and FIT **\$ 139,002**

| | | | |
|-------------------------------|--|-----------|---------------|
| Dividends to policyholders | | 0 | |
| Federal income taxes incurred | | 86,258 | |
| Net income | | \$ | 52,744 |

STATEMENT OF INCOME

Underwriting Income:

| | | |
|--------------------------------------|-----------|----------------|
| Premiums earned | \$ | 0 |
| Deductions: | | |
| Losses incurred | \$ | 0 |
| Loss adjustment expenses incurred | | 0 |
| Other underwriting expenses incurred | | 7,822 |
| Total underwriting deductions | | <u>7,822</u> |
| Net Underwriting Gain (Loss) | \$ | (7,822) |

Investment Income:

| | | |
|-----------------------------------|-----------|----------------|
| Net investment income earned | \$ | 142,900 |
| Net realized capital gains | | 3,923 |
| Net Investment Gain (Loss) | \$ | 146,824 |

Other Income:

| | | |
|--|----|-----------------|
| Net loss from agents or premium balances charged off | \$ | 0 |
| Finance and service charges | | 0 |
| Miscellaneous income | | 0 |
| Total Other Income | | <u>0</u> |

Net income before dividends and FIT **\$ 139,002**

| | |
|-------------------------------|--------------------------------|
| Dividends to policyholders | 0 |
| Federal income taxes incurred | 86,258 |
| Net income | <u><u>\$ 52,744</u></u> |

RECONCILIATION OF SURPLUS

Changes from December 31, 2014 to December 31, 2017

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Capital and surplus, prior year | \$ 10,877,595 | \$ 11,339,515 | \$ 11,339,313 |
| Net income | 218,204 | 52,808 | 52,744 |
| Change in net U/R capital gains | 0 | 0 | (6,440) |
| Change in net deferred income tax | 4,749 | 48,544 | 6,732 |
| Change in nonadmitted assets | 238,967 | (101,554) | (88,203) |
| Change in capital and surplus | 461,920 | (202) | (35,167) |
| Capital and surplus, current year | <u>\$ 11,339,515</u> | <u>\$ 11,339,313</u> | <u>\$ 11,304,148</u> |

ANALYSIS OF EXAMINATION CHANGES

No adjustments or reclassifications were made as a result of the examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the financial statements.

SUMMARY OF RECOMMENDATIONS

There are no recommendations.

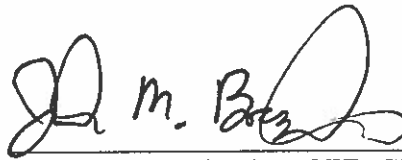
ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of National General Insurance Online, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, AES, CFE, CPA, Richard Hayes, CFE, and Scott Reeves, CPA, CFE; examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration participated in this examination.

VERIFICATION

State of Missouri)
)
County of St. Louis)

I, John Boczkiewicz, 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 the 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.



John M. Boczkiewicz, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 24th day of April, 2019

My commission expires:

Dec. 03, 2021



Notary Public



LANETTE A. MISHLER-KOHLER
My Commission Expires
December 3, 2021
Franklin County
Commission #13482277

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.

A handwritten signature in black ink, appearing to read "Michael Shadowens", is written over a horizontal line.

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration