

Halifax Mutual Insurance Company

Enfield, North Carolina

Report on Financial Examination

As of December 31, 2015

Halifax Mutual Insurance Company

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Halifax Mutual Insurance Company

Report on Financial Examination

Honorable Wayne Goodwin
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 a financial examination of Halifax Mutual Insurance Company (“Company”) as of December 31, 2015. The examination covered the period January 1, 2012 through December 31, 2015, and the period subsequent to the date of this examination report. The Department’s last examination was as of December 31, 2011.

This examination was performed using the Department’s single-state, risk-focused examination approach. The primary purpose of a risk-focused examination is to review and to evaluate an insurer to assist in assessing and monitoring its financial condition. The scope of this examination, as specified on page 4, includes a review, in coordination with the financial analysis process, of the Company’s practices and procedures, its corporate and accounting records, details of certain transactions, which may include significant estimates made by the Company, and an evaluation of certain assets and liabilities reported in the Company’s Annual Statement as of December 31, 2015. This report is not intended to communicate all matters of importance for an understanding of the Company’s financial condition as of December 31, 2015. Therefore, the findings and conclusions contained within this report are based solely on the work performed on the specific areas provided in the Summary of Examination Objectives and Findings on page 5.

Respectfully submitted,



Ke Xu, CPA, CFE
Chief Financial Examiner
Agile Enterprise Section
Financial Evaluation Division
North Carolina Department of Insurance

August 8, 2016

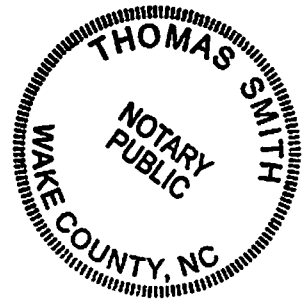
STATE OF NORTH CAROLINA
COUNTY OF WAKE

Eileen Culliney, 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: Eileen Culliney Date: 9/12/16
Eileen Culliney

Sworn and subscribed before me this 12 day of September, 2016.

Notary Public Signature: [Signature] Notary Public Seal:



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1. Company Background

The Company was incorporated and commenced business in the state of North Carolina on August 7, 1947. The majority of the Company's business continues to be homeowners and farmowners multi-peril, with business historically written in the northeast section of the state. The Company has indicated that it plans to expand its operations toward the central and western counties of the state in order to diversify its underwriting.

2. Appointed Actuary

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. Actuarial opinions regarding the Company's reserves for loss and loss adjustment expenses were issued by an appointed actuary for the examination period. The appointed actuary evaluated the reserves for the losses and loss adjustment expenses provided by the Company for reasonableness and consistency. According to the actuarial opinion, the Company's reserves for 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 loss and loss adjustment expense obligations of the Company.

3. Scope of the Examination

The scope of this examination includes a review of the following areas relative to the 2015 Annual Statement:

- a) Premiums and Underwriting
- b) Claims and Reserves
- c) Operations

4. Examination Procedures

The examination procedures performed during this examination included the following:

- 1) Review and verification of supporting documentation for reported balances;
- 2) Substantive testing of underlying data and transactions;
- 3) Analytical procedures and recalculation of account balances;
- 4) Review of the Company's underwriting practice and procedures;
- 5) Review of the Company's contracts and agreements;
- 6) Actuarial review of the Company's reserves by the Department's Actuarial Services Division;
- 7) Other examination procedures deemed necessary to meet the established objectives.

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5. Summary of Examination Objectives and Findings

a) Premiums and Underwriting

- 1) Examination Objective: To verify the accuracy and completeness of direct written premiums, totaling \$8,564,730, as reported in the Company's Annual Statement as of December 31, 2015.

Findings: No adverse findings were noted.

- 2) Examination Objective: To verify the accuracy of unearned premiums, totaling \$2,605,519, as reported in the Company's Annual Statement as of December 31, 2015.

Findings: No adverse findings were noted.

- 3) Examination Objective: To verify the accuracy and collectability of premiums receivable, totaling \$704,341, which includes uncollected premiums of \$70,068 and deferred premiums of \$634,273, as reported in the Company's Annual Statement as of December 31, 2015.

Findings: No adverse findings were noted.

- 4) Examination Objective: To verify the accuracy of advance premiums, totaling \$233,580, as reported in the Company's Annual Statement as of December 31, 2015.

Findings: No adverse findings were noted.

- 5) Examination Objective: To review whether the Company's underwriting and pricing guidelines are appropriate, resulting in adequate premium rates.

Findings: No adverse findings were noted.

b) Claims and Reserves

- 1) Examination Objective: To verify the completeness and accuracy of claims paid, totaling \$1,973,104, as reported in the Company's Annual Statement as of December 31, 2015.

Findings: No adverse findings were noted.

- 2) Examination Objective: To review the reasonableness and adequacy of unpaid losses and loss adjustment expenses, totaling \$312,966 and \$21,466, respectively, as reported in the Company's Annual Statement as of December 31, 2015.

Findings: No adverse findings were noted.

c) Operations

- 1) Examination Objective: To verify that the Company has a succession plan in place to address the replacement of key staff positions.

Findings: No adverse findings were noted.

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- 2) **Examination Objective:** To verify that the Company has submitted all contracts and agreements that are subject to the Department's review and approval.

Findings: No adverse findings were noted.

Halifax Mutual Insurance Company
Report on Financial Condition Examination
Appendix A – Report Distribution

Lori Clay, President and CEO
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Enfield, NC 27823