



I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina, do hereby certify that: I have caused to Alamance Farmers' Mutual Insurance Company, as of December 31, 2020, with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 29th day December 2021.



Mike Causey
Commissioner of Insurance

Ke Xu, CPA, CFE
Chief Financial Examiner
Financial Examination Division

Alamance Farmers' Mutual Insurance Company

Graham, North Carolina

Report on Examination

As of December 31, 2020

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	3
Comments, Recommendations and Directives.....	3
ORGANIZATIONAL STRUCTURE	3
COMPANY HISTORY	3
MANAGEMENT AND CONTROL	4
Corporate Governance.....	4
Code of Conduct and Conflict of Interest.....	5
Corporate Records.....	5
Statutory Deposits	5
Fidelity Bonds and Other Insurance	5
Employee Benefits and Pension Plans	6
Related Party Agreements	6
TERRITORY AND PLAN OF OPERATION	6
Trends of the Company	7
Actuarial Opinion	7
REINSURANCE PROGRAM OVERVIEW	7
Reinsurance Ceded	7
LOSS PORTFOLIO TRANSFER	8
FINANCIAL STATEMENTS	8
DISTRIBUTION OF REPORT ON EXAMINATION	18
CONCLUSION	19

November 29, 2021

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Alamance Farmers’ Mutual Insurance Company

(hereinafter referred to as the “Company”), at its main administrative statutory home office located at 128 West Harden Street, Graham, North Carolina 27253. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2016, to December 31, 2020, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2015.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“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 and the following key functional activities were identified:

Pricing and Underwriting
Claims Handling and Reserving
Investments
Reinsurance
Related Parties
Surplus

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This 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 from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer 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 the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Cobb, Ezekiel, Loy & Company, P.A. of Graham, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2020.

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

- a. The Company did not maintain the NAIC's recommended minimum fidelity bond coverage from June 28, 2019, through December 31, 2020. The Company's fidelity policy contains a rider which limits coverage for the Company to \$100,000, which is below the NAIC's recommended minimum range of \$125,000 to \$150,000. We recommend that the Company maintain fidelity bond coverage for no less than the minimum recommended by the NAIC.
- b. The Company did not accurately report information on its 2020 Annual Statement Schedule F - Part 3, Ceded Reinsurance as of December 31, 2020. The Company improperly omitted reinsurance ceded to Hartford Steam Boiler Inspection and Insurance Company from Schedule F, which resulted in inaccurate amounts being reported for various other reinsurers on Schedule F. The Company is directed to report accurate information on Schedule F - Part 3 pursuant to GS 58-2-165.

ORGANIZATIONAL STRUCTURE

The Company is part of an insurance holding company system as defined in GS § 58-19 and has two wholly owned subsidiaries incorporated in North Carolina: OnRamp, LLC and Southeastern Adjustment Company, LLC. OnRamp, LLC, formerly AFM Agency Services, LLC, was initially acquired by the Company in January 2012. In October 2018, AFM Agency Services, LLC discontinued operations as an insurance agency, changed its name to OnRamp, LLC, and began providing information technology services to the Company and other insurers. OnRamp, LLC has no employees, as the employees are provided by the Company.

Southeastern Adjustment Company, LLC, which was acquired by the Company in January 2012, provides claims adjusting and other ancillary services to the Company and other insurers. Southeastern Adjustment Company, LLC has no employees, as the employees are provided by the Company.

COMPANY HISTORY

Prior to March 4, 2008, the Company operated as a county farm mutual, known as Alamance Farmers Mutual Fire Insurance Company, with written premiums limited to six adjoining counties in the State of North Carolina. On March 4, 2008, Alamance Farmers Mutual Fire Insurance Company changed its name to Alamance Farmers' Mutual Insurance Company. The Company was approved to operate as a limited assessable mutual insurance company pursuant to GS § 58-7-75(8)(a).

On August 6, 2010, the Company merged with Cabarrus Mutual Fire Insurance Company. The Company was the surviving entity, and the transaction had no significant impact on its operations.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Members

The Company's bylaws provide that an annual meeting of the members be held at such time and place as the Board of Directors ("Board") may appoint. Special meetings of the members may be called at any time by the chairperson of the Board, the president or by any two members of the Board.

Board of Directors

The business of the Company is conducted by its management team and subject to review by the Board. The bylaws specify that the number of directors constituting the Board shall be seven. Directors are elected annually, at the annual meeting of the members of the Company, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2020:

Name	Location	Principal Occupation
Dan H. Stafford	Snow Camp, North Carolina	Special Project Manager, Clapp Brothers Traction
N. Todd Mann	Graham, North Carolina	President, Gerald Jones Company
Blake L. Andrews Jr.	Pittsboro, North Carolina	Self Employed Farmer
Dennis A. Simmons	Elon, North Carolina	Self Employed Farmer
Willie F. Miller III	Burlington, North Carolina	Loan Officer, Carolina Farm Credit
Dan W. Ingle	Burlington, North Carolina	Retired
James N. Sholar	Dunn, North Carolina	Insurance CE Provider

The Board has the authority to establish committees including, but not limited to, an Audit Committee, Investment Committee, and Personnel Committee to act on behalf of the Company.

The following individuals served on committees as of December 31, 2020:

Audit Committee

N. Todd Mann, Chair
Dan H. Stafford
Willie F. Miller
James N. Sholar

Investment Committee

Blake L. Andrews Jr., Chair
Dennis A. Simmons
Dan W. Ingle

Personnel Committee

Dan H. Stafford, Chair
N. Todd Mann
Blake L. Andrews Jr.

Officers

The bylaws provide that the Board will elect the officers of the Company, which consist of a president, a secretary, a treasurer, and any other officers deemed necessary by the Board. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices, except President/Chief Executive Officer and Secretary, may be held by the same person.

The following individuals served as officers of the Company as of December 31, 2020:

Name	Title
Lisa A. Snyder	President/Chief Executive Officer
Michael L. Lawrence	Chief Financial Officer/Treasurer
Keith Whited	Secretary
Jason W. Buchek	Vice President

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed the Company is in accordance with its policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events, and that the directors approved these transactions and events.

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. No changes were made to the articles of incorporation or bylaws during the period under examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2020 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state. The Company only maintains a North Carolina statutory deposit.

FIDELITY BONDS AND OTHER INSURANCE

The Company has fidelity bond coverage totaling \$100,000 in aggregate, which does not meet the minimum amount of coverage recommended by the Handbook. (Refer to the Summary of Significant Findings)

In addition, the Company is a named insured on various corporate property and liability policies issued to the Company, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company's employees are covered by a qualified defined contribution plan (401K) sponsored by the Company. Contributions of 8% of each employee's compensation are made by the Company each year. The Company made contributions to the plan totaling \$57,157 and \$54,217 in 2020 and 2019, respectively. At December 31, 2020, the fair value of plan assets were \$1,131,596 and \$814,305, respectively.

The Company has a Separate Employee Retirement Plan ("SERP") covering four officers. At December 31, 2020 and 2019, the Company's liability for postemployment benefits under the SERP totaled \$83,577 and \$59,326, respectively.

The Company allows its employees to accrue unused paid time off past the current year-end for use in the future. At December 31, 2020 and 2019, the Company accrued a liability for this benefit totaling \$68,916 and \$52,932, respectively.

RELATED PARTY AGREEMENTS

The Company has an Operation & Control Agreement with Southeastern Adjustment Company, LLC, effective January 24, 2012, whereby claims adjustment services are provided to the Company and the Company provides certain management and data processing services for a management fee equal to 100% of the expenses incurred by the Company. Amounts due are settled monthly. Under this agreement, the Company paid service fees totaling \$270,677 and \$248,710 in 2020 and 2019, respectively, and incurred expenses on behalf of Southeastern Adjustment Company, LLC totaling \$451,816 and \$329,061 in 2020 and 2019, respectively.

The Company has an Operation & Control Agreement with OnRamp, LLC, effective October 29, 2019, whereby information technology services are provided to the Company and the Company pays all direct and allocable expenses on behalf of OnRamp, LLC for a management fee equal to 100% of the expenses incurred by the Company. Amounts due are settled monthly. Under this agreement, the Company paid services fees totaling \$79,111 and \$107,371 in 2020 and 2019, respectively, and incurred expenses on behalf of OnRamp, LLC totaling \$378,895 and \$381,286 in 2020 and 2019, respectively.

TERRITORY AND PLAN OF OPERATION

At December 31, 2020, the Company was authorized to provide insurance coverage to North Carolina residents only.

The Company writes property and casualty insurance on farmowners', homeowners' and commercial multi-peril and dwelling fire lines of business. The Company provides the Section II portion of Homeowner and Farmowner dual masthead policies for three county farm mutual companies located in North Carolina. The Company operates through independent agents and affinity partners to write property and casualty insurance.

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended 2020:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2020	\$8,932,070	\$5,704,325	\$4,256,968	\$3,475,482	\$25,702
2019	\$8,848,776	\$5,391,488	\$4,522,030	\$3,786,038	(\$110,334)
2018	\$7,990,604	\$4,578,671	\$4,379,475	\$3,758,549	(\$753,432)
2017	\$8,855,261	\$6,095,797	\$3,967,874	\$3,436,974	\$369,711
2016	\$8,475,051	\$5,415,263	\$3,798,491	\$3,175,994	(\$13,396)

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2020 were reviewed and certified by the Company's Appointed Actuary, David Shepherd, FCAS, MAAA of Merlino & Associates, Inc. Actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company's reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid losses and loss expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

Property and Casualty Excess of Loss

The Company has an excess of loss reinsurance contract with various reinsurers, effective January 1, 2020, which covers \$875,000 of property and casualty losses in excess of \$125,000 for each loss subject to a limit to the reinsurers of \$2,625,000 on each loss occurrence. The Company ceded written premiums totaling \$291,139 and \$265,768 in 2020 and 2019, respectively, under this contract.

Property Facultative Excess of Loss

The Company also has a facultative excess of loss reinsurance contract with various reinsurers, effective January 1, 2020, which covers up to \$1,000,000 of each loss, each risk in excess of \$1,000,000 subject to a

limit to the reinsurer of \$2,000,000 on each loss occurrence. Coverage under this contract is provided after each loss, each risk exceed the coverage limit under the property and casualty excess of loss contract described above. In 2020 and 2019, the Company ceded premiums totaling \$59,479 and \$56,581, respectively, under this contract.

Property Catastrophe Excess of Loss Coverage

The Company has a property catastrophe excess of loss reinsurance contract with various reinsurers, effective January 1, 2020, which provides two layers of excess of loss coverage for all business that the Company writes. The first layer provides loss coverage of up to \$1,800,000 in excess of \$200,000 per occurrence and \$3,600,000 in aggregate. The second layer covers losses of up to \$4,100,000 excess of \$2,000,000 and \$8,200,000 in aggregate. The Company ceded written premiums totaling \$430,868 and \$413,643 in 2020 and 2019, respectively, under this contract.

Home Field Advantage Program

The Company has a multiple line reinsurance contract with Hartford Steam Boiler Inspection and Insurance Company, effective June 1, 2017, whereby 100% of risk on the business specified below is ceded to the reinsurer.

Line of Business Covered	Reinsurer's Liability Limit
Business Equipment Breakdown	\$5,000,000 per accident per policy
Employment Practices Liability	\$50,000 annual per policy and in aggregate
Farmowners' Equipment Breakdown	\$5,000,000 per accident per policy
Home Systems Protection	\$50,000 per accident per insured
Identity Recovery	\$25,000 annual aggregate per policy
Service Line Failure	\$10,000 per accident per policy

The Company ceded written premiums totaling \$123,045 and \$93,229 in 2020 and 2019, respectively, under this contract. (Refer to the Summary of Significant Findings)

LOSS PORTFOLIO TRANSFER

Effective December 31, 2013, the Company entered a loss portfolio transfer whereby the Company assumed 100% of the loss reserve liabilities from Alliance Mutual Insurance Company. The carried reserves related to this agreement represent less than 10% of the Company's carried reserves as of December 31, 2020.

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 the Company for the period ending December 31, 2020. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2019, are unexamined and are presented for comparative purposes only.

Alamance Farmers' Mutual Insurance Company
Statutory Statement of Admitted Assets
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Bonds	\$1,593,470	\$1,507,283
Common stocks	6,017,386	6,088,991
Properties occupied by company	324,445	342,894
Properties held for production	48,511	52,044
Cash, cash equivalents, and short-term investments	328,790	300,063
Total cash and invested assets	8,312,601	8,291,275
Investment income due and accrued	11,161	10,868
Uncollected premiums and agents' balances in course of collection	76,821	78,120
Deferred premiums and agents' balances and installments booked but deferred and not yet due	215,932	224,621
Amounts recoverable from reinsurers	7,493	68
Net deferred tax asset	-	1,236
Electronic data processing equipment and software	17,234	-
Receivable from parent, subsidiaries, and affiliates	4,516	-
Life insurance cash surrender value assets	286,312	242,582
Total admitted assets	\$8,932,070	\$8,848,770

Alamance Farmers' Mutual Insurance Company
Statutory Statement of Liabilities, and Surplus
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Losses	\$563,798	\$766,337
Loss adjustment expenses	78,694	61,690
Commissions payable, contingent commissions and other similar charges	96,933	72,409
Other expenses	275,585	176,869
Taxes, licenses, and fees	-	4,471
Unearned premiums	1,926,393	2,025,386
Advance premium	142,732	142,410
Ceded reinsurance premiums payable	124,152	185,718
Amounts withheld or retained by Company for account of others	-	113
Provision for reinsurance	580	-
Payable to parent, subsidiaries, and affiliates	-	6,436
Payable for securities	-	94
Unearned Commissions	18,877	15,354
Total Liabilities	3,227,745	3,457,287
Unassigned funds	5,704,325	5,391,483
Total Surplus	5,704,325	5,391,483
Total Liabilities and Surplus	\$8,932,070	\$8,848,770

Alamance Farmers' Mutual Insurance Company
Statutory Statement of Operations
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Underwriting Income		
Premiums earned	\$3,574,475	\$3,787,142
Deductions		
Losses incurred	1,368,230	1,968,763
Loss adjustment expenses incurred	437,458	426,404
Other underwriting expenses incurred	2,316,479	2,312,878
Total underwriting deductions	4,122,166	4,708,045
Net underwriting (loss)	(547,691)	(920,903)
Investment Income		
Net investment income earned	129,629	125,392
Net realized capital gains	151,993	676,528
Net investment gain	281,622	801,920
Other Income		
Net loss from agents' or premium balances charged off	(3,058)	(1,401)
Finance and service charges not included in premiums	9,346	10,047
Other income	285,483	4
Total other income	291,771	8,650
Net Income (Loss)	\$25,702	(\$110,334)

Alamance Farmers' Mutual Insurance Company
Statutory Statement of Surplus
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Surplus, beginning of year	\$5,391,483	\$4,578,671
Surplus increases (decreases):		
Net income (loss)	25,702	(110,334)
Change in net unrealized capital gains	125,861	858,433
Change in net deferred income tax	30,686	(259,429)
Change in non-admitted assets	131,163	324,142
Change in provision for reinsurance	(580)	-
Change in surplus as regards policyholders for the year	312,842	812,812
Surplus, end of year	\$5,704,325	\$5,391,483

Alamance Farmers' Mutual Insurance Company
Statutory Statement of Cash Flow
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Cash From (Used By) Operations		
Premiums collected net of reinsurance	\$3,423,772	\$3,894,815
Net investment income	155,635	152,502
Miscellaneous income	289,888	8,650
Total	3,869,294	4,055,967
Benefit and loss related payments	1,578,195	1,922,614
Commissions, expenses paid and aggregate write-ins	2,626,460	2,823,585
Total	4,204,655	4,746,199
Net cash (used by) operations	(335,360)	(690,232)
Cash From Investments		
Proceeds from investments sold, matured, or repaid	1,161,298	2,686,958
Cost of investments acquired	867,449	1,661,832
Net cash from investments	293,849	1,025,126
Cash From (Used By) Financing and Miscellaneous Sources		
Other cash (applied)provided	70,469	(168,965)
Net cash from (used by) financing and miscellaneous sources	70,239	(168,965)
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	28,727	165,930
Cash and short-term investments, beginning of year	300,063	134,134
Cash and short-term investments, end of year	\$328,790	\$300,063

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under the equity method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses are "non-admitted" and are charges against surplus.

Reserves for losses & loss adjustment expenses: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The following represents an analysis of the Company's net admitted assets:

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$1,593,470	-	\$1,593,740
Common stocks	6,017,386	-	6,017,386
Cash and short-term investments	328,790	-	328,790
Total cash and invested assets	8,312,601	-	8,312,601
Investment income due and accrued	11,161	-	11,161
Premiums and agents' balances in course of collection	77,275	454	76,821
Premiums and agents' balances booked but not yet due	215,932	-	215,932
Reinsurance recoverable	7,493	-	\$7,493
Electronic data processing equipment and software	17,232	-	17,232
Furniture and equipment including health care delivery assets	1,154	1,154	-
Receivable from parent, subsidiaries, and affiliates	134,214	129,698	4,516
Prepaid expenses	73,900	73,900	
Life insurance cash surrender value assets	286,312	-	286,312
Business automobile	33,927	33,927	
Summary of remaining write-ins for Line 25 from overflow page	8,297	8,297	-
Total admitted assets	\$9,179,499	\$247,429	\$8,932,070

Reinsurance Activity:

The Company has catastrophe excess of loss reinsurance contracts to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to policyholders. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes Guy Carpenter as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	2020	2019
Direct written	\$4,256,968	\$4,522,030
Ceded written	781,486	735,991
Net written	3,475,482	3,786,039
Direct earned	4,344,548	4,502,279
Ceded earned	770,073	715,137
Net earned	\$3,574,475	\$3,787,142

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of

contracts and retention limits are described under the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	Current Year	Prior Year
Reserve for losses and loss adjustment expenses, beginning of year	\$828,027	\$835,490
Add:		
Provision for losses and loss adjustment expenses, current year	2,230,668	2,654,167
Change in estimated losses and loss adjustment expenses, prior years	(425,000)	(259,000)
Total incurred	1,805,688	2,395,167
Deduct:		
Losses and loss adjustment expenses paid, current year	1,699,223	1,930,630
Losses and loss adjustment expenses paid, prior year	292,000	472,000
Total paid	1,991,223	2,402,630
Reserve for losses and loss adjustment expenses, end of year	\$642,492	\$828,027

The Company does not anticipate salvage and subrogation to offset the loss and loss adjustment expenses.

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2020, and 2019, the liability for losses and loss adjustment expenses was reduced by approximately \$1,302,000 and \$747,000, respectively, for amounts to be recovered from reinsurers.

Surplus:

The following, in conjunction with the Statutory Statement of Surplus, represents the changes in the Company's surplus since the Department's last examination as of December 31, 2015:

	2018	2017	2016
Surplus, beginning of year	\$6,095,797	\$5,415,264	\$5,269,026
Surplus increases (decreases):			
Net income (loss)	(753,432)	369,711	(13,396)
Change in net unrealized capital gain (loss)	(471,652)	305,271	94,719
Change in net deferred income tax	206,889	(238,498)	16,077
Change in non-admitted assets	(498,931)	244,051	48,838
Change in surplus as regards policyholders for the year	(1,517,126)	680,534	146,238
Surplus, end of year	\$4,578,671	\$6,095,797	\$5,415,264

Contingencies and Commitments:

The Company is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Company.

Alamance Farmers' Mutual Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2020

Lisa Snyder, President/Chief Executive Officer
128 West Harden Street
Graham, North Carolina, 27253

Dan Stafford, Chair of the Board
128 West Harden Street
Graham, North Carolina 27253

Mike Lawrence, Chief Financial Officer/Treasurer
128 West Harden Street
Graham, North Carolina 27253

CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$700,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



Ke Xu, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

November 29, 2021

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Tonneta Drummond, Supervising Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by her, is true and correct to the best of her knowledge and belief.

Signature: Tonneta Drummond Date: 11-29-21

Sworn and subscribed before me this 29th day of November, 2021.

Notary Public Signature: Jennifer Ishihara Notary Public Seal:

