



I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of the National General Insurance Group - North Carolina, as of December 31, 2022 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 25th day of June, 2024.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
Financial Examination Division

National General Insurance Group – North Carolina

Winston-Salem, North Carolina

Multi-Entity Report on Examination

As of December 31, 2022

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May 29, 2024

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

Integon National Insurance Company (“INIC”)
Direct Insurance Company (“DIC”)
Direct National Insurance Company (“DNIC”)
Imperial Fire and Casualty Insurance Company (“IFCIC”)
Integon Casualty Insurance Company (“ICIC”)
Integon General Insurance Corporation (“IGIC”)
Integon Indemnity Corporation (“IIC”)
Integon Preferred Insurance Company (“IPIC”)
National Farmers Union Property and Casualty Company (“NFU”)
New South Insurance Company (“NSIC”)

(hereinafter referred to as the “National General Insurance Group – North Carolina” or “NatGen-NC”), acknowledging that its main administrative and statutory home office is located at 5630 University Parkway, Winston-Salem, North Carolina.

SCOPE OF THE EXAMINATION

We performed a full-scope coordinated statutory examination of each company within the NatGen-NC. This examination covers the period from January 1, 2018, to December 31, 2022, 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 NatGen-NC was as of December 31, 2017.

The purpose of this examination is to review and evaluate the NatGen-NC business processes and controls to assist in assessing 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 NatGen-NC (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

This was a multi-state coordinated financial examination of twenty-seven (27) insurance company subsidiaries of National General Holdings Corporation (“NGHC”), (collectively known as the “NatGen Group”). North Carolina served as the Facilitating State, and Participating States included Alabama, California, Illinois, Indiana, Michigan, Missouri, Mississippi, New Jersey, New York, Ohio, and Texas. South Carolina performed a separate examination for Direct General Life Insurance Company, which is also a subsidiary of NGHC.

The following table lists the twenty-seven (27) participating insurance company subsidiaries included in the NatGen Group:

Legal Entity	Abbreviation	State of Domicile	NAIC Company Code
Integon National Insurance Company	INIC	NC	29742
Direct Insurance Company	DIC	NC	37220
Direct National Insurance Company	DNIC	NC	23736
Imperial Fire and Casualty Insurance Company	IFCIC	NC	44369
Integon Casualty Insurance Company	ICIC	NC	27930
Integon General Insurance Corporation	IGIC	NC	22780
Integon Indemnity Corporation	IIC	NC	22772
Integon Preferred Insurance Company	IPIC	NC	31488
National Farmers Union Property and Casualty Company	NFU	NC	16217
New South Insurance Company	NSIC	NC	12130
Agent Alliance Insurance Company	AAIC	AL	10389
Century-National Insurance Company	CNIC	CA	26905
National General Premier Insurance Company	NGPIC	CA	12832
Standard Property and Casualty Insurance Company	SPCIC	IL	15199
Direct General Insurance Company	DGIC	IN	42781
MIC General Insurance Company	MIC	MI	38660
National General Assurance Company	NGAC	MO	42447
National General Insurance Company	NGIC	MO	23728
National General Insurance Online Incorporated	NGIO	MO	11044
Direct General Insurance Company of Mississippi	DGIC	MS	10889
New Jersey Skylands Insurance Association	NJSIA	NJ	11454
Adirondack Insurance Exchange	AIE	NY	12583
Mountain Valley Indemnity Corporation	MVIC	NY	10205
Safe Auto Choice Insurance Company	SACIC	OH	16502
Safe Auto Insurance Company	SAIC	OH	25405
Safe Auto Value Insurance Company	SAVIC	OH	16503
National Health Insurance Company	NHIC	TX	82538

We conducted our examination in accordance with 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 NatGen Group and NatGen-NC, 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 NatGen Group and NatGen-NC were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Capital & Surplus
Investing
Reinsurance
Related Party
Underwriting and Premiums – Property & Casualty
Underwriting and Premiums – Accident & Health
Actuarial – Property & Casualty (includes reserve adequacy and pricing)
Actuarial – Accident & Health (includes reserve adequacy and pricing)
Actuarial Data and Claims Handling

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.

This examination report includes significant findings of fact and general information about the insurers and their financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to the NatGen-NC.

NatGen-NC’s Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were 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 NatGen Group’s ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the NatGen Group’s management.

The books and records of the NatGen Group are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Deloitte & Touche LLP of Northbrook, Illinois, the designated independent public accountant of Allstate Insurance Company (“AIC”), which is wholly owned by Allstate Insurance Holdings, LLC (“AIH”), which wholly owns the NatGen Group, performed a consolidated audit on AIC’s statutory-basis statements, excluding entities located in Indiana, New Jersey, New York, and Texas, which were audited individually. Unmodified opinions were issued for all companies in the NatGen Group as of December 31, 2022. Prior to the acquisition of the NatGen Group by AIH, Ernst & Young LLP issued unmodified opinions for the NatGen-NC on a consolidated basis for the years ended December 31, 2018, through 2021. The Safe Auto Group of insurance companies were not acquired until 2021, and therefore, were not included in the NatGen Group audit prior to 2021.

Adirondack Insurance Exchange (“AIE”) and New Jersey Skylands Insurance Company (“NJSIA”) were reviewed and certified during all examination periods by Appointed Actuary, James McCoy, FCAS, MAAA. The statutory reserves and related items for the other entities in the NatGen Group in 2022 and 2021 were reviewed and certified by Appointed Actuary, Ian P. Sterling, FCAS, MAAA of KPMG LLP. The statutory reserves and related items for the periods subsequent to the prior examination and prior to the acquisition of NatGen Group by AIH were reviewed and certified by Appointed Actuary, Gareth L. Kennedy, ACAS, MAAA, of Ernst & Young, LLP.

REPORT ABBREVIATIONS

All Insurance Management Limited	“AIM”
Allstate Corporation	“Allstate”
Allstate Insurance Company	“AIC”
Allstate Insurance Holdings, LLC	“AIH”
Allstate Investments, LLC	“AILLC”
American Capital Acquisition Corporation	“ACAC”
Annual Statement	“AS”
Assigned Risk Solutions, Ltd.	“ARS”
Board of Directors	“Board”
ClearSide General Insurance Services, LLC	“ClearSide”
Direct General Corporation	“Direct General”
Direct General Insurance Agency, Inc	“DGIA”
Elara Holdings, Inc.	“Elara”
Financial Condition Examiners Handbook	“Handbook”
Florida Hurricane Catastrophe Fund	“FHCF”
General Casualty Company of Wisconsin	“GC-WI”
General Motors Acceptance Corporation	“GMAC”
General Reinsurance Corporation	“GenRe”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
Michigan Catastrophic Claims Association	“MCCA”
National Association of Insurance Commissioners	“NAIC”
National Flood Insurance Program	“NFIP”
National General Holdings Corporation	“NGHC”
National General Group (27 participating subsidiaries of NGHC on page 3)	“NatGen Group”
<u>National General Insurance Group - North Carolina:</u>	“NatGen-NC”
Direct Insurance Company	“DIC”
Direct National Insurance Company	“DNIC”
Imperial Fire and Casualty Insurance Company	“IFCIC”
Integon Casualty Insurance Company	“ICIC”
Integon General Insurance Corporation	“IGIC”
Integon Indemnity Corporation	“IIC”
Integon National Insurance Company	“INIC”
Integon Preferred Insurance Company	“IPIC”
National Farmers Union Property and Casualty Company	“NFU”
New South Insurance Company	“NSIC”
National General Lender Services	“NGLS”
National General Management Corporation	“NGMC”
National General Re, Ltd.	“NatGen Re”
North Carolina Department of Insurance	“Department”
North Carolina Reinsurance Facility	“NCRF”
Northeast Agencies, Inc.	“Northeast”
QBE Reinsurance Corporation	“QBE Re”
RAC Insurance Partners, LLC	“RAC”
<u>Safe Auto Insurance Group:</u>	“Safe Auto”
Safe Auto Insurance Company	“SAIC”
Safe Auto Choice Insurance Company	“SACIC”
Safe Auto Value Insurance Company	“SAVIC”
United Security Insurance Company	“USIC”

ORGANIZATIONAL STRUCTURE

The companies within the NatGen-NC are part of an insurance holding company system as defined in GS § 58-19 and are wholly owned subsidiaries of National General Management Corporation (“NGMC”), except for Imperial Fire and Casualty Insurance Company (“IFCIC”), which is directly owned by NGHC. NGMC is wholly owned by NGHC, formerly known as American Capital Acquisition Corporation (“ACAC”). NGMC was formed in 2009 to acquire the private passenger auto insurance business of the United States consumer property and casualty insurance segment of General Motors Acceptance Corporation (“GMAC”), which had been in operation since 1939. GMAC’s insurance companies were acquired by ACAC on March 1, 2010, and the holding corporation’s name was changed to NGHC effective July 1, 2013. On January 4, 2021, Allstate, a public company, completed the acquisition of NGHC for \$4 billion in an all-cash deal.

NGHC is a Delaware corporation and a specialty personal lines insurance holding company. NGHC and AIC are wholly owned subsidiaries of AIH, which is wholly owned by Allstate, the Ultimate Controlling Party.

Allstate was incorporated under the laws of the State of Delaware on November 5, 1992, to serve as a holding company for entities owned by Allstate. Allstate’s common stock is listed on the New York Stock Exchange under the trading stock symbol “ALL”. Allstate is one of the largest personal property and casualty insurers in the United States. In addition, Allstate has strong market positions in other protection products and services and distributes those products across North America, Europe, and Asia. Allstate reported \$51.4 billion in revenues in 2022.

During the examination period from January 1, 2018, to December 31, 2022, several mergers and acquisitions occurred as follows:

On November 13, 2018, Integon National Insurance Company (“INIC”) entered into a stock purchase agreement with General Casualty Company of Wisconsin (“GC-WI”) to purchase all of the issued and outstanding shares of National Farmers Union Property and Casualty Company (“NFU”). The purchase closed on August 1, 2019.

On April 17, 2019, Direct General Corporation (“Direct General”), a wholly owned subsidiary of Elara Holdings, Inc. (“Elara”), merged with and into NGHC making NGMC the direct shareholder of the company. The merger included Direct Insurance Company (“DIC”) and Direct National Insurance Company (“DNIC”), which are wholly owned by Direct General. After the merger, NGMC became the direct owner of DIC and DNIC.

On October 1, 2021, AIH completed the acquisition of three property and casualty companies: Safe Auto Insurance Company (“SAIC”), Safe Auto Choice Insurance Company (“SACIC”) and Safe Auto Value Insurance Company (“SAVIC”), (collectively referred to as “Safe Auto”). The Safe Auto entities are wholly owned subsidiaries of NGHC.

The NatGen Group is comprised of 28 insurance entities domiciled in thirteen (13) states, and ten (10) of the NatGen Group entities are domiciled in North Carolina.

During the examination period from January 1, 2018, to December 31, 2022, several companies owned by NGHC re-domesticated to North Carolina as follows:

IFCIC was re-domesticated from Louisiana to North Carolina effective May 20, 2019. IFCIC is licensed in 20 states and conducting business in 6 states with 99.5% of its written premium in the states of Louisiana and Florida.

After the acquisition by INIC, on September 16, 2019, NFU was re-domesticated from Wisconsin to North Carolina. NFU is licensed in all states (except Florida) and the District of Columbia with a heavy concentration of business in the Midwest (North Dakota, Colorado, Montana, and Arkansas).

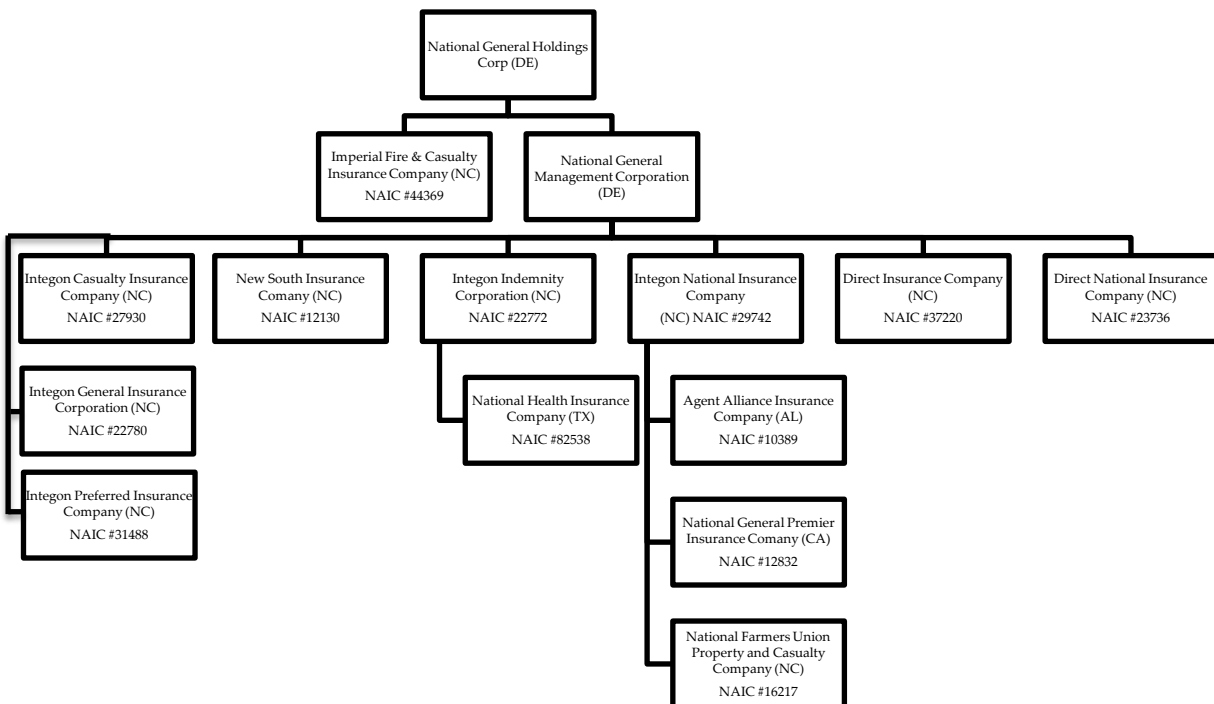
Effective September 30, 2019, DIC re-domesticated from Tennessee to North Carolina.

DNIC re-domesticated from Arkansas to North Carolina effective May 20, 2019.

Allstate’s corporate headquarters are located at 3100 Sanders Road, Suite 201, Northbrook, Illinois, 60062. NatGen-NC’s statutory home office, principal place of business and primary location of its books and records are located at 5630 University Parkway, Winston-Salem, North Carolina, 27105.

ORGANIZATIONAL CHART

The 2022 Annual Statement Schedule Y for each company within the NatGen-NC contains a complete organizational chart. The following is a summarized organizational chart of NGHC as of December 31, 2022:



INDIVIDUAL COMPANY HISTORY

Integon National Insurance Company

INIC was originally incorporated in 1919 under the laws of New York as Bankers and Shippers Insurance Company of New York and re-domesticated to the State of Connecticut on December 16, 1987. Bankers and Shippers Insurance Company of New York re-domesticated to the State of North Carolina on November 15, 1995, and the company name was changed to Integon National Insurance Company in April 1996. INIC acquired National General Premier Insurance Company, formerly known as Personal Express Insurance Company, on April 1, 2014. INIC also acquired Agent Alliance Insurance Company on July 1, 2014.

Direct Insurance Company

DIC was originally incorporated in Tennessee on April 10, 1991, as a wholly owned subsidiary of Direct General. DIC's ultimate parent, Elara, was acquired by NGHC in November 2016. On April 17, 2019, Direct General was merged into NGMC. On September 30, 2019, DIC re-domesticated to the State of North Carolina.

Direct National Insurance Company

DNIC was originally formed in Missouri as a reciprocal inter-insurance exchange and commenced business in 1945 under the name National Aviation Underwriters. The company name was changed to National Insurance Underwriters in 1948. In October 2000, National Insurance Underwriters re-domesticated from Missouri to Arkansas and converted to a stock insurer. Effective July 31, 2005, all of National Insurance Underwriters' common stock was purchased by Direct General. On November 29, 2005, the company name was changed to Direct National Insurance Company. DNIC's ultimate parent, Elara, was acquired by NGHC in November 2016. On April 17, 2019, Direct General was merged into NGMC. On May 20, 2019, DNIC re-domesticated to the State of North Carolina.

Imperial Fire & Casualty Insurance Company

IFCIC was originally incorporated on April 4, 1990, under the laws of Louisiana. On May 29, 2013, IFCIC was acquired by virtue of Southport Insurance Holdings, LLC's acquisition of Imperial Management Corporation, which owned 100% of IFCIC. IFCIC was sold to NGHC on June 24, 2014. IFCIC re-domesticated from Louisiana to the State of North Carolina effective May 20, 2019.

Integon Casualty Insurance Company

Integon Casualty Insurance Company ("ICIC") was originally incorporated on January 23, 1992, under the laws of North Carolina as Bankers and Shippers Indemnity Company. The company name was changed to Integon Casualty Insurance Company in 1996.

Integon General Insurance Corporation

Integon General Insurance Corporation ("IGIC") was originally incorporated on December 30, 1960, under the laws of North Carolina as Security General Insurance Company. The company name was changed to Integon General Insurance Corporation in 1969.

Integon Indemnity Corporation

Integon Indemnity Corporation ("IIC") was originally incorporated in 1944 under the laws of South Carolina as Blue Ridge Insurance Company and re-domesticated to the State of North Carolina on December 16, 1946. The company name was changed to Security Fire and Indemnity Company in 1959 and subsequently changed to Integon Indemnity Corporation in 1969.

Integon Preferred Insurance Company

Integon Preferred Insurance Company (“IPIC”) was originally incorporated in 1961 under the laws of Maryland as Covenant Insurance Company and re-domesticated to the State of Connecticut on May 22, 1974. The company name was changed to Integon Preferred Insurance Company in 1994, and IPIC re-domesticated to the State of North Carolina in 1997.

National Farmers Union Property and Casualty Company

NFU was originally incorporated in 1945 in Utah and became licensed in Colorado in 1945. NFU was incorporated under the laws of the State of Colorado on December 5, 1984. On September 30, 2005, QBE Reinsurance Corporation (“QBE Re”) purchased the company from One Beacon Insurance Group, LLC. Effective October 31, 2008, GC-WI purchased 100% interest of NFU and its wholly owned subsidiary, United Security Insurance Company (“USIC”), from QBE Re. Effective January 1, 2009, NFU transferred ownership of USIC to GC-WI through a dividend transaction. Effective October 1, 2010, NFU re-domesticated from Colorado to Wisconsin. On August 1, 2019, INIC acquired all of the issued and outstanding shares of NFU. Effective September 16, 2019, NFU was re-domesticated from Wisconsin to the State of North Carolina.

New South Insurance Company

New South Insurance Company (“NSIC”) was originally incorporated on December 15, 1952, under the laws of North Carolina.

CAPITAL STOCK

As of December 31, 2022, capitalization of the individual companies consisted of the following:

Integon National Insurance Company	Value
Number of authorized common capital shares	100,000
Number of shares issued and outstanding	35,000
Total common capital stock	\$3,500,000
Par value per share	\$100

No additional shares of INIC were issued during the period under the examination. As of December 31, 2022, all outstanding shares of INIC were owned by NGMC, which is wholly owned by NGHC. NGHC is a wholly owned subsidiary of AIH, which is wholly owned by Allstate. On December 31, 2022, INIC reported \$744,982,038 in gross paid-in and contributed surplus and unassigned funds totaling \$22,217,958.

Direct Insurance Company	Value
Number of authorized common capital shares	40,000
Number of shares issued and outstanding	16,794.5
Total common capital stock	\$2,519,175
Par value per share	\$150

No additional shares of DIC were issued during the period under examination. DIC paid a capital distribution to Direct General totaling \$15,000,000 in 2018. At the time DIC’s capital distribution was paid, all outstanding shares of DIC were owned by Direct General, which was wholly owned by Elara. Elara was a wholly owned subsidiary of NGHC, which was wholly owned by its ultimate parent, The Karfunkel family via the Leah Karfunkel and Mickael Karfunkel Family 2005 Trust.

As of December 31, 2022, all outstanding shares of DIC were owned by NGMC. On December 31, 2022, DIC reported \$3,003,636 in gross paid-in and contributed surplus and unassigned funds totaling \$3,773,494.

Direct National Insurance Company	Value
Number of authorized common capital shares (Class A and B)	100,000
Number of shares issued and outstanding (Class A)	25,000
Total common capital stock	\$2,500,000
Par value per share	\$100

No additional shares of DNIC were issued during the period under examination. As of December 31, 2022, all outstanding shares of DNIC were owned by NGMC. DNIC paid a capital distribution to NGMC in June 2022 totaling \$1,400,000 and received a capital contribution from NGMC in September 2022 totaling \$1,400,000. On December 31, 2022, DNIC reported \$3,420,296 in gross paid-in and contributed surplus and unassigned surplus totaling (\$331,300).

DNIC had 90,000 shares of \$100 par value Class A common stock and 10,000 shares of \$100 par value Class B common stock authorized at December 31, 2022, of which 25,000 shares of Class A common stock were issued and outstanding. .

Imperial Fire and Casualty Insurance Company	Value
Number of authorized common capital shares	100,000
Number of shares issued and outstanding	100,000
Total common capital stock	\$3,000,000
Par value per share	\$30

All authorized shares of IFCIC are issued and outstanding. As of December 31, 2022, all outstanding shares of IFCIC are owned by NGHC. On December 31, 2022, IFCIC reported \$29,704,609 in gross paid-in and contributed surplus and unassigned funds totaling \$3,918,580.

Integon Casualty Insurance Company	Value
Number of authorized common capital shares	100,000
Number of shares issued and outstanding	30,000
Total common capital stock	\$3,000,000
Par value per share	\$100

No additional shares of ICIC were issued during the period under examination. As of December 31, 2022, all outstanding shares were owned by NGMC. On December 31, 2022, ICIC reported \$3,752,998 in gross paid-in and contributed surplus and unassigned funds totaling \$442,795.

Integon General Insurance Corporation	Value
Number of authorized common capital shares	300,000
Number of shares issued and outstanding	300,000
Total common capital stock	\$3,000,000
Par value per share	\$10

All authorized shares of IGIC are issued and outstanding. As of December 31, 2022, all outstanding shares were owned by NGMC. On December 31, 2022, IGIC reported \$1,300,000 in gross paid-in and contributed surplus and unassigned funds totaling \$3,853,705.

Integon Indemnity Corporation	Value
Number of authorized common capital shares	300,000
Number of shares issued and outstanding	300,000
Total common capital stock	\$3,000,000
Par value per share	\$10

All authorized shares of IIC are issued and outstanding. As of December 31, 2022, all outstanding shares were owned by NGMC. On December 31, 2022, IIC reported \$55,864,950 in gross paid-in and contributed surplus and unassigned funds totaling \$36,178,761.

Integon Preferred Insurance Company	Value
Number of authorized common capital shares	1,575
Number of shares issued and outstanding	1,575
Total common capital stock	\$3,150,000
Par value per share	\$2,000

All authorized shares of IPIC are issued and outstanding. As of December 31, 2022, all outstanding shares were owned by NGMC. On December 31, 2022, IPIC reported \$5,490,017 in gross paid-in and contributed surplus and unassigned surplus totaling (\$610,897).

National Farmers Union Property and Casualty Company	Value
Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	4,200,000
Total common capital stock	\$4,200,000
Par value per share	\$1

No additional shares of NFU were issued during the period under examination. As of December 31, 2022, all outstanding shares were owned by INIC, which is wholly owned by NGMC. On December 31, 2022, NFU reported \$34,454,298 in gross paid-in and contributed surplus and unassigned funds totaling \$7,212,388.

New South Insurance Company	Value
Number of authorized common capital shares	30,000
Number of shares issued and outstanding	30,000
Total common capital stock	\$3,000,000
Par value per share	\$100

All authorized shares of NSIC are issued and outstanding. As of December 31, 2022, all outstanding shares were owned by NGMC. On December 31, 2022, NSIC reported \$1,000,000 in gross paid-in and contributed surplus and unassigned funds totaling \$5,102,966.

DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the individual entities' Board of Directors ("Board") for NatGen-NC. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the individual entities may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary.

INIC paid no dividends in the years 2018, 2019, and 2022; however, INIC paid NGMC an ordinary dividend totaling \$140,000,000 in 2020 and an extraordinary dividend totaling \$650,000,000 in 2021. (Refer to Subsequent Events)

DIC paid dividends totaling \$15,000,000 to Direct General in 2018. DNIC, IFCIC, ICIC, IGIC, IIC, IPIC, NFU and NSIC paid no dividends during the examination period.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

NatGen-NC has similar directors and principal officers. The companies also occupy the same home office space and share accounting systems and personnel. All personnel are employees of Allstate.

Shareholders

The bylaws for each insurance company within NatGen-NC provide that an annual meeting of the shareholders be held at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the chairman of the Board, the president or by any two members of the Board.

Board of Directors

The business of NatGen-NC is conducted by its management team and is subject to review by the Board. The bylaws for the companies in NatGen-NC specify that the number of directors shall not be less than two. Directors are elected annually, at the annual meeting of shareholders or by the written consent of the shareholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors for INIC and IPIC as of December 31, 2022:

Name	Location	Principal Occupation
Peter Rendall	Sanibel, FL	Chairman, President, Chief Operating Officer, INIC and IPIC
Douglas Hanes	Advance, NC	Senior Vice President, AIC
Berta Castellano	Cooper City, FL	Vice President, INIC

The following individuals served as directors for DIC, DNIC, IFCIC, ICIC, IGIC, IIC, NFU and NSIC as of December 31, 2022:

Name	Location	Principal Occupation
Peter Rendall	Sanibel, FL	Chairman, President, Chief Operating Officer, DIC, DNIC, IFCIC, ICIC, IIC, IGIC, NFU and NSIC
Douglas Hanes	Advance, NC	Senior Vice President, AIC
Aaron Kuluk	Nashville, TN	Senior Vice President, AIC

The Boards have the authority to establish committees including, but not limited to, an audit committee, an executive committee, and an investment committee to provide oversight of the entities included in NatGen-NC. AIH’s Board has appointed the Audit Committee to act on behalf of all the insurance entities in Allstate, including NatGen-NC. AIC’s Board has appointed an Executive Committee and an Investment Committee to act on behalf of all the insurance entities in Allstate, including NatGen-NC.

Audit Committee

The Audit Committee’s primary purpose is to assist the Board in fulfilling their oversight responsibilities in the following areas: the integrity of the financial statements and other financial information; the compliance with legal and regulatory requirements; performance of the internal audit function; and the systems of disclosure controls and procedures, internal controls over financial reporting, accounting, and financial reporting processes.

The following individuals served on the Audit Committee as of December 31, 2022:

Thomas Wilson, II (Chair)
 Jesse Merten
 Robert Toohey
 Mario Rizzo
 John Pintozzi

Executive Committee

The Executive Committee has the power and authority of the Board during the intervals between meetings. The Executive Committee, however, does not have the power to amend the articles of incorporation or bylaws of the companies and must keep a written record of all actions taken.

The following individuals served on the Executive Committee as of December 31, 2022:

Thomas Wilson, II (Chair)
 Jesse Merten
 Robert Toohey
 Mario Rizzo

Investment Committee

The Investment Committee has the power to adopt investment policies and plans, to invest the assets of the companies in investments authorized by law, and to sell or exchange the same.

The following individuals served on the Investment Committee as of December 31, 2022:

John Dugenske (Chair)	<u>Non-Voting:</u>
Jesse Merten	Alexandra Band
Mark Prindiville	Michael Demetre
Robert Toohey	Mario Imbarrato
Mario Rizzo	
Terrance Williams	
Thomas Wilson, II	

Officers

The bylaws provide that the Board will elect the officers, which shall consist of a chairman of the Board, president, secretary, treasurer and any other officers deemed necessary. 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 the offices of president and secretary.

As of December 31, 2022, the following individuals served as officers for all NatGen-NC entities except for INIC and IPIC:

Name	Title
Peter Rendall	President, Chief Operating Officer, and Chairman of the Board
Patrick Macellaro	Vice President, Chief Financial Officer
Donald Bolar	Vice President, Chief Accounting Officer
George Hall, Jr.	Vice President, Chief Claims Officer
Alexandra Band	Senior Vice President, Treasurer
Christina Hwang	Senior Vice President

The following individuals served as officers for INIC and IPIC as of December 31, 2022:

Name	Title
Peter Rendall	President, Chief Operating Officer, and Chairman of the Board
Patrick Macellaro	Vice President, Chief Financial Officer
Donald Bolar	Vice President, Chief Accounting Officer
Joseph Washburn	Vice President, Treasurer
George Hall, Jr.	Vice President, Chief Claims Officer
Alexandra Band	Senior Vice President
Christina Hwang	Senior Vice President

CODE OF CONDUCT AND CONFLICT OF INTEREST

Allstate has established policies and procedures for its insurance entities, including the NatGen-NC, to identify existing or potential conflicts of interest and to report the same to the Board. Annually, Allstate 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 NatGen-NC acted in accordance with Allstate's policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees, which include the Audit, Executive and Investment committees, for the period under examination. Based on our review, it appears that the minutes documented NatGen-NC's significant transactions and events, and that the directors approved these transactions and events.

The articles of incorporation and bylaws were reviewed for any changes during the period under examination. As result of acquisitions and the re-organization occurring during the examination period, DNIC and IFCIC and DIC and NFU amended their articles of incorporation and bylaws in May 2019 and September 2019, respectively, for the re-domestication of each entity to North Carolina. Based on our review, it appears that there have been no other changes to any of the articles of incorporation or bylaws for the companies within the NatGen-NC during the period under examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2022 AS Schedule E, Part 3 contains a complete description and listing of the statutory deposits by state.

ACCOUNTS AND RECORDS

NatGen-NC's books and records are maintained at its main administrative office located at 5630 University Parkway, Winston-Salem, North Carolina, 27105.

NatGen-NC utilizes information systems to sell products to customers, to establish service and maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on multiple servers at the data center located in Winston-Salem, North Carolina. The majority of NatGen-NC's financially significant applications were developed and hosted by related parties pursuant to related party service agreements.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the NatGen Group's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the NatGen Group's ITGCs were derived from Exhibit C Part 1 – Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – Information Technology Work Program (collectively, "Exhibit C").

The NatGen Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

1. The NatGen Group had a process in place to effectively identify, mitigate and manage its IT risks;
2. The NatGen Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. The NatGen Group was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the NatGen Group's policies and procedures, testing in key areas related to Exhibit C, interviewing the NatGen Group's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Deloitte & Touche, LLP and Allstate's Corporate Audit Department.

Based upon the risk-based assessment and review, the NatGen Group's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

The companies within NatGen-NC are named insureds under a fidelity bond, which provides Allstate and its affiliates liability coverage totaling \$30.0 million for single loss and \$35.0 million in aggregate with a \$25.0 million deductible. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for Allstate on a consolidated basis.

In addition, the NatGen-NC is covered by various corporate property and liability policies issued to Allstate, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

The companies within NatGen-NC have no employees, and all operations are conducted by NGMC and/or Allstate pursuant to related party management services agreements. Allstate provides employee benefits through various plans. Beginning January 4, 2021, NGMC employees became part of the Allstate 401(k) Saving Plan.

RELATED PARTY AGREEMENTS

Pursuant to various agreements, services such as financial management, operational management, accounting, payroll, internal audit, human resources management, tax, legal, investment advisory, and data processing are provided for or by NatGen-NC and its affiliates as follows:

Management Services Agreements

- a. Effective January 27, 2005, various Allstate entities and insurers are parties to an amended and restated service and expense agreement, pursuant to which AIC furnishes a variety of shared services, including accounting, financial reporting, premium processing, benefit payments, information technology, legal counsel, and human resources. The cost of various retirement benefits and health plans are also allocated under terms of this agreement. This agreement provides for cost sharing of expenses through

direct charges and allocations, or by separate arrangements, such as the Investment Management Agreement. The agreement was amended effective January 4, 2021, to include all 28 entities within the NatGen Group.

- b. Effective January 1, 2012, NatGen-NC (other than DIC, DNIC, IFCIC and NFU) entered into a Management Services Agreement with NGMC, whereby NGMC provides underwriting, claims, actuarial, policyholder services, accounting, information technology, and certain other administrative functions for a management fee of 2% of the aggregate gross written premium of the North Carolina domiciled insurers. In addition, NatGen-NC reimburses NGMC quarterly for direct and common expenses paid on their behalf and allocated in accordance with the agreement. The compensation for providing the services is based upon actual cost without a profit factor built into that cost. Indirect and shared expenses are allocated in accordance with a method of cost allocation in conformity with Statements of Statutory Accounting Principles No. 70: Allocation of Expenses. This Agreement was amended on June 26, 2014, to add IFIC. DIC and DNIC are parties to a separate Management Services Agreement with NGMC effective November 1, 2016, and NFU has a Management Services Agreement with NGMC effective August 1, 2019. Effective June 26, 2016, the management fee with NGMC was terminated as part of Amendment No. 4 to the Agreement.

Under the Allstate and NGMC management service agreements, the allocated management service expenses for NatGen-NC were as follows: \$432,917,282 for INIC, \$47,751,785 for DIC, \$67,286 for DNIC, \$45,763,323 for IFCIC, \$3,709,614 for ICIC, \$76,655,907 for IGIC, \$138,449,221 for IIC, \$55,380,328 for IPIC, \$21,933,083 for NFU, and \$22,880,581 for NSIC for the year ended December 31, 2022. Additionally, commissions/policy fees from Direct General Insurance Agency are included in the management services fees.

Investment Management Services Agreement

- c. Effective January 1, 2007, various Allstate entities and insurers are parties to an Investment Management Agreement with Allstate Investments, LLC (“AILLC”), pursuant to which AILLC provides investment management services and advice. The agreement grants AILLC the authority to advise, manage, and direct the investment of assets for each entity. Investment activities are conducted subject to and in accordance with the Investment Policy and Investment Plan adopted by the Board for each entity. Charges for investment services include AILLC’s actual cost of managing the portfolios, including provisions for administrative, reporting, or other services required to manage the portfolios. Brokerage commissions and other direct transaction charges payable to third parties are in addition to fees payable to AILLC. The agreement was amended effective January 4, 2021, to include all 28 entities within the NatGen Group. Under this agreement, the allocated expenses for NatGen-NC were as follows: \$1,226,180 for INIC, \$13,773 for DIC, \$3,772 for DNIC, \$25,468 for IFCIC, \$5,828 for ICIC, \$12,137 for IGIC, \$12,783 for IIC, \$6,966 for IPIC, \$29,629 for NFU, and \$11,811 for NSIC for the year ended December 31, 2022.
- d. NGHC and NGMC on behalf of itself and its insurance company subsidiaries, including NatGen-NC (other than DIC, DNIC, IFCIC and NFU), had an Asset Management Agreement with All Insurance Management Limited (“AIM”), effective March 1, 2010, and amended on June 26, 2014, to add IFIC. DIC and DNIC had a separate Asset Management Agreement with AIM effective November 1, 2016. Under the agreements, AIM provided investment management services for a quarterly fee of 0.05% of the average value of assets under management. The agreements were terminated effective May 1, 2018.

Tax Allocation Agreement

- e. Allstate’s federal income tax return is consolidated with its affiliates including NatGen-NC. The original Tax Sharing Agreement is dated as of November 12, 1996, and was amended effective January 4, 2021, to include all 28 entities within the NatGen Group. The consolidated income tax liability is allocated based on each entity’s federal income tax liability computed on a separate return basis, except

all tax benefits resulting from operating losses and tax credits are allocated to Allstate to the extent they can be utilized in the consolidated return. Under this agreement, the share of the federal tax payment was as follows: (\$56,535,732) for INIC, \$27,041 for DIC, \$669 for DNIC, \$65,683 for IFIC, \$43,618 for ICIC, \$87,754 for IGIC, \$135,287 for IIC, \$66,228 for IPIC, (\$73,634) for NFU, and \$35,946 for NSIC for the year ended December 31, 2022.

Intercompany Loan Agreement

- f. Effective February 1, 1996, Allstate and certain of its direct and indirect subsidiaries entered into an intercompany loan agreement. The maximum amount of loans Allstate can have outstanding to all of its eligible subsidiaries at any given time is limited to \$1 billion. Allstate borrows money through this agreement to meet short-term cash needs. In 2022, this agreement was amended to include additional subsidiary insurers, including INIC. INIC did not have any outstanding intercompany loans under this agreement as of December 31, 2022.

Managing General Agent and Producer Agreements

- g. Effective December 1, 2003, and May 1, 2006, DIC and DNIC entered into an intercompany producer agreement with Direct General Insurance Agency, Inc. (“DGIA”), respectively. Subsequently, effective November 2, 2015, the remainder of the companies in NatGen-NC became parties to the intercompany producer agreement with DGIA. The agreements authorize the agencies to produce business for the affiliated insurance companies and sets forth the related duties, limitations, and compensation. Commissions/policy fees associated with this agreement are included in the management services fees reported previously.
- h. Effective January 1, 2010, IFCIC entered into an agreement with RAC Insurance Partners, LLC, as its managing general agent to write private passenger and commercial automobile liability and private passenger automobile physical damage insurance in the state of Florida. In consideration of services provided, RAC receives a fee of 20% of premiums collected and claims administrator’s fee of 8% of premiums collected on a monthly basis. Commissions expenses for IFCIC related to the agreement totaled \$2,210,210 for the year ended December 31, 2022.
- i. Effective January 1, 2016, INIC has a managing general agent and third-party claims administrator agreement with Assigned Risk Solutions Ltd. (“ARS”), an affiliated insurance underwriting and program manager, whereby ARS provides agency services, policy administration services, and claims administration services for all policies and claims on NatGen-NC’s behalf for the specified voluntary take-out business for the voluntary auto assigned risk plans in specified jurisdictions. In consideration of services provided, ARS receives a fee of 21% of premiums collected and claims administrator’s fee of 9% of premiums collected on a monthly basis. Certain fees are allocated from INIC to the other entities in NatGen-NC. Under this agreement, the commission expenses allocated to NatGen-NC were as follows: \$31,439,414 for INIC, \$595 for DIC, \$1,479 for IFCIC, \$694 for ICIC, \$6,752 for IGIC, \$8,431 for IIC, \$1,389 for IPIC, \$96,384 for NFU, and \$79,603 for NSIC for the year ended December 31, 2022.
- j. NatGen-NC (excluding DIC, DNIC, IFCIC and NFU) has a managing general agent agreement and consulting and marketing agreement with Northeast Agencies, Inc. (“Northeast”), an affiliated insurance underwriting and program manager, effective April 12, 2007, whereby Northeast provides agency services, policy administration services and claims administration services. In consideration of services provided, Northeast receives a fee ranging from 16.0% to 19.0% of direct premiums based on product and/or the jurisdiction. The agreement has been amended several times to include additional insurance companies, jurisdictions and change the fee percentage. Commissions expenses for INIC related to the agreement totaled \$30,505,639 for the year ended December 31, 2022.

- k. NatGen-NC (excluding DIC, DNIC, IFIC and NFU) has a managing general agent agreement with ClearSide General Services, LLC (“ClearSide”), an affiliated insurance underwriting and program manager, effective October 1, 2010, whereby ClearSide provides agency services, policy administration services and claims administration services. In consideration of services provided, ClearSide receives a fee of 18.5% or 19.0% of direct premiums based on the number of agent locations in the specific jurisdiction. Commissions expenses for INIC related to the agreement totaled \$36,203,357 for the year ended December 31, 2022.
- l. NSM Sales Corporation provides sales and marketing services of self-funded stop loss coverage for employee and health benefit plans to small employers on behalf of INIC and IIC. Under this agreement, the allocated fees for INIC and IIC totaled \$715,418 and 860,284, respectively, for the year ended December 31, 2022.

Under these managing general agent/producer agreements, the affiliated commissions and allocated fees for NatGen-NC were as follows: \$98,863,829 for INIC, \$595 for DIC, \$2,211,689 for IFCIC, \$694 for ICIC, \$6,752 for IGIC, \$864,868 for IIC, \$1,389 for IPIC, \$96,384 for NFU, and \$79,603 for NSIC for the year ended December 31, 2022. These amounts do not include commissions/policy fees from DGIA for services provided to DIC and DNIC, which have been included in the management service fees.

Surplus Notes

- m. Effective December 13, 2021, to increase AIE’s surplus, INIC entered into a surplus note agreement with AIE totaling \$15,000,000. In 2022, due to valuation concerns, the note was written down by approximately \$4.1 million to \$10,864,208. In 2023, the note incurred an additional impairment and INIC distributed the note to NGMC as a combination ordinary dividend and return of capital. NGMC then distributed the note to the NatGen Group as a return of capital.
- n. On April 26, 2016, INIC purchased a series of five surplus loan agreements with AIE, with a total principal amount of \$70,700,000, from five former affiliated insurance companies. In 2022, due to valuation concerns, the notes were written down by approximately \$18.7 million to \$48,782,418. In 2023, the notes incurred an additional impairment and were distributed to NGMC as a combination ordinary dividend and return of capital. NGMC then distributed the notes to NGHC as a return of capital.

TERRITORY AND PLAN OF OPERATION

Integon National Insurance Company

INIC writes property and casualty insurance and accident and health insurance lines of business. INIC operates its property and casualty business through independent agents and affinity partners to write non-standard and preferred private passenger auto liability and auto physical damage coverage, commercial auto liability, inland marine, recreational vehicle, motorcycle insurance, homeowners’ multiple peril, fire, earthquake, and commercial multiple peril insurance.

INIC operates its group and individual accident and health business through a network of independent agents, direct-to-consumer marketing, and affinity partners to write accidental death and disability coverage, hospital indemnity, short-term recovery care, short-term medical, cancer and critical illness, stop loss, dental and vision plans.

As of December 31, 2022, INIC is licensed to write business in all fifty (50) states and the District of Columbia. In 2022, INIC’s two largest direct written premium states were California (34.5%) and Florida (9.1%).

Direct Insurance Company

DIC primarily writes non-standard private passenger auto and auto physical damage insurance; however, DIC also writes homeowners' multiple peril insurance to renters. Affiliated insurance agencies sell DIC's products directly through neighborhood sales offices.

As of December 31, 2022, DIC is licensed to write business in Tennessee, Arkansas, North Carolina, and South Carolina; however, the majority of DIC's business was written in Tennessee (71.9%) and Arkansas (28.1%).

Direct National Insurance Company

DNIC primarily writes non-standard private passenger auto. Affiliated insurance agencies sell DNIC's products directly through neighborhood sales offices. The majority of DNIC's business is written in Utah (90.0%), with the remaining business written in Arkansas, Idaho, and Minnesota.

As of December 31, 2022, DNIC was licensed to write business in the following thirty-nine (39) states and the District of Columbia:

Alabama	Arizona	Arkansas	Colorado	Delaware
Florida	Georgia	Idaho	Illinois	Indiana
Iowa	Kansas	Kentucky	Louisiana	Maine
Maryland	Massachusetts	Minnesota	Mississippi	Missouri
Montana	Nebraska	Nevada	New Jersey	New Mexico
North Carolina	North Dakota	Ohio	Oklahoma	Oregon
Pennsylvania	South Carolina	South Dakota	Texas	Utah
Vermont	West Virginia	Wisconsin	Wyoming	

Imperial Fire and Casualty Insurance Company

IFCIC primarily writes automobile and homeowners' coverages. IFCIC products are principally marketed by independent agents; however, IFCIC also writes policies through the National Flood Insurance Program. The majority of IFCIC's business is written in Louisiana (83.3%) and Florida (16.2%), with the remaining business written in Arkansas, Indiana, and Oklahoma.

As of December 31, 2022, IFCIC was licensed to write business in the following twenty (20) states:

Alabama	Arizona	Arkansas	Florida	Georgia
Indiana	Kansas	Kentucky	Louisiana	Mississippi
Missouri	Nebraska	Nevada	New Mexico	North Carolina
Oklahoma	South Carolina	Tennessee	Texas	West Virginia

Integon Casualty Insurance Company

ICIC primarily writes non-standard and preferred private passenger auto liability and auto physical damage. ICIC products are marketed principally by independent agents and affinity partners. The majority of ICIC's business is written in Illinois (77.0%) and Virginia (21.7%), with the remaining business written in New York and Tennessee.

As of December 31, 2022, ICIC was licensed to write business in the following nine (9) states:

Connecticut	Florida	Illinois	New York	North Carolina
Ohio	Tennessee	Virginia	Washington	

Integon General Insurance Corporation

IGIC primarily writes non-standard and preferred private passenger auto liability, auto physical damage, and commercial auto liability. IGIC products are marketed principally by independent agents and affinity partners. The majority of IGIC's business is written in Virginia (42.0%) and North Carolina (37.4%).

As of December 31, 2022, IGIC was licensed to write business in the following twenty-three (23) states:

Alabama	Alaska	Arkansas	Colorado	Florida
Georgia	Illinois	Kentucky	Maryland	Missouri
Nebraska	North Carolina	North Dakota	Ohio	Oregon
Pennsylvania	Rhode Island	South Carolina	South Dakota	Tennessee
Virginia	Washington	Wisconsin		

Integon Indemnity Corporation

IIC writes property and casualty, and accident and health lines of business. IIC operates its property and casualty business through independent agents and affinity partners to write non-standard and preferred private passenger auto liability and auto physical damage, commercial auto liability and homeowners' multiple peril.

IIC operates its group and individual accident and health business through a network of independent agents, direct-to-consumer marketing, and affinity partners to write accidental death and disability coverage, hospital indemnity, short-term recovery care, short-term medical, cancer and critical illness, stop loss, dental and vision plans.

The majority of IIC's business is written in North Carolina (60.9%) and South Carolina (9.5%).

As of December 31, 2022, IIC was licensed to write business in the following thirty-seven (37) states:

Alabama	Alaska	Arizona	Arkansas	Colorado
Delaware	Florida	Georgia	Idaho	Illinois
Indiana	Iowa	Kansas	Kentucky	Louisiana
Maryland	Mississippi	Missouri	Nebraska	Nevada
New Mexico	North Carolina	North Dakota	Ohio	Oklahoma
Oregon	Pennsylvania	Rhode Island	South Carolina	South Dakota
Tennessee	Texas	Utah	Virginia	Washington
West Virginia	Wisconsin			

Integon Preferred Insurance Company

IPIC writes non-standard and preferred private passenger auto liability and auto physical damage coverage, commercial auto liability, and homeowners' multiple peril. IPIC operates its business through independent agents and affinity partners. The majority of IPIC's business is written in North Carolina (59.3%) and California (27.1%).

As of December 31, 2022, IPIC was licensed to write business in the District of Columbia and the following fourteen (14) states:

California	Connecticut	Florida	Maine	Maryland
New Hampshire	New York	North Carolina	Ohio	Rhode Island
South Carolina	Vermont	Virginia	Washington	

National Farmers Union Property and Casualty Company

NFU is a property and casualty insurer that writes personal lines insurance in the midwestern United States. NFU has an exclusive agreement and relationship with National Farmers Union organization providing access to members through approximately 400 agencies. In 2022, NFU had a heavy concentration of its business written in midwestern states as follows: North Dakota (24.0%), Colorado (16.0%), Montana (13.4%) and Arkansas (10.2%).

As of December 31, 2022, NFU was licensed to write business in the District of Columbia and in every state except Florida.

New South Insurance Company

NSIC writes standard auto, preferred auto, non-standard auto liability, homeowners', recreational vehicle, commercial auto liability and motorcycle insurance. NSIC markets its business through independent agents and affinity partners. The majority of NSIC's business is written in New York (52.0%) and Ohio (25.8%).

As of December 31, 2022, NSIC was licensed to write business in the following twenty-nine (29) states:

Alaska	Colorado	Connecticut	Georgia	Illinois
Indiana	Kentucky	Louisiana	Maryland	Mississippi
Missouri	Nebraska	Nevada	New York	North Carolina
North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania
Rhode Island	South Carolina	South Dakota	Tennessee	Texas
Virginia	Washington	West Virginia	Wisconsin	

GROWTH OF THE COMPANIES

The data obtained from annual statements filed with the Department, as reflected in Appendix B, illustrates the growth of the companies within NatGen-NC for the five-year period ended December 31, 2022.

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 NatGen Group’s statutory reserves and related items for 2022 were reviewed and certified by Appointed Actuary, Ian P. Sterling, FCAS, MAAA of KPMG LLP. The statutory reserves and related items for the periods subsequent to the prior examination and prior to the acquisition of the NatGen Group by AIH were reviewed and certified by Appointed Actuary, Gareth L. Kennedy, ACAS, MAAA, of Ernst & Young, LLP.

NatGen-NC’s statutory reserves and related items for 2022 were reviewed and certified by NGHC’s Appointed Actuary, Ian P. Sterling, FCAS, MAAA of KPMG LLP. Actuarial opinions regarding NatGen-NC’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 NatGen-NC for reasonableness and consistency of the loss and loss adjustment expense reserves. According to the actuarial opinions, the NatGen-NC 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 NatGen-NC.

REINSURANCE PROGRAM OVERVIEW

The following table provides a summarized overview of each company and the reinsurance contracts in effect as of December 31, 2022:

Integon National Insurance Company		
Company Operations:	Ceded Contracts:	Assumed Contracts:
Auto Homeowners Accident & Health	<ol style="list-style-type: none"> 100% intercompany quota share to AIC. Allstate’s Nationwide Excess Catastrophe Reinsurance Program ceded to multiple reinsurers for multi-line catastrophe coverage in every state except Florida, where coverage is only provided for personal lines automobile. Allstate’s Castle Key Excess Catastrophe Reinsurance Program ceded to multiple reinsurers for personal lines property excess catastrophe losses in Florida. 	<ol style="list-style-type: none"> 100% intercompany quota share assumed contract with fifteen (15) insurance company affiliates. Contract excludes NJSIA, AIE, and MVIC. 100% intercompany quota share assumed contract with four (4) DGIC affiliates. Loss portfolio and quota share assumed from Motors Insurance Corporation, CIM Insurance Corporation and MIC Property & Casualty Insurance Corporation.

	<p>4. National General Lender Services (NGLS) Cat Excess of Loss ceded to multiple reinsurers for all lender-placed business.</p> <p>5. 80% quota share ceded to multiple reinsurers for Syndeste private flood insurance policies providing stand-alone flood coverage.</p> <p>6. Property Facultative Agreement ceded to General Reinsurance (GenRe) for personal property business as classified by the NAIC.</p> <p>7. Umbrella Excess Limits Cession ceded to multiple reinsurers for non-resident drivers' coverage.</p> <p>8. Umbrella Excess of Loss ceded to multiple reinsurers for non-resident drivers' coverage.</p> <p>9. 100% Earthquake Quota Share with Palomar.</p> <p>10. 100% Multi-Line Quota Share reinsurance agreement with Hartford Steam Boiler covering service line, homeowners equipment breakdown, farmowners equipment breakdown liability.</p> <p>11. Mandatory pools with:</p> <ul style="list-style-type: none"> i. North Carolina Reinsurance Facility ("NCRF") ii. Michigan Catastrophe Claims Association ("MCCA") iii. National Flood Insurance Program ("NFIP") iv. Florida Hurricane Catastrophe Fund ("FHCF") 	<p>4. 100% quota share of certain auto business assumed from Home State Mutual Insurance Company</p> <p>5. 100% quota share of certain small group self-funded and supplemental accident and health business from Time Insurance Company and John Alden Life Insurance Company.</p> <p>6. 100% quota share of the lender-placed insurance business assumed from QBE Insurance Corporation, QBE Specialty Insurance Company and Praetorian Insurance Company.</p> <p>7. Commercial automobile assumed from Small Fleet Advantage Risk Retention Group (terminated 9/30/22 currently in run-off).</p>
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Direct Insurance Company		
Company Operations: Auto	Ceded Contracts:	Assumed Contracts:
	1. 100% intercompany quota share ceded to INIC	None

Direct National Insurance Company		
Company Operations: Auto	Ceded Contracts: 1. 100% intercompany quota share ceded to INIC	Assumed Contracts: None

Imperial Fire and Casualty Insurance Company		
Company Operations: Auto Homeowners	Ceded Contracts: 1. 100% intercompany quota share ceded to INIC after external reinsurance to unaffiliated third parties. 2. 100% quota share ceded to JRG Reinsurance Co., Ltd. (pre-acquisition legacy business) 3. National Flood Insurance Program	Assumed Contracts: None

Integon Casualty Insurance Company		
Company Operations: Auto	Ceded Contracts: 1. 100% intercompany quota share ceded to INIC. 2. Mandatory pools - NCRF	Assumed Contracts: None

Integon General Insurance Corporation		
Company Operations: Auto Homeowners	Ceded Contracts: 1. 100% intercompany quota share ceded to INIC. 2. Mandatory pools - NCRF	Assumed Contracts: 1. Environmental and workers compensation reinsurance pools

Integon Indemnity Corporation		
Company Operations: Auto Homeowners Accident & Health	Ceded Contracts: 1. 100% intercompany quota share ceded to INIC after external reinsurance to unaffiliated third parties. 2. Various accident and health quota share treaties. 3. Mandatory pools - NCRF	Assumed Contracts: 1. 100% quota share of certain auto business assumed from Home State Mutual Insurance Company. 2. Environmental pool

Integon Preferred Insurance Company		
Company Operations: Auto Homeowners	Ceded Contracts: 1. 100% intercompany quota share ceded to INIC. 2. Mandatory pools - NCRF	Assumed Contracts: None

National Farmers Union Property and Casualty Company		
Company Operations: Auto Homeowners	Ceded Contracts: 1. 100% intercompany quota share ceded to INIC after external reinsurance to unaffiliated third parties. 2. Farmers Union Mutual of MT/Agraria 10% quota share	Assumed Contracts: None

New South Insurance Company		
Company Operations: Auto Homeowners	Ceded Contracts: 1. 100% intercompany quota share ceded to INIC. 2. Mandatory pools - NCRF	Assumed Contracts: None

INTERNAL REINSURANCE CEDED

Allstate Insurance Company

INIC has a 100% quota share reinsurance agreement with AIC after external reinsurance to unaffiliated third parties, effective January 4, 2021, whereby AIC assumes 100% of the net liability on business written and assumed by INIC after external reinsurance to unaffiliated third parties.

Allstate's Nationwide Excess Catastrophe Reinsurance Program

INIC is covered under Allstate's Nationwide Excess Catastrophe Reinsurance Program. The program is designed to provide reinsurance protection for catastrophes resulting from multiple perils including hurricanes, windstorms, hail, tornadoes, winter storms, wildfires, earthquakes, and fires following earthquakes. Multi-line coverage is provided in every state except Florida, where coverage is only provided for personal lines automobile. Florida property risks are separately reinsured through the Florida Excess Catastrophe Reinsurance Program with Allstate's separately capitalized Castle Key Group having affiliated Castle Key Insurance Company as the lead company.

The program provides coverage up to \$7.01 billion of losses less a \$500 million retention and is subject to the percentage of reinsurance placed in each of the agreements. The program includes reinsurance agreements with both the traditional and insurance-linked securities markets.

Allstate's Castle Key Catastrophe Reinsurance Program

INIC is covered under Allstate's Castle Key Catastrophe Reinsurance Program. The program provides coverage for property policies of Castle Key Insurance Company and certain affiliate companies for Florida catastrophe events resulting from multiple perils including hurricanes, windstorms, hail, tornadoes, winter storms, wildfires, earthquakes, and fires following earthquakes. The program also includes Florida Hurricane Catastrophe Fund contracts.

In 2022, INIC ceded premiums totaling \$6,470,604,769 to AIC under all contracts.

Reordering of Reinsurance Transactions

INIC has an Amended and Restated National General Insurance Company Quota Share Agreement ("NatGen Re Quota Share Agreement") with National General Re, Ltd. ("NatGen Re") effective August 1, 2012, which was amended by Amendment No. 1 effective October 1, 2015, and Amendment No. 2 effective January 1, 2021. Pursuant to the terms of the agreement as amended, INIC cedes and transfers to NatGen Re, and NatGen Re reinsures, 40% of INIC's net liability on all property and casualty policies written and assumed by INIC. A Reinsurance Novation Endorsement to the Amended and Restated National General Insurance Company Quota Share Agreement between AIC, INIC, and NatGen Re, effective as of January 4, 2021, to re-order the existing reinsurance transaction flow between the parties novating the NatGen Re Quota Share Agreement to AIC such that AIC cedes and transfers to NatGen Re and NatGen Re reinsures and assumes the aforementioned net liabilities.

INTERNAL REINSURANCE ASSUMED

The NatGen Group had an intercompany pooling reinsurance agreement, effective March 1, 2010, to December 31, 2011, whereby INIC assumed 100% of the business from the pool and then retroceded a portion of the business back to the participants. Pool participants included ICIC, IGIC, IIC, IPIC, NSIC, National General Insurance Company, National General Assurance Association, National General Insurance Online, Inc., and MIC General Insurance Corporation. Effective January 1, 2012, the intercompany reinsurance agreement was amended to provide for 100% quota share cession to INIC, with no amounts retroceded to the participants, and previously pooled business was recaptured by INIC. The quota share agreement was amended to add the following acquired insurance companies: National Health Insurance Company (January 1, 2014), National General Premier Insurance Company formerly known as Personal Express Insurance Company (April 1, 2014), IFCIC (June 26, 2014), National Auto Insurance Company – merged with IPCIC (June 26, 2014), Agent Alliance Insurance Company (July 1, 2014), Standard Property & Casualty Insurance Company (October 7, 2016), Century-National Insurance Company (April 1, 2017), and NFU (August 1, 2019). The Safe Auto companies (i.e. SAIC, SACIC, and SAVIC) were added to the agreement effective October 1, 2021. Additionally, the following Direct General companies also participate in a 100% quota share DIC, DNIC, Direct General Insurance Company and Direct General Insurance Company of Mississippi, effective January 1, 2017. As of December 31, 2022, all insurance companies in the NatGen Group except Direct General Life Insurance Company, AIE, the Mountain Valley Indemnity Company, New Jersey Skylands Insurance Association and New Jersey Skylands Insurance Company, currently participate in the intercompany quota share reinsurance ceding agreement. In 2022, INIC assumed premiums totaling \$5,056,649,945 from affiliates under this intercompany pooling agreement. The reinsurance activity in the Comments on Financial Statements contains the 2022 affiliated premium cessions to INIC for each company within NatGen-NC. (Refer to Subsequent Events)

INIC has a loss portfolio and quota share reinsurance agreement with NSIC, Motor Insurance Corporation, CIM Insurance Corporation and MIC Property & Casualty Insurance Corporation, effective December 31, 2011. The original agreement dated February 28, 2010, was novated, whereby NSIC ceded, assigned, and transferred to INIC all of its rights and obligations under the original agreement. In 2022, INIC assumed no premiums under this contract.

EXTERNAL REINSURANCE CEDED

Flood Quota Share Reinsurance Contract

INIC has a Flood Quota Share Reinsurance Contract with multiple reinsurers effective January 1, 2022, through December 31, 2022, whereby INIC cedes 80% of losses for private flood insurance policies providing stand-alone flood coverage. In 2022, INIC ceded premiums totaling approximately \$12,564,000 to multiple reinsurers under this contract.

Property Facultative Contract

INIC has a property facultative reinsurance contract with GenRe effective August 1, 2022, through July 31, 2023, whereby INIC cedes losses occurring from high value personal property business including dwelling fire, allied lines, personal inland marine, and homeowners' multiple peril. INIC has a per occurrence limit of \$10 million in excess of a \$10 million retention, with a maximum limit of \$20 million for all occurrences. In 2022, INIC ceded premiums totaling approximately \$1,616,000 to GenRe under this contract.

Excess Catastrophe Reinsurance Contract

INIC has an NGLS Excess Catastrophe Reinsurance Contract with multiple reinsurers effective June 1, 2022, through May 31, 2023, whereby INIC cedes losses occurring from all lender-placed business including fire, allied lines, homeowners' multiple peril, inland marine, and automobile physical damage. INIC has a per occurrence limit of \$80 million in excess of a \$60 million retention for the first excess layer and a per occurrence limit of \$175 million in excess of a \$140 million retention for the second excess layer.

Umbrella Cession Quota Share

INIC has an umbrella excess limits cession contract with multiple reinsurers effective July 1, 2022, through July 1, 2023, whereby INIC cedes losses occurring for each and every loss occurrence for auto policies that include non-resident driver out-of-state insurance provisions. INIC has a per occurrence limit of \$5 million in excess of a \$5 million retention, with a maximum limit of \$15 million for all occurrences. In 2022, INIC ceded premiums totaling approximately \$123,000 to multiple reinsurers under this contract.

Umbrella Excess of Loss

INIC has an umbrella excess of loss reinsurance contract with multiple reinsurers effective July 1, 2022, through July 1, 2023, whereby INIC cedes losses occurring for each and every loss occurrence for auto policies that include non-resident driver out-of-state insurance provisions. INIC has a per occurrence limit of \$4.5 million in excess of \$0.5 million, with a maximum limit of \$27 million for all occurrences. In 2022, INIC ceded premiums totaling approximately \$3,726,000 to multiple reinsurers under this contract.

Private Earthquake

INIC has a 100% quota share contract effective January 1, 2018, with Palomar Specialty Insurance Company, which covers the liability that may accrue as a result of loss or losses resulting from the peril of earthquake shock under standalone earthquake policies. INIC ceded premiums totaling approximately \$356,000 in 2022 under this contract.

Multi Line

INIC has a multi-line reinsurance contract with Hartford Steam Boiler Inspection & Insurance Company effective August 1, 2019, whereby INIC cedes 100% of the losses for farm owners equipment breakdown, equipment breakdown for homeowners/home systems protection and service line coverage liability. INIC ceded premiums totaling approximately \$2,966,000 in 2022 under this contract.

Mandatory Pools

NatGen-NC participates in state-mandated involuntary plans for commercial vehicles and premiums ceded to state-provided reinsurance facilitates such as the MCCA and NCRF, for which NatGen-NC retains no loss indemnity risk. INIC also participates in the NFIP and the FHCF for coverage of applicable losses. The reinsurance activity in the Comments on Financial Statements contains the total premiums ceded to all mandatory pools for each company within NatGen-NC.

EXTERNAL REINSURANCE ASSUMED

Quota Share

INIC and IIC have a quota share reinsurance agreement with Home State Mutual Insurance Company, effective January 1, 1996, whereby they assume 100% of certain private passenger auto, motorcycle and commercial auto business. In 2022, INIC assumed premiums of approximately \$591,000, and IIC assumed premiums totaling \$112,465,774, under this contract.

INIC has two coinsurance reinsurance agreements with Time Insurance Company and John Alden Life Insurance Company, subsidiaries of Interfinancial, Inc., effective October 1, 2015, whereby INIC assumes 100% of certain small group self-funded and supplemental accident and health business. In 2022, INIC assumed premiums of approximately \$284,000 under its contract with John Alden Life Insurance Company.

INIC has a quota share reinsurance agreement with QBE Insurance Corporation, QBE Specialty Insurance Company and Praetorian Insurance Company, all subsidiaries of QBE North America, effective October 1, 2015, whereby INIC assumes 100% of the lender-placed insurance business. In 2022, INIC assumed premiums of approximately (\$467,000) under this contract.

INIC had a quota share reinsurance agreement with Small Fleet Advantage Risk Retention Group. Under the quota share reinsurance contract, effective October 1, 2019, INIC assumes the losses under policies classified as commercial automobile liability business. In 2022, INIC assumed premiums of approximately \$15,168,000 under this contract. The quota share reinsurance agreement was terminated September 30, 2022, and is currently in run-off.

Mandatory Pools

INIC participates in a North Carolina mandatory pool, and in 2022, INIC assumed premiums of approximately \$200,000 from the North Carolina Fair Plan.

FINANCIAL STATEMENTS

The financial statements in the Appendix A are based on the statutory financial statements filed with the Department and present the financial condition of each company within NatGen-NC for the period ending December 31, 2022. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statement information related to the prior year is unexamined and is presented for comparative purposes only.

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 NatGen-NC 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.

Cash, cash equivalents 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.

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

Preferred stocks: Investment grade perpetual preferred stocks are stated at fair value. Investment grade redeemable preferred stocks are stated at cost. Preferred stock at non-investment grade is stated at the lower of cost or fair value. (INIC and IIC only)

Other invested assets: Investments in affiliates are reported based on the underlying audited equity of the investee.

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.

Real estate held for sale: Properties acquired in the settlement of claims and held for sale are carried at the lower of acquisition cost or fair value less estimated costs to sell the property, with the excess over fair value charged to losses incurred in the period that the claim payment is made. Upon disposal of the property, the difference between the sales proceeds and carrying value is charged to losses incurred in the period that the sale is closed. (INIC only)

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are accounted 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 net of balances ceded to reinsurers. 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, prepaid expenses, furniture, equipment, electronic data processing equipment and software, and deferred tax assets, are "non-admitted" and are charged against surplus.

Loan-backed securities: Stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities.

Unpaid loss & loss adjustment expense: Liabilities for estimated losses determined from case estimates based on the number of reported loan defaults 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. (INIC only)

Analysis of Assets:

Integon National Insurance Company

INIC reported the following assets as non-admitted as of December 31, 2022: 1) premiums and agents' balances in the course of collection totaling approximately \$13,704,000 and 2) goodwill and intangibles totaling approximately \$40,680,000.

Direct Insurance Company

DIC reported the following assets as non-admitted as of December 31, 2022: 1) premiums and agents' balances in the course of collection totaling approximately \$116,000.

Direct National Insurance Company

DNIC reported no assets as non-admitted as of December 31, 2022.

Imperial Fire and Casualty Insurance Company

IFCIC reported the following assets as non-admitted as of December 31, 2022: 1) premiums and agents' balances in the course of collection totaling approximately \$180,000.

Integon Casualty Insurance Company

ICIC reported the following assets as non-admitted as of December 31, 2022: 1) premiums and agents' balances in the course of collection totaling approximately \$29,000.

Integon General Insurance Corporation

IGIC reported no assets as non-admitted as of December 31, 2022.

Integon Indemnity Corporation

IIC reported the following assets as non-admitted as of December 31, 2022: 1) other invested assets totaling approximately \$27,458,000, 2) premiums and agents' balances in the course of collection totaling approximately \$1,441,000, and 3) net deferred tax assets totaling approximately \$3,000.

Integon Preferred Insurance Company

IPIC reported the following assets as non-admitted as of December 31, 2022: 1) premiums and agents' balances in the course of collection totaling approximately \$207,000.

National Farmers Union Property and Casualty Company

NFU reported the following assets as non-admitted as of December 31, 2022: 1) premiums and agents' balances in the course of collection totaling approximately \$377,000 and 2) net deferred tax assets totaling approximately \$1,574,000.

New South Insurance Company

NSIC reported the following assets as non-admitted as of December 31, 2022: 1) premiums and agents' balances in the course of collection totaling approximately \$165,000.

Reinsurance Activity:

The companies within NatGen-NC have quota share and excess of loss contracts to minimize their exposure to losses. Reinsurance contracts do not relieve the companies of their primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies.

Direct, assumed, and ceded premiums written and earned were as follows:

Integon National Insurance Company	2022	2021
Direct premiums written	\$ 1,568,559,011	\$ 1,411,072,971
Assumed premiums	5,072,427,063	4,195,930,603
Ceded – Affiliated	6,470,604,769	6,280,613,425
Ceded – Unaffiliated	170,381,305	160,406,973
Net written	-	(843,016,824)
Direct premiums earned	1,498,267,365	1,353,945,174
Ceded direct premiums earned	1,498,267,365	1,353,945,174
Net earned	\$ -	\$ -

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described in the Reinsurance Program Overview. In 2022, INIC's affiliated premium cessions were to AIC, and approximately \$56,732,000 of INIC's unaffiliated premium cessions were to mandatory pools.

Direct Insurance Company	2022	2021
Direct premiums written	\$ 116,985,124	\$ 100,254,062
Ceded – Affiliated	116,985,124	100,254,062
Net written	-	-
Direct premiums earned	105,039,658	95,517,959
Ceded direct premiums earned	105,039,658	95,517,959
Net earned	\$ -	\$ -

In 2022, DIC's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement.

Direct National Insurance Company	2022	2021
Direct premiums written	\$ 878,625	\$ 224,356
Ceded – Affiliated	878,625	224,356
Net written	-	-
Direct premiums earned	345,800	942,273
Ceded direct premiums earned	345,800	942,273
Net earned	\$ -	\$ -

In 2022, DNIC's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement.

Imperial Fire and Casualty Insurance Company	2022	2021
Direct premiums written	\$ 246,906,612	\$ 220,980,305
Ceded – Affiliated	199,462,855	220,980,304
Ceded – Unaffiliated	47,443,757	-
Net written	-	-
Direct premiums earned	232,077,439	221,108,387
Ceded direct premiums earned	232,077,439	221,108,387
Net earned	\$ -	\$ -

In 2022, IFCIC's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement, and IFCIC's unaffiliated premium cessions were to the National Flood Insurance Program.

Integon Casualty Insurance Company	2022	2021
Direct premiums written	\$ 20,904,721	\$ 18,277,634
Ceded – Affiliated	20,904,721	18,277,634
Net written	-	-
Direct premiums earned	20,153,600	17,898,618
Ceded direct premiums earned	20,153,600	17,898,618
Net earned	\$ -	\$ -

In 2022, ICIC's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement.

Integon General Insurance Corporation	2022	2021
Direct premiums written	\$ 456,135,560	\$ 345,843,696
Ceded – Affiliated	429,115,831	320,126,717
Ceded – Unaffiliated	27,019,729	25,716,979
Net written	-	-
Direct premiums earned	401,164,827	334,528,872
Ceded direct premiums earned	401,164,827	334,528,872
Net earned	\$ -	\$ -

In 2022, IGIC's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement, and IGIC's unaffiliated premium cessions were to the NCRF.

Integon Indemnity Corporation	2022	2021
Direct premiums written	\$ 850,869,828	\$ 669,786,410
Assumed premiums	112,465,774	72,827,460
Ceded - Affiliated	750,680,575	534,334,580
Ceded - Unaffiliated	212,655,027	208,279,290
Net written	-	-
Direct premiums earned	777,057,176	610,312,528
Ceded direct premiums earned	777,057,176	610,312,528
Net earned	\$ -	\$ -

In 2022, IIC assumed premiums totaling \$112,465,774 from Home State County Mutual Insurance Company. IIC's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement, and approximately \$211,897,000 of IIC's unaffiliated premium cessions were to the NCRF.

Integon Preferred Insurance Company	2022	2021
Direct premiums written	\$ 314,562,071	\$ 290,342,472
Ceded - Affiliated	308,112,957	282,080,652
Ceded - Unaffiliated	6,449,114	8,261,820
Net written	-	-
Direct premiums earned	302,594,083	274,928,581
Ceded direct premium earned	302,594,083	274,928,581
Net earned	\$ -	\$ -

In 2022, IPIC's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement, and IPIC's unaffiliated premium cessions were to the NCRF.

National Farmers Union Property and Casualty Co.	2022	2021
Direct premiums written	\$ 169,179,010	\$ 155,305,735
Ceded - Affiliated	162,962,000	149,054,367
Ceded - Unaffiliated	6,217,010	6,251,368
Net written	-	-
Direct premiums earned	165,178,449	155,330,520
Ceded direct premiums earned	165,178,449	155,330,520
Net earned	\$ -	\$ -

In 2022, NFU's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement, and NFU's unaffiliated premium cessions were to two external reinsurers.

New South Insurance Company	2022	2021
Direct premiums written	\$ 123,099,213	\$ 108,104,395
Ceded - Affiliated	123,099,213	108,104,317
Ceded - Unaffiliated	-	78
Net written	-	-
Direct premiums earned	119,018,615	107,329,788
Ceded direct premiums earned	119,018,615	107,329,788
Net earned	\$ -	\$ -

In 2022, NSIC's affiliated premium cessions were to INIC under an intercompany pooling reinsurance agreement.

Summary of Reserves:

NatGen-NC reported no reserves for losses and loss adjustment expenses as of December 31, 2022. The following provides a reconciliation of the effects of subrogation and reinsurance on the reserves for losses and loss adjustment expenses for each entity in NatGen-NC:

Integon National Insurance Company

INIC reduced reserves by anticipated salvage and subrogation of approximately \$753.9 million as of December 31, 2022. Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under INIC's reinsurance contracts. As of December 31, 2022, the liability for losses and

loss adjustment expenses was reduced by approximately \$2.6 billion for amounts to be recovered from reinsurers.

Direct Insurance Company

DIC reduced reserves by anticipated salvage and subrogation of approximately \$7.5 million as of December 31, 2022. Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under DIC's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$26.2 million for amounts to be recovered from reinsurers.

Direct National Insurance Company

DNIC reduced reserves by anticipated salvage and subrogation of approximately \$1.5 million as of December 31, 2022. Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under DNIC's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$1.5 million for amounts to be recovered from reinsurers.

Imperial Fire and Casualty Insurance Company

IFCIC reduced reserves by anticipated salvage and subrogation of approximately \$5.4 million as of December 31, 2022. Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under IFCIC's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$115.2 million for amounts to be recovered from reinsurers.

Integon Casualty Insurance Company

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under ICIC's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$9.9 million for amounts to be recovered from reinsurers.

Integon General Insurance Corporation

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under IGIC's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$182.6 million for amounts to be recovered from reinsurers.

Integon Indemnity Corporation

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under IIC's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$307.5 million for amounts to be recovered from reinsurers.

Integon Preferred Insurance Company

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under IPIC's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$155.3 million for amounts to be recovered from reinsurers.

National Farmers Union Property and Casualty Company

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under NFU's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$66.4 million for amounts to be recovered from reinsurers.

New South Insurance Company

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under NSIC's reinsurance contracts. As of December 31, 2022, the liability for losses and loss adjustment expenses was reduced by approximately \$113.1 million for amounts to be recovered from reinsurers.

Capital and Surplus:

The data obtained from annual statements, as reflected in Appendix C, provides the changes in capital and surplus for the companies within NatGen-NC for each year since the Department's last examination as of December 31, 2017.

SUBSEQUENT EVENTS

On May 23, 2023, INIC paid NGMC an ordinary dividend totaling \$25,887,442 and return of capital totaling \$25,445,527.

On October 11, 2023, the Department approved an amendment to INIC's intercompany pooling reinsurance agreement with the Safe Auto companies, which became effective October 1, 2021, under which all net liabilities are ceded to INIC. The approved amendment reflects SAIC's desire to withdraw its certificate of authority from the State of California. In connection with the withdrawal, SAIC began nonrenewing its California book of approximately 24,000 private passenger auto policies in 2023. SAIC expects to complete the nonrenewal of such California policies in June 2024. SAIC will not withdraw its certificate of authority from the state of California until all its California policies are nonrenewed. (Refer to Reinsurance Program Overview - Internal Reinsurance Assumed)

On October 16, 2023, the Department approved an amendment to NGMC's management services agreement with DIC and DNIC, which became effective November 1, 2016, to more closely align with actual premium collections, deposits, and settlement processes by including all premiums.

On December 12, 2023, INIC received a dividend and return of capital totaling \$4,700,000 from its wholly owned subsidiary, 1100 Compton, LLC.

On December 12, 2023, the Department approved INIC's request to pay an extraordinary distribution totaling \$550 million to NGMC, which was paid as an extraordinary dividend totaling \$3,057,172 and return of capital totaling \$546,942,828 on December 12, 2023.

In 2023, IIC received a dividend totaling \$20,000,000 from its subsidiary, The Association Benefits Solution, LLC.

National General Insurance Group – North Carolina
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2022

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Director – Statutory Reporting and Financial Regulation/Corporate Accounting
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CONCLUSION

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

We conclude that each of the companies within NatGen-NC, specifically INIC, DIC, DNIC, IFCIC, ICIC, IGIC, IIC, IPIC, NFU and NSIC, on a standalone basis complies with the \$2,250,000 minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that each company has been authorized to write.

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

Respectfully submitted,



Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

May 29, 2024

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Monique Smith, Deputy Commissioner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by her is true and correct to the best of her knowledge and belief.

Signature: Monique Smith Date: 5/29/2024

Sworn and subscribed before me this 29 day of May, 2024.

Notary Public Signature: Jessica N Vaughan Notary Public Seal:

JESSICA N VAUGHAN
Notary Public, North Carolina
Wake County
My Commission Expires
December 08, 2026

National General Insurance Group – North Carolina
Appendix A
December 31, 2022

2022 Statutory Statement of Admitted Assets

(\$000)	INIC	DIC	DNIC	IFCIC	ICIC	IGIC	IIC	IPIC	NFU	NSIC
Bonds	\$912,757	\$10,136	\$5,330	\$29,369	\$6,993	\$13,395	\$17,341	\$8,889	\$43,866	\$8,673
Preferred Stock	232	-	-	-	-	-	230	-	-	-
Common Stock	225,390	-	-	-	-	-	86,573	-	-	-
Occupied Properties	-	138	-	-	-	-	-	-	-	-
Income Generating Properties	12,000	-	-	-	-	-	-	-	-	-
Properties Held for Sale	2,661	-	-	-	-	-	-	-	-	-
Cash and Short-Term Investments	(203,899)	317	199	1,846	237	429	717	270	1,608	286
Long-Term Investments	59,647	-	-	-	-	-	-	-	-	-
Total Cash and Invested Assets	\$1,008,788	\$10,591	\$5,529	\$31,215	\$7,230	\$13,824	\$104,861	\$9,159	\$45,474	\$8,959
Investment Income Due and Accrued	7,729	63	30	375	21	39	51	31	193	34
Net Premium Receivables	408,753	12,497	38	10,292	1,107	23,622	59,570	11,863	6,406	5,454
Deferred Premiums, Installments Booked	1,364,098	52,409	350	41,597	5,145	159,418	304,563	85,712	18,991	28,970
Recoverable from Reinsurance	336,744	-	10	1	-	4,884	36,679	964	5,154	50
Other Receivables via Reinsurance	27,475	-	-	-	-	-	-	-	-	-
Federal Income Tax Recoverable	1,686	-	-	-	-	-	-	1	289	14
Net Deferred Tax Asset	2,834	11	-	32	-	-	298	41	388	32
Receivables from Parent, Subsidiaries and Affiliates	3,793	-	-	-	-	-	-	-	-	-
Aggregate Write-ins for Other-Than-Invested Assets	4,127	2	3	10	-	18	28	1	-	1
Total Admitted Assets	\$3,166,027	\$75,573	\$5,960	\$83,522	\$13,503	\$201,805	\$506,050	\$107,772	\$76,895	\$43,514

2022 Statement of Liabilities, Surplus, and Other Funds

(\$000)	INIC	DIC	DNIC	IFCIC	ICIC	IGIC	IIC	IPIC	NFU	NSIC
Losses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reinsurance on Paid Losses	45,860	-	-	-	-	494	2	-	-	-
Other Expenses	1,346	-	-	-	-	-	-	-	-	-
Taxes, Licenses, Fees	105	-	-	-	-	-	-	16	78	-
Unpaid Federal & Foreign Income Taxes	-	14	4	106	8	3	10	-	-	-
Deferred Tax Liability	-	-	3	-	1	342	-	-	-	-
Ceded Reinsurance Premiums Payable	2,057,193	61,132	334	43,232	5,834	182,331	381,664	95,081	26,808	31,691
Funds Held Under Reinsurance Treaties	71,279	-	-	-	-	-	23	-	-	-
Provision for Reinsurance	2,017	-	-	-	-	-	35	-	-	-
Payable to Parent, Subsidiaries, & Affiliates	217,527	5,130	30	3,561	464	10,482	29,273	4,646	4,142	2,720
Total Liabilities	\$2,395,327	\$66,276	\$371	\$46,899	\$6,307	\$193,652	\$411,007	\$99,743	\$31,028	\$34,411
Common Capital Stock	3,500	2,519	2,500	3,000	3,000	3,000	3,000	3,150	4,200	3,000
Gross Paid In & Contributed Surplus	744,982	3,004	3,420	29,705	3,753	1,300	55,865	5,490	34,454	1,000
Unassigned Funds	22,218	3,774	(331)	3,918	443	3,853	36,178	(611)	7,213	5,103
Total Capital and Surplus	770,700	9,297	5,589	36,623	7,196	8,153	95,043	8,029	45,867	9,103
Total Liabilities, Capital, and Surplus	\$3,166,027	\$75,573	\$5,960	\$83,522	\$13,503	\$201,805	\$506,050	\$107,772	\$76,895	\$43,514

2022 Statutory Statement of Income

(\$000)	INIC	DIC	DNIC	IFCIC	ICIC	IGIC	IIC	IPIC	NFU	NSIC
Underwriting Income (Loss)										
Net Premiums Earned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions										
Other Underwriting Expense Incurred	33	5	-	-	-	-	-	-	-	-
Total Underwriting Deductions	33	5	-	-	-	-	-	-	-	-
Net Underwriting Gains (Loss)	(33)	(5)	-	-	-	-	-	-	-	-
Investment Income										
Net Investment Income Earned	33,474	136	72	551	66	169	232	120	487	79
Net Realized Capital Gains Less Taxes	(60,202)	(44)	(27)	94	(49)	(127)	(161)	(95)	(584)	(122)
Net Investment Gains (Losses)	(26,728)	92	45	645	17	42	71	25	(97)	(43)
Other Income										
Aggregate Write Ins for Miscellaneous Income	(722)	-	2	-	-	-	-	-	-	-
Total Other Income (Loss)	(722)	-	2	-	-	-	-	-	-	-
Net Income (Loss) before Dividends to Policyholders	(27,483)	87	47	645	17	42	71	25	(97)	(43)
Federal & Foreign Income Taxes	2,073	23	12	70	13	47	57	26	(126)	20
Net Income (Loss)	(\$29,556)	\$64	\$35	\$575	\$4	(\$5)	\$14	(\$1)	\$29	(\$63)

2022 Statutory Statement of Capital and Surplus

(\$000)	INIC	DIC	DNIC	IFCIC	ICIC	IGIC	IIC	IPIC	NFU	NSIC
Capital and Surplus, beginning of year	\$820,902	\$9,161	\$5,558	\$31,019	\$7,182	\$8,145	\$88,522	\$8,044	\$46,254	\$9,151
Increases (Decreases):										
Net Income	(29,556)	64	35	575	4	(5)	14	(1)	29	(63)
Change in Net Unrealized Capital Gains	(26,905)	-	-	(103)	-	-	26,463	-	-	-
Change in Net Unrealized Foreign Exchange Capital Gains	261	-	-	-	-	-	-	-	-	-
Change in Net Deferred Income Tax	4,967	(21)	(5)	(32)	6	13	62	4	(220)	-
Change in Non-admitted Assets	1,107	93	1	164	4	1	(19,984)	(18)	(196)	15
Change in Provisions for Reinsurance	(76)	-	-	-	-	-	(33)	-	-	-
Surplus Adjustments to Paid-in Capital	-	-	-	5,000	-	-	-	-	-	-
Change in Surplus as regards policyholders for the year	(50,202)	136	31	5,604	14	9	6,522	(15)	(387)	(48)
Capital and Surplus, end of year	\$770,700	\$9,297	\$5,589	\$36,623	\$7,196	\$8,154	\$95,044	\$8,029	\$45,867	\$9,103

2022 Statutory Statement of Cash Flow

(\$000)	INIC	DIC	DNIC	IFCIC	ICIC	IGIC	IIC	IPIC	NFU	NSIC
Cash From (Used by) Operations										
Premiums Collected Net of Reinsurance	(\$564,399)	\$833	\$ 3	\$1,771	\$ 28	(\$646)	(\$583)	\$395	(\$1,262)	(\$292)
Net Investment Income	37,591	144	55	851	87	161	270	128	423	90
Miscellaneous Income	(723)	-	2	-	-	-	-	-	-	-
Total	(527,531)	977	60	2,622	115	(485)	(313)	523	(839)	(202)
Cash Used by Investments										
Benefit & Loss Related Payments Commissions, Expenses Paid and Aggregate Write-ins	(307,511)	-	6	(5)	-	510	3,223	(130)	2,364	31
Federal Income Taxes Paid	(6,571)	-	2	-	-	-	-	-	(11)	-
Total	(49,205)	27	1	65	44	88	135	66	(74)	36
Total	(363,287)	27	9	60	44	598	3,358	(64)	2,279	67
Net Cash From (Used by) Operations	(164,244)	950	51	2,562	71	(1,083)	(3,671)	587	(3,118)	(269)
Cash Used by Investments										
Proceeds from Investments Sold, Matured, or Repaid	811,837	4,444	4,469	3,824	2,997	6,462	8,000	5,144	20,197	4,392
Cost of Investments Acquired	918,499	4,925	5,270	10,028	3,309	6,971	9,048	5,343	21,085	4,628
Cash Used by Investments	(106,662)	(481)	(801)	(6,204)	(312)	(509)	(1,048)	(199)	(888)	(236)
Cash From (Used by) Financing and Miscellaneous Sources										
Capital and Paid In Surplus	-	-	-	5,000	-	-	-	-	-	-
Other Cash Provided	99,008	(833)	(5)	(1,986)	(29)	1,223	4,366	(479)	3,785	320
Net Cash From (Used by) Financing and Miscellaneous Sources	99,008	(833)	(5)	3,014	(29)	1,223	4,366	(479)	3,785	320
Net Change in Cash and Short-term Investments	(171,898)	(364)	(755)	(628)	(270)	(369)	(353)	(91)	(221)	(185)
Cash and Short-term Investments, beginning of year	(\$32,001)	\$681	\$954	\$2,474	\$507	\$798	\$1,070	\$362	\$1,829	\$471
Cash and Short-term Investments, end of year	(\$203,899)	\$317	\$199	\$1,846	\$237	\$429	\$717	\$271	\$1,608	\$286

National General Insurance Group – North Carolina
Appendix B
December 31, 2022

Growth of the Company

The following data, obtained from annual statements filed with the Department, illustrates the trends of the companies for the five-year period ended December 31, 2022:

Integon National Insurance Company

(\$000)

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$3,166,027	\$770,700	\$6,640,986	-	(\$29,556)
2021	\$3,596,683	\$820,902	\$5,607,004	-	\$219,761
2020	\$4,658,378	\$1,287,046	\$4,882,923	\$2,473,292	\$203,910
2019	\$4,556,330	\$1,203,795	\$4,710,798	\$2,173,559	\$151,507
2018	\$4,183,412	\$1,020,046	\$4,506,447	\$1,940,933	\$15,974

Direct Insurance Company

(\$000)

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$75,573	\$9,296	\$116,985	-	\$64
2021	\$62,797	\$9,161	\$100,254	-	\$241
2020	\$56,913	\$8,947	\$89,333	-	\$130
2019	\$53,787	\$8,913	\$80,937	-	\$200
2018	\$56,386	\$9,101	\$83,955	-	\$326

Direct National Insurance Company**(\$000)**

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$5,960	\$5,589	\$879	-	\$35
2021	\$5,594	\$5,558	\$224	-	\$9
2020	\$7,515	\$5,549	\$1,673	-	\$68
2019	\$6,884	\$5,481	\$3,100	-	\$71
2018	\$7,297	\$4,773	\$2,888	-	(\$223)

Imperial Fire & Casualty Insurance Company**(\$000)**

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$83,522	\$36,623	\$246,907	-	\$575
2021	\$83,203	\$31,019	\$220,980	-	\$407
2020	\$86,706	\$30,699	\$227,258	-	\$380
2019	\$90,391	\$30,169	\$246,551	-	\$401
2018	\$87,361	\$24,195	\$256,968	-	(\$197)

Integon Casualty Insurance Company**(\$000)**

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$13,503	\$7,196	\$20,905	-	\$4
2021	\$12,699	\$7,182	\$18,278	-	\$206
2020	\$12,171	\$6,891	\$15,382	-	\$133
2019	\$13,894	\$6,730	\$17,891	-	\$162
2018	\$16,863	\$6,605	\$24,398	-	(\$49)

Integon General Insurance Company**(\$000)**

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$201,805	\$8,154	\$456,136	-	(\$5)
2021	\$147,328	\$8,145	\$345,844	-	\$301
2020	\$135,731	\$7,850	\$323,476	-	(\$138)
2019	\$133,232	\$5,768	\$328,943	-	\$279
2018	\$115,706	\$6,969	\$281,375	-	\$198

Integon Indemnity Corporation**(\$000)**

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$506,050	\$95,044	\$963,336	-	\$14
2021	\$401,306	\$88,522	\$742,614	-	\$571
2020	\$284,418	\$56,415	\$570,918	-	(\$384)
2019	\$243,396	\$35,707	\$554,371	-	\$180
2018	\$207,250	\$30,042	\$468,505	-	\$134

Integon Preferred Insurance Company**(\$000)**

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$107,772	\$8,029	\$314,562	-	(\$1)
2021	\$94,144	\$8,044	\$290,342	-	\$273
2020	\$76,558	\$7,331	\$255,970	-	\$147
2019	\$76,360	\$6,898	\$265,134	-	\$151
2018	\$73,496	\$6,975	\$257,115	-	\$54

National Farmers Union Property and Casualty Company**(\$000)**

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$76,895	\$45,867	\$169,179	-	\$29
2021	\$70,741	\$46,254	\$155,306	-	\$793
2020	\$76,685	\$45,240	\$178,629	-	\$5,845
2019	\$84,456	\$39,591	\$211,600	\$34,248	(\$3,801)
2018	\$142,670	\$41,467	\$270,474	\$67,675	\$797

New South Insurance Company**(\$000)**

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$43,514	\$9,103	\$123,099	-	(\$63)
2021	\$39,847	\$9,151	\$108,104	-	\$201
2020	\$38,056	\$8,876	\$105,969	-	(\$183)
2019	\$45,998	\$8,997	\$139,398	-	\$191
2018	\$52,355	\$8,822	\$155,921	-	(\$115)

National General Insurance Group – North Carolina
Appendix C
December 31, 2022

Changes in Capital and Surplus

The following data, obtained from annual statements filed with the Department, represents the changes in capital and surplus for each company within NatGen-NC for the five-year period ended December 31, 2022:

Integon National Insurance Company (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 820,902	\$1,287,046	\$1,203,795	\$1,020,046	\$ 970,385
Capital and surplus increases (decreases):					
Net income (loss)	(29,556)	219,761	203,910	151,507	15,974
Change in net unrealized capital gain	(26,905)	16,407	4,629	4,323	2,432
Change in net deferred income tax	4,967	(108,656)	(721)	45,055	8,556
Change in non-admitted assets	1,107	58,211	14,806	(20,636)	1,116
Change in unrealized foreign exchange gain (loss)	261	(261)	-	-	-
Change in provision for reinsurance	(76)	(1,606)	663	(481)	(61)
Surplus adjustments to paid-in capital	-	(126,880)	-	3,594	-
Dividends to stockholders	-	(523,120)	(140,000)	-	-
Aggregate write-ins for prior year changes in surplus	-	-	(36)	387	21,644
Change in surplus as regards policyholders for the year	(50,202)	(466,144)	83,251	183,749	49,661
Capital and surplus, end of year	\$ 770,700	\$ 820,902	\$1,287,046	\$1,203,795	\$1,020,046

Direct Insurance Company (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 9,161	\$ 8,947	\$ 8,913	\$ 9,101	\$ 23,686
Capital and surplus increases (decreases):					
Net income	64	241	130	200	326
Change in net unrealized capital gain (loss)	-	-	-	9	(9)
Change in net deferred income tax	(21)	(19)	(31)	(334)	108
Change in non-admitted assets	93	(8)	(65)	(88)	(48)
Dividends to stockholders	-	-	-	-	(15,000)
Aggregate write-ins for prior year changes in surplus	-	-	-	25	38
Change in surplus as regards policyholders for the year	136	214	34	(188)	(14,585)
Capital and surplus, end of year	\$ 9,297	\$ 9,161	\$ 8,947	\$ 8,913	\$ 9,101

Direct National Insurance Company (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 5,558	\$ 5,549	\$ 5,481	\$ 4,773	\$ 5,633
Capital and surplus increases (decreases):					
Net income (loss)	35	9	68	71	(223)
Change in net deferred income tax	(5)	-	(18)	20	-
Change in non-admitted assets	1	-	18	(20)	-
Aggregate write-ins for prior year changes in surplus	-	-	-	637	(637)
Change in surplus as regards policyholders for the year	31	9	68	708	(860)
Capital and surplus, end of year	\$ 5,589	\$ 5,558	\$ 5,549	\$ 5,481	\$ 4,773

Imperial Fire & Casualty Insurance Company (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 31,019	\$ 30,699	\$ 30,169	\$ 24,195	\$ 28,994
Capital and surplus increases (decreases):					
Net income (loss)	575	407	380	401	(197)
Change in net unrealized capital gain (loss)	(103)	26	(26)	16	(11)
Change in net deferred income tax	(32)	34	13	(128)	181
Change in non-admitted assets	164	(147)	305	357	227
Capital changes transferred to surplus	-	-	-	-	(650)
Change in provision for reinsurance	-	-	-	-	105
Surplus adjustments to paid-in capital	5,000	-	-	5,000	650
Change in surplus notes	-	-	-	-	(5,000)
Aggregate write-ins for prior year changes in surplus	-	-	(142)	328	(104)
Change in surplus as regards policyholders for the year	5,604	320	530	5,974	(4,799)
Capital and surplus, end of year	\$ 36,623	\$ 31,019	\$ 30,699	\$ 30,169	\$ 24,195

Integon Casualty Insurance Company (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 7,182	\$ 6,891	\$ 6,730	\$ 6,605	\$ 6,406
Capital and surplus increases (decreases):					
Net income (loss)	4	205	133	162	(49)
Change in net unrealized capital gain	-	-	-	-	9
Change in net deferred income tax	6	(22)	(25)	(37)	111
Change in non-admitted assets	4	108	53	-	146
Aggregate write-ins for prior year changes in surplus	-	-	-	-	(18)
Change in surplus as regards policyholders for the year	14	291	161	125	199
Capital and surplus, end of year	\$ 7,196	\$ 7,182	\$ 6,891	\$ 6,730	\$ 6,605

Integon General Insurance Corporation (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 8,145	\$ 7,850	\$ 5,767	\$ 6,969	\$ 6,684
Capital and surplus increases (decreases):					
Net income (loss)	(5)	301	(138)	279	198
Change in net deferred income tax	13	(5)	(308)	(79)	273
Change in non-admitted assets	1	(1)	2,229	(1,402)	(286)
Surplus adjustments to paid-in capital	-	-	300	7,027	-
Aggregate write-ins for prior year changes in surplus	-	-	-	(7,027)	100
Change in surplus as regards policyholders for the year	9	295	2,083	(1,202)	285
Capital and surplus, end of year	\$ 8,154	\$ 8,145	\$ 7,850	\$ 5,767	\$ 6,969

Integon Indemnity Corporation (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 88,522	\$ 56,415	\$ 35,707	\$ 30,042	\$ 20,307
Capital and surplus increases (decreases):					
Net income (loss)	14	571	(383)	180	134
Change in net unrealized capital gain (loss)	26,463	333	2,098	(255)	8,373
Change in net deferred income tax	62	(144)	237	(3,331)	381
Change in non-admitted assets	(19,984)	4,230	(1,244)	9,071	(2,670)
Change in provision for reinsurance	(33)	(2)	-	-	-
Surplus adjustments to paid-in capital	-	27,119	20,000	-	-
Aggregate write-ins for prior year changes in surplus	-	-	-	-	3,517
Change in surplus as regards policyholders for the year	6,522	32,107	20,708	5,665	9,735
Capital and surplus, end of year	\$ 95,044	\$ 88,522	\$ 56,415	\$ 35,707	\$ 30,042

Integon Preferred Insurance Company (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 8,044	\$ 7,331	\$ 6,898	\$ 6,975	\$ 6,477
Capital and surplus increases (decreases):					
Net income (loss)	(1)	273	147	151	54
Change in net unrealized capital gain (loss)	-	-	-	18	(18)
Change in net deferred income tax	4	267	129	(391)	(98)
Change in non-admitted assets	(18)	173	157	145	401
Aggregate write-ins for prior year changes in surplus	-	-	-	-	159
Change in surplus as regards policyholders for the year	(15)	713	433	(77)	498
Capital and surplus, end of year	\$ 8,029	\$ 8,044	\$ 7,331	\$ 6,898	\$ 6,975

National Farmers Union Property and Casualty Company (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 46,254	\$ 45,240	\$ 39,591	\$ 41,467	\$ 42,131
Capital and surplus increases (decreases):					
Net income (loss)	29	793	5,845	(3,801)	797
Change in net deferred income tax	(220)	(250)	(3,194)	5,626	(6,613)
Change in non-admitted assets	(196)	471	2,998	(3,960)	5,294
Change in surplus notes	-	-	-	259	(148)
Aggregate write-ins for prior year changes in surplus	-	-	-	-	6
Change in surplus as regards policyholders for the year	(387)	1,014	5,649	(1,876)	(664)
Capital and surplus, end of year	\$ 45,867	\$ 46,254	\$ 45,240	\$ 39,591	\$ 41,467

New South Insurance Company (\$000)	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$ 9,151	\$ 8,876	\$ 8,997	\$ 8,822	\$ 8,379
Capital and surplus increases (decreases):					
Net income (loss)	(63)	201	(183)	191	(114)
Change in net deferred income tax	-	(21)	14	(52)	364
Change in non-admitted assets	15	95	48	36	180
Surplus adjustments to paid-in capital	-	-	-	1,000	-
Aggregate write-ins for prior year changes in surplus	-	-	-	(1,000)	13
Change in surplus as regards policyholders for the year	(48)	275	(121)	175	443
Capital and surplus, end of year	\$ 9,103	\$ 9,151	\$ 8,876	\$ 8,997	\$ 8,822