

AIMCO Mutual Insurance Company

Greensboro, NC

Report on Examination

As of December 31, 2018

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November 5, 2019

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

AIMCO Mutual Insurance Company

(hereinafter referred to as the “Company”), at its main administrative and statutory home office located at 7823 National Service Road, Greensboro, North Carolina 27409. 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, 2014 to December 31, 2018, 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, 2013.

The purpose of this examination is to review and evaluate the Company’s business processes and controls to assist in accessing and monitoring its current financial condition and prospective solvency. Pursuant to GS § 58-2-132, this Report on Examination comprises only facts appearing in the books, records, or other documents of the Company (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:

Investments
Loss and Reserves
Reinsurance

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 Company was granted an exemption from filing an annual audited financial statement with the Department for each of the years under examination.

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

1. The Company earned premiums totaling \$995, incurred losses on claims totaling \$30,948, and incurred expenses for salaries and directors' fees totaling \$459,316 during the year ended December 31, 2018. Salaries and directors' fees were approximately 68% and 83% of the total expenses incurred by the Company for 2018 and 2017, respectively. (Refer to the Review of Expenses Incurred) When compared to the average of the same expenses incurred by six other mutual companies domiciled in North Carolina, the Company's expenses for directors' fees and the President's salary were higher than the average of other companies which were actively writing business during the same years. The Company incurred expenses for directors' fees totaling \$150,000 compared to the average totaling \$26,753 annually and expenses for the President's salary totaling \$248,000 compared to the average totaling \$104,526 annually. This issue was also noted during the Department's prior examination. The Company paid a total of \$1,990,000 to its President and directors from 2014 to 2018. Considering the Company's runoff status effective as of March 31, 2007, we recommend that the Company determine whether the amounts paid for salaries and directors' fees were fair, reasonable and commensurate with the services provided to the Company from 2014 to 2018. (Refer to Subsequent Events)
2. The Company's Board of Directors ("Board") does not conduct quarterly meetings each year as required by Article IV, Section 13 of the Company's bylaws. The Board held only one meeting in 2014 and only two meetings in 2016, 2017 and 2018. The Company's expenses did not decrease in the years when the Board met less than quarterly, as \$150,000 in directors' fees were paid by the Company each year from 2014 to 2018. The Company is directed to comply with its bylaws and to determine whether the amounts paid to the Board were fair and reasonable for the years when the Board did not meet quarterly.
3. Conflict of interest forms were executed by all officers and directors of the Company for the years 2014, 2015, 2016, 2017 and 2018 except for a missing conflict of interest form ("Form") for the years 2016, 2017 and two missing Forms for the year 2018. On some of the executed Forms, the area for listing any conflicts of interests was left blank even though the Form instructions state that write "None" if there is none. In addition, the Company made donations totaling \$200,000 to non-profit organizations affiliated with members of the Board and affiliation of the Board members was not disclosed on the executed conflict of interest forms. The Company is directed to establish a formal Conflict of Interest Policy and to execute annual conflict of interest forms which properly disclose all conflicts of interests pursuant to North Carolina Administrative Code Title 11 Chapter 11C.0117.
4. The Company's Board meeting minutes for meetings held in 2013, 2014, and 2018 did not contain evidence of the Board's approval for the donations made to NCAI, Inc. in 2013, 2014, and 2018. (Refer to Company Donations to Non-profit Organizations) We recommend that the Company maintain complete minutes of the Board meetings including the Company's significant transactions and events, and the Board's approval of these transactions and events.
5. The Company did not properly notify the Department of an amendment to its Investment Management/Custodial Agreement dated December 13, 2011, to provide that prior approval of the

Commissioner of Insurance is required for any amendment and that written notice of an assignment or termination of the agreement must be delivered to the Commissioner of Insurance at least 30 days prior to the effective date of such assignment or termination. Failure to notify the Department of the amendment to the agreement is a violation of NCGS 58-34-10(c). The Company is directed to comply with NCGS 58-34-10(c). (Refer to Subsequent Events)

6. The Company did not maintain any fidelity bond coverage for all years under examination. The NAIC Financial Condition Examiners Handbook's recommended minimum range for the Company's fidelity bond coverage is \$75,000 to \$100,000. We recommend that the Company maintain fidelity bond coverage for no less than the minimum recommended by the NAIC.

COMPANY HISTORY

The North Carolina Associated Industries Workers' Compensation Fund ("Fund") was organized September 1, 1981, as an unincorporated association of employers to self-insure for workers' compensation. The Fund became incorporated on January 1, 1998.

On December 1, 1998, the Fund entered into a Loss Portfolio Transfer Agreement with Signet Star Reinsurance of Wilmington, Delaware which reinsured all claim liabilities for the 1998 and prior policy years. This transaction was recorded using prospective reinsurance accounting based upon instructions from the Department. Therefore, the Company, as the Fund's successor, is only at risk for the underwriting results of policy years 1999 and forward.

The Fund merged into Associated Industries Mutual Insurance Company ("AIMIC") effective January 1, 2003, with the approval of the Department. The Company was created as a non-assessable mutual company during 2002 to effect this merger and to allow the Fund to become a mutual insurance company. The merger was accounted for using statutory methods. During 2005, AIMIC changed its name to AIMCO Mutual Insurance Company.

The Company exited the workers compensation market as of March 31, 2007, due to the limited need for its market niche for employers it had chosen to serve. No new business has been accepted with inception dates after March 31, 2007. The Company's bylaws state that all policies of insurance issued by the Company shall be participating policies, entitling the policyholders to receive dividends or premium refunds thereon from the distributable net earnings of the Company, but only when, as, and if declared by the Board of Directors, and then only as authorized by law. The Board has not declared any dividends to policyholders since exiting the market.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Board of Directors

The business of the Company is conducted by Bobby Biggerstaff, President and Treasurer, and subject to review by the Board. The bylaws specify that the number of directors shall be not less than seven. Directors are elected annually, at the annual meeting of members or by the written consent of the members, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors at December 31, 2018:

Name	Location	Principal Occupation
Bobby Garrison Biggerstaff	Greensboro, NC	President/Treasurer, AIMCO Mutual Insurance Company
Joseph Ernest Warner III	Greensboro, NC	Principal/Managing Partner, Breslow Starling CPA
Alan Bruce Clark	Raleigh, NC	President/Chief Executive Officer, Capital Associated Industries, Inc.
Robert Ernest Hendrix II	Greensboro, NC	Retired Sr. Vice President, VF Corporation
Frederick Lee Reese	Asheville, NC	President/Chief Executive Officer, Western Carolina Industries, Inc.
James Booton Patterson Jr.	Asheboro, NC	Senior Human Resources Manager, Malt-O-Meal
George Edward Shelton	Raleigh, NC	Retired

Officers

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company 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 may be held by the same person except for the offices of the President and Secretary.

The following individuals served as officers of the Company at December 31, 2018:

Name	Title
Bobby Garrison Biggerstaff	President and Treasurer
Joseph Ernest Warner III	Secretary

CODE OF CONDUCT AND CONFLICT OF INTEREST

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 that the Company did not act in accordance with its policy and procedures for disclosure of conflicts of interest. (Refer to Summary of Significant Findings)

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board for the period under examination. Based on our review, it appears that the minutes did not fully document the Company's significant transactions and events, nor the directors' approval of these transactions and events. (Refer to Summary of Significant Findings)

There have been no changes to the articles of incorporation and bylaws for the company during the period under examination.

ACCOUNTS AND RECORDS

The Company's books and records are maintained at its main administrative office located at 7823 National Service Road Greensboro, North Carolina 27409.

THIRD PARTY ADMINISTRATOR

The Company utilizes the services of Key Risk Management Services (KRMS), a Third-Party Administrator (TPA) to perform all financial functions including: claims processing, reinsurance processing, accounting, regulatory reporting and to serve as a regulatory liaison to state agencies. The Company paid TPA fees to KRMS totaling \$107,000 and \$112,000 in 2018 and 2017, respectively. York Risk Services Group acquired KRMS in 2018. The Company's TPA contract with KRMS is due to expire on December 31, 2019.

FIDELITY BONDS AND OTHER INSURANCE

The Company did not have any fidelity bond coverage for the period under examination. (Refer to the Summary of Significant Findings)

In addition, the Company is a named insured on a corporate property and liability policy issued by the Cincinnati Insurance Company, which appears to be adequate to cover risks in the normal course of business.

TERRITORY AND PLAN OF OPERATION

The Company operates as a mutual insurance company and, prior to April 1, 2007, was authorized to write workers compensation business in North Carolina. The Company's license was restricted to "no new or renewal business" on April 1, 2007. Although the Company has been in run-off since 2007, it has continued to assume its proportionate share of business from the North Carolina Assigned Risk Pool. The Company is not licensed to operate in any other state.

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 2018:

Year	Total Net Admitted Assets	Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2018	\$7,260,256	\$6,350,766	\$0	\$995	\$(223,674)
2017	\$7,568,493	\$6,596,792	\$0	\$387	\$(291,055)
2016	\$7,938,289	\$6,858,819	\$0	\$399	\$1,172,632
2015	\$8,497,062	\$5,696,676	\$0	\$1,422	\$(256,751)
2014	\$9,071,586	\$5,964,173	\$0	\$1,563	\$(113,023)

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 2018 were reviewed and certified by the Company's Appointed Actuary, Danny M. Allen, ACAS, MAAA. Actuarial opinions regarding the Company's reserves for loss 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 loss and loss adjustment expense reserve. According to the actuarial opinions, the Company's reserves on the loss 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 loss and loss expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

The Company has a loss portfolio transfer reinsurance contract with Berkley Insurance Company, formerly Signet Star Reinsurance Company, which was effective December 1, 1998, and five excess of loss reinsurance contracts (collectively referred to as "Reinsurance Contracts"). The Reinsurance Contracts have four subscribing reinsurers ("Reinsurers") that are rated A- or better. One excess of loss reinsurance contract is with a non-rated reinsurer.

A summary of the coverage provided under the contracts is as follows:

Loss Portfolio Transfer Reinsurance

The loss portfolio transfer reinsurance contract covers all policies written by the Company for the period September 1, 1981, through December 31, 1998. The insurer's net liability for the above policy years are reinsured under this contract with various reinsurers maximum liability per occurrence levels based on

policy years ranging from \$200,000 to \$500,000. The contract term is infinite and expires when all obligations have been discharged.

At December 31, 2018, there are two open claims under this contract that have not reached the Company's retention levels.

Excess of Loss Reinsurance

The Company has five active Excess of Loss Reinsurance contracts which provide coverage on its worker's compensation and employer's liability business at the following retention levels and coverage limits:

Policy Year	Reinsurer	Company Retention	Reinsurers Occurrence Limit On Workers Compensation	Reinsurers Occurrence Limit On Employers Liability
1985	Westport Insurance Company	\$200,000	Statutory	\$100,000
1997	Midwest Employers Casualty Company	\$500,000	Statutory	\$2,000,000
1998	Midwest Employers Casualty Company	\$500,000	Statutory	\$2,000,000
2003	Midwest Employers Casualty Company	\$500,000	Statutory	\$2,000,000
2006	Midwest Employers Casualty Company	\$600,000	\$9,400,000	\$200,000

There are five open claims covered under these contracts as of December 31, 2018. All claims have exceeded the Company's retention level at December 31, 2018.

The Company did not cede any premiums in 2018 under these reinsurance contracts.

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, 2018. 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, 2017, are unexamined and are presented for comparative purposes only.

AIMCO Mutual Insurance Company
Statutory Statement of Admitted Assets
December 31, 2018

	2018	2017 <i>(unexamined)</i>
Bonds	\$4,739,212	\$5,132,396
Preferred stocks	250,000	250,000
Common stocks	586,359	778,066
Cash and cash equivalents	1,318,130	1,262,209
Total cash and invested assets	6,893,701	7,442,670
Investment income due and accrued	57,960	59,248
Amounts recoverable from reinsurers	68,249	72,870
Current federal income tax recoverable and interest	220,717	-
Net deferred tax asset	15,070	13,704
Deposits in transit	4,559	-
Total admitted assets	\$7,260,256	\$7,568,493

AIMCO Mutual Insurance Company
Statutory Statement of Liabilities and Surplus
December 31, 2018

	2018	2017 <i>(unexamined)</i>
Losses	\$813,164	\$ 868,082
Loss adjustment expenses	29,200	29,735
Other expenses	55,328	55,920
Taxes, licenses and fees	8,652	16,126
Escheats payable	3,146	1,838
Total Liabilities	909,490	971,701
Unassigned funds	6,350,766	6,596,792
Total surplus	6,350,766	6,596,792
Total Liabilities and Surplus	\$7,260,256	\$7,568,493

AIMCO Mutual Insurance Company
Statutory Statement of Operations
December 31, 2018

	2018	2017 <i>(unexamined)</i>
Underwriting Income		
Premiums Earned	\$995	\$387
Deductions		
Losses incurred	(30,948)	(62,529)
Loss adjustment expenses incurred	31,516	47,729
Other underwriting expenses incurred	618,725	481,959
Total underwriting deductions	619,293	467,159
Net underwriting (loss)	(618,298)	(466,772)
Investment Income		
Net investment income earned	183,572	168,282
Net realized capital gains (losses)	(9,766)	6,337
Net investment gain	173,805	174,619
Other Income		
Net loss from agents' or premium balances charged off	-	1,625
Total other income (loss)	-	1,625
Federal and foreign income taxes incurred	(220,819)	527
Net (Loss)	\$ (223,674)	\$ (291,055)

AIMCO Mutual Insurance Company
Statutory Statement of Surplus
December 31, 2018

	2018	2017 <i>(unexamined)</i>
Surplus, beginning of year	\$6,596,792	\$6,858,819
Surplus increases (decreases):		
Net (Loss)	(223,674)	(291,055)
Change in net unrealized capital gains or (losses)	(24,208)	14,732
Change in net deferred income tax	(220,717)	441,332
Change in non-admitted assets	222,572	(427,036)
Change in surplus as regards policyholders for the year	(246,026)	(262,027)
Surplus, end of year	\$6,350,766	\$6,596,792

AIMCO Mutual Insurance Company
Statutory Statement of Cash Flow
December 31, 2018

	2018	2017 <i>(unexamined)</i>
Cash From (Used By) Operations		
Premiums collected net of reinsurance	\$995	\$ 387
Net investment income	242,761	223,207
Miscellaneous income	-	1,625
Total	243,756	225,219
Benefit and loss related payments	19,349	43,734
Commissions, expenses paid and aggregate write-ins	650,777	523,345
Federal income taxes paid	-	13,527
Total	670,126	580,606
Net cash (used by) operations	(426,370)	(355,387)
Cash From (Used By) Investments		
Proceeds from investments sold, matured, or repaid	1,052,566	1,334,494
Cost of investments acquired	559,551	1,679,306
Net cash from (Used by) investments	493,015	(344,812)
Cash From (Used By) Financing and Miscellaneous Sources		
Other cash (applied)	(10,724)	(5,352)
Net cash (Used by) financing and miscellaneous sources	(10,724)	(5,352)
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	55,921	(706,551)
Cash and cash equivalents, beginning of year	1,262,209	1,967,760
Cash and cash equivalents, end of year	\$1,318,130	\$1,262,209

COMMENTS ON FINANCIAL STATEMENTS

There were no changes to the Company's financial statements and there were no proposed adjustments to surplus as a result of this examination.

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 interest method.

Preferred stocks: Preferred stock are stated at market value.

Common stocks: Common stocks are stated at market value

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments.

Reinsurance: Expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Losses and loss adjustment expenses are reported as reductions of those items.

Non-admitted assets: Certain assets, such as prepaid expenses, electronic data processing equipment and a portion of deferred tax assets are "non-admitted" and are charges against surplus.

Unpaid loss & loss adjustment expense: 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	\$ 4,739,212		\$ 4,739,212
Preferred stocks	250,000		250,000
Common stocks	586,359		586,359
Cash and short-term investments	1,318,130		1,318,130
Total cash and invested assets	6,893,701		6,893,701
Investment income due and accrued	57,960		57,960
Reinsurance recoverable	68,249		68,249
Current federal and foreign income tax recoverable and interest thereon	220,717		220,717
Net deferred tax assets	220,717	\$ 205,647	15,070
Electronic data processing equipment and software	1,314	1,314	-
Prepaid assets	6,993	6,993	-
Miscellaneous receivable	4,559		4,559
Total admitted assets	\$ 7,474,210	\$ 213,954	\$ 7,260,256

Reinsurance Activity:

The Company has a loss portfolio reinsurance transfer contract and five excess of loss 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.

Assumed and ceded premiums written and earned are as follows:

	2018	2017
Assumed written	\$ 995	\$387
Ceded written	-	-
Net written	995	387
Assumed earned	995	387
Ceded earned	-	-
Net earned	\$995	\$387

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.

The Company assumed premiums totaling \$995 and \$387 in 2018 and 2017, respectively, for its proportionate share of business from the North Carolina Assigned Risk Pool.

Summary of Reserves:

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

	2018	2017
Reserve for losses and loss adjustment expenses, beginning of year	\$897,817	\$986,944
Add:		
Provision for losses and loss adjustment expenses, current year	-	-
Change in estimated losses and loss adjustment expenses, prior years	568	(14,800)
Total incurred	568	(14,800)
Deduct:		
Losses and loss adjustment expenses paid, current year	-	-
Losses and loss adjustment expenses paid, prior year	56,020	74,237
Total paid	56,020	74,237
Reserve for losses and loss adjustment expenses, end of year	842,365	897,817
Increase in reserve for losses and loss adjustment expenses	\$(55,452)	\$(89,127)

The Company reduced reserves by anticipated salvage and subrogation of \$0 and \$0 at December 31, 2018 and 2017, respectively.

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, 2018 and 2017, the liability for losses and loss adjustment expenses was reduced by \$14,112,000 and \$15,889,000, respectively, for amounts to be recovered from reinsurers.

Policyholders' 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, 2013:

	2016	2015	2014
Surplus, beginning of year	\$5,696,674	\$5,964,171	\$6,038,757
Surplus increases (decreases):			
Net income (loss)	1,172,632	(256,751)	(113,023)
Change in net unrealized capital gain (loss)	(9,941)	(69,077)	31,547
Change in non-admitted assets	(546)	58,331	6,890
Change in surplus as regards policyholders for the year	1,162,145	(267,497)	(74,586)
Surplus, end of year	\$6,858,819	\$5,696,674	\$5,964,171

Review of Expenses Incurred:

The Company's annual statement provides information regarding the expenses incurred by the Company in relation to the runoff of its operations. The following data, obtained from the annual statements filed with the Department, illustrates a comparison of the total salaries and director's fees to the total expenses incurred by the Company for the five-year period ended December 31, 2018:

Year	Total Salaries and Directors' Fees	Total Expenses Incurred	Percentage
2018	\$459,316	\$672,551	68%
2017	\$459,016	\$553,501	83%
2016	\$459,016	\$618,778	74%
2015	\$459,016	\$663,396	69%
2014	\$461,867	\$488,472	95%

The Company's total expenses incurred include loss adjustment expenses, other underwriting expenses and investment expenses. The total salaries and directors' fees reported each year by the Company on the Annual Statement Underwriting and Investment Exhibit Part 3 include \$248,000 for the annual salary of the Company's President, \$150,000 for directors' fees, and a portion of the TPA fees which the Company allocates to salaries. (Refer to Summary of Significant Findings)

Company Donations to Non-profit Organizations:

The Company donated \$200,000 to non-profit organizations affiliated with members of the Board as follows:

Year	Amount	Organization
2013	\$25,000	NCAI, Inc.
2013	\$50,000	Harry Clarke Scholarship Memorial Fund
2014	\$25,000	NCAI, Inc.
2016	\$25,000	A Simple Gesture
2016	\$25,000	NCAI, Inc.
2017	\$25,000	NCAI, Inc.
2018	\$25,000	NCAI, Inc.

The Company's President, Bobby Biggerstaff, is the registered agent and incorporator of A Simple Gesture, which is a non-profit corporation under the United States Internal Revenue Code Section 501(c)(3). Bobby Biggerstaff also serves as the Chairman, President and Treasurer of A Simple Gesture.

The Company's has two directors, Alan Clark and Fredrick Reese, which are listed as the President and Assistant Secretary, respectively, of NCAI, Inc., a non-profit corporation under the United States Internal Revenue Code Section 501(c)(6). NCAI, Inc. sponsored the Harry Clarke Scholarship Memorial Fund. (Refer to the Summary of Significant Findings)

Contingencies and Commitments:

The Company does not have any pending legal proceedings arising from litigation, income taxes or other matters that could have a material effect on the financial position of the Company.

SUBSEQUENT EVENTS

The Company's Board approved a resolution in March 2019 to reduce the President's annual salary from \$248,000 to \$124,000 and to reduce the annual directors' fees from \$150,000 to \$75,000, effective on January 1, 2020.

On July 2, 2019, the Company submitted the amendment to its Investment Management/Custodial Agreement to the Department for approval. The amendment was approved on October 11, 2019.

On August 15, 2019, the Company notified the Department that it has reached preliminary terms of a merger agreement with another mutual insurance company.

AIMCO Mutual Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2018

Bobby Biggerstaff, President and Treasurer
3825 West Market Street, Suite 101
Greensboro, North Carolina 27407

James Patterson, Board of Director
2405 Northmont Drive
Asheboro, North Carolina 27205

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 \$1,000,000.

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

Respectfully submitted,



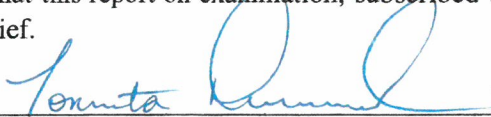
Ke Xu, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

November 5, 2019

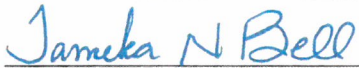
STATE OF NORTH CAROLINA

COUNTY OF WAKE

Tonneta Drummond, Senior 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:  Date: 11/5/19
Tonneta Drummond

Sworn and subscribed before me this 5th day of November, 2019.

Notary Public Signature:  Notary Public Seal:





AIMCO

January 9, 2020

Ms. Ke Xu, CPA, CPE
Ke.Xu@ncdoi.gov
Chief Financial Examiner
Financial Examination Division
1201 Mail Service Center
Raleigh, NC 27699-1203

Re: Report on Examination as of December 31, 2018

Dear Ms. Xu:

Thank you for the revised Report on Examination of AIMCO Mutual Insurance Company (the "Company") as of December 31, 2018 dated November 5, 2019 sent via email on January 8, 2020, together with the management letter also dated November 5, 2019.

The Company accepts the revised Report and the management letter.

In response to the Report and management letter, please note that the Company's Board of Directors met On December 18, 2019 and took the following actions (among other actions):

-The Board determined that the compensation paid to the Company's President, Mr. Biggerstaff, during 2014 to 2018, inclusive, was fair, reasonable, and commensurate with the services provided, taking into account the range of services provided by Mr. Biggerstaff as the Company's only employee including his role in pursuing consideration of numerous strategic opportunities to allow the Company to reenter the workers compensation insurance market. Among other factors, the Board considered a market compensation analysis prepared by JER HR Group dated December 3, 2019 of other mutual insurance companies.

-The Board amended the Company's Bylaws, subject to receipt of the Department's approval as required. The changes include requiring formal meetings only twice a year to conform to the Company's actual practice developed since the Bylaws were originally adopted in 2002 reflecting the use of email and other communications outside of formal meetings to allow the directors to remain informed about, and oversee, the Company's affairs, on a more current basis. The Board determined that the amounts paid to directors as annual fees for the years 2014 to 2018 were fair and reasonable even when the Board did not formally meet quarterly because the fees were not payable on a per meeting basis but rather were for all the services performed as directors, including services between formal meetings. The services outside of meetings in 2014 included consideration of matters raised in the Department's prior examination.

AIMCO MUTUAL INSURANCE COMPANY

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-The Board adopted a Code of Business Conduct and Ethics applying to all personnel, including directors. The Code of Business Conduct and Ethics includes provisions requiring disclosure of conflicts of interest.

-The Board acknowledged and affirmed that the contributions to NCAI, Inc. made during 2013, 2014, and 2018 were made as part of ongoing yearly support previously authorized by the Board to support NCAI, Inc.'s efforts to promote worker's compensation legislation and regulation for the benefit of employers, consistent with the Company's mission. The Board also acknowledged and affirmed that at the time of authorization of these donations the directors knew of the involvement of Company directors Clark, Reese, and Shelton as volunteer directors and/or officers of NCAI, Inc.

-The Board acknowledged and affirmed that the one-time contribution to the Harry S. Clarke Memorial Scholarship Fund that was authorized at the Board's October 17, 2013 meeting was made to recognize the late Mr. Clarke's leadership role in the North Carolina Associated Industrial Workers Compensation Fund, the Company's predecessor which provided the capital for the Company. The Board also acknowledged and affirmed that at the time of authorization of this contribution the directors knew of the involvement of Company director Reese in the Harry S. Clarke Memorial Scholarship Fund.

-The Board acknowledged and affirmed that the one-time contribution to A Simple Gesture – Greensboro Inc., a charity founded to alleviate child hunger in Guilford County, North Carolina, that was authorized at the Board's March 16, 2016 meeting, was made in recognition of the Company's headquarters being located in Greensboro, North Carolina at all times since the Company's founding. The Board also acknowledged and affirmed that at the time of authorization of this contribution the directors knew of the involvement of Company director Biggerstaff as a volunteer director and officer of A Simple Gesture – Greensboro Inc.

-The Board authorized obtaining fidelity bond coverage in the minimum amount recommended by the NAIC Financial Condition Examiners Handbook.

-The Board authorized continuation of the negotiations with potential merger candidates with the goal of consummating a merger in 2020. The Board approved director Bruce Clarke as the successor to Mr. Biggerstaff as President of the Company should Mr. Biggerstaff cease to serve the Company in such capacity for any reason prior to a merger occurring. Should this occur, the Board would consider at that time taking any additional steps that may be needed to implement this succession.

-The Board authorized a one-year extension of the Company's Third Party Administrator agreement with Key Risk Management Services, subject to the Company's right to terminate the agreement early by providing notice.

Ms. Ke Xu, CPA, CPE
January 9, 2020
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We respectfully request that this response letter accompany the Report.

Thank you.

Yours truly,


Bob Biggerstaff, CEO

cc: Board of Directors