



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

Tel 919.807.6602 Fax 919.807.6635

I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina, do hereby certify that: I have caused to Occidental Fire & Casualty Company of North Carolina Wilshire Insurance Company, as of December 31, 2019, 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 3rd day May 2021.



Mike Causey
Commissioner of Insurance

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

**Occidental Fire & Casualty Company of North Carolina
Wilshire Insurance Company**

Raleigh, North Carolina

Multi-Entity Report on Examination

As of December 31, 2019

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April 16, 2021

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

Sir:

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

**Occidental Fire & Casualty Company of North Carolina (“OFC”)
Wilshire Insurance Company (“WIC”)**

(hereinafter collectively referred to as the “IAT North Carolina Group”, or “IAT NC Group”), at its main administrative and statutory home office located at 4200 Six Forks Road Suite 1400, Raleigh, North Carolina 27609.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of each company within the IAT NC Group. This examination covers the period from January 1, 2015, to December 31, 2019, 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 examinations of OFC and WIC were as of December 31, 2014.

The purpose of this examination is to review and evaluate the IAT NC Group’s business processes and controls to assist in accessing and monitoring its current financial condition and prospective solvency. Pursuant to GS § 58-2-132, this Report on Examination comprises only facts appearing in the books, records, or other documents of the IAT NC Group (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 10 insurance company subsidiaries of IAT Insurance Group, Inc., collectively referred to as the “IAT Insurance Group”. North Carolina served as the Lead and Facilitating State, and Participating States included Florida, Illinois, Nebraska, New Jersey and Texas.

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 IAT Insurance Group, 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 IAT NC Group were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Investing
Reserving
Reinsurance
Capital and Surplus Management
Claims Processing
Premiums and Underwriting
Related Party Transactions

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 insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to the IAT Insurance Group.

The IAT NC Group's Annual Statements ("AS"), 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 IAT Insurance Group's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the IAT Insurance Group's management.

The books and records of the IAT Insurance Group are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Johnson Lambert LLP of Raleigh, North Carolina, the designated independent public accountant of the IAT Insurance Group, issued an unmodified opinion on a combined audit for Harco National Insurance Company ("Harco") and its affiliates, which includes OFC and WIC, for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2019.

REPORT ABBREVIATIONS

Annual Statement	“AS”
Board of Directors	“Board”
NAIC Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
Statement of Statutory Accounting Principles	“SSAP”
IAT Reinsurance Company, Ltd.	“IAT Re”

“IAT NC Group” includes the following companies:

Occidental Fire & Casualty Company of North Carolina	“OFC”
Wilshire Insurance Company	“WIC”

“IAT Insurance Group” includes the following insurance companies:

Acceptance Casualty Insurance Company	None
Acceptance Indemnity Insurance Company	None
Allegheny Casualty Company	None
Commercial Alliance Insurance Company	None
Harco National Insurance Company	“Harco”
International Fidelity Insurance Company	None
Occidental Fire & Casualty Company of North Carolina	“OFC”
SafePort Insurance Company (formerly known as Service Insurance Company)	None
TransGuard Insurance Company of America, Inc.	None
Wilshire Insurance Company	“WIC”

“Harco and its Affiliates” include the following insurance companies:

Acceptance Casualty Insurance Company	None
Acceptance Indemnity Insurance Company	None
Commercial Alliance Insurance Company	None
Harco National Insurance Company	“Harco”
Occidental Fire & Casualty Company of North Carolina	“OFC”
TransGuard Insurance Company of America, Inc.	None
Wilshire Insurance Company	“WIC”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

1. The IAT NC Group was not able to provide signed Conflict of Interest Statements for officers and directors for all periods under examination in compliance with North Carolina Administrative Code (“NCAC”) 11C.0117. One Conflict of Interest Statement is missing for the years 2015, 2016, 2017 and 2019. The IAT NC Group is directed to comply with Title 11 NCAC 11C.0117 by obtaining executed Conflict of Interest Statements for all officers and directors annually and ensuring that proper records are maintained.
2. The IAT NC Group currently does not age all agents’ balances on a separate policy-by-policy basis. The IAT NC Group provided examination premiums data to support the Uncollected Premiums and Agents’ Balances in the Course of Collection in the Annual Statement, which was not completely aged on a policy-by-policy basis in accordance with the Statement of Statutory Accounting Principles (“SSAP”) No. 6. The IAT NC Group is directed to comply with GS § 58-2-165(c) and SSAP No. 6.
3. The IAT NC Group did not settle balances timely with affiliates in accordance with the Consolidated Master Hardware and Software Agreement pursuant to SSAP No. 25, paragraph 6. The agreement stipulates balances are to be settled within thirty days. The IAT NC Group is directed to comply with the settlement provisions in its agreements pursuant to SSAP No. 25 and GS § 58-19-30(b)(4). The IAT NC Group has properly non-admitted the balances overdue more than 90 days, therefore, no adjustment was made.
4. The IAT NC Group did not allocate expenses based on net premium written in accordance with the Consolidated Master Hardware and Software Agreement. The IAT NC Group has modified the allocation method under the agreement without notifying the Department as required by GS § 58-19-30(b)(4). The Company is directed to either comply with the agreement that was approved by the Department or formally amend its affiliated service agreement pursuant to SSAP No. 25 and GS § 58-19-30(b)(4). The discrepancies in the allocated expenses are immaterial, therefore, no adjustment was made.
5. At December 31, 2019, the companies within the IAT NC Group are named insureds under a fidelity bond which provides the IAT Insurance Group coverage totaling \$2.0 million in aggregate. The Handbook’s recommended minimum range for fidelity bond coverage for the IAT Insurance Group is \$2.25 million to \$2.5 million. We recommend that the IAT NC Group maintain fidelity bond coverage for no less than the minimum recommended by the NAIC. In September 2020, the IAT Insurance Group increased its fidelity coverage to \$2.25 million. (Refer to Subsequent Events)
6. The Adverse Development Cover Reinsurance Contract between Harco and IAT Re does not comply with SSAP No. 25, in that it does not represent an arms-length transaction. Specifically, the terms of the contract are not “fair and reasonable” considering that the premium charged for the coverage was well below the market value of similar transactions pursuant to a pricing comparison study performed by the examination consulting actuary.

This contract also does not comply with SSAP No. 62R – Property and Casualty Reinsurance (“SSAP No. 62R”) in that it was incorrectly accounted for using prospective reinsurance accounting. Pursuant to SSAP No. 62R, paragraph 36 d., if the ceding company recognizes a gain in surplus from an affiliated reinsurance transaction, the proper accounting treatment should be retroactive reinsurance accounting. SSAP No. 62R is to be interpreted on a single entity basis, not on a group basis; therefore, the favorable pricing of the adverse development coverage provided an unrecorded gain in surplus for the IAT NC Group.

ORGANIZATIONAL STRUCTURE

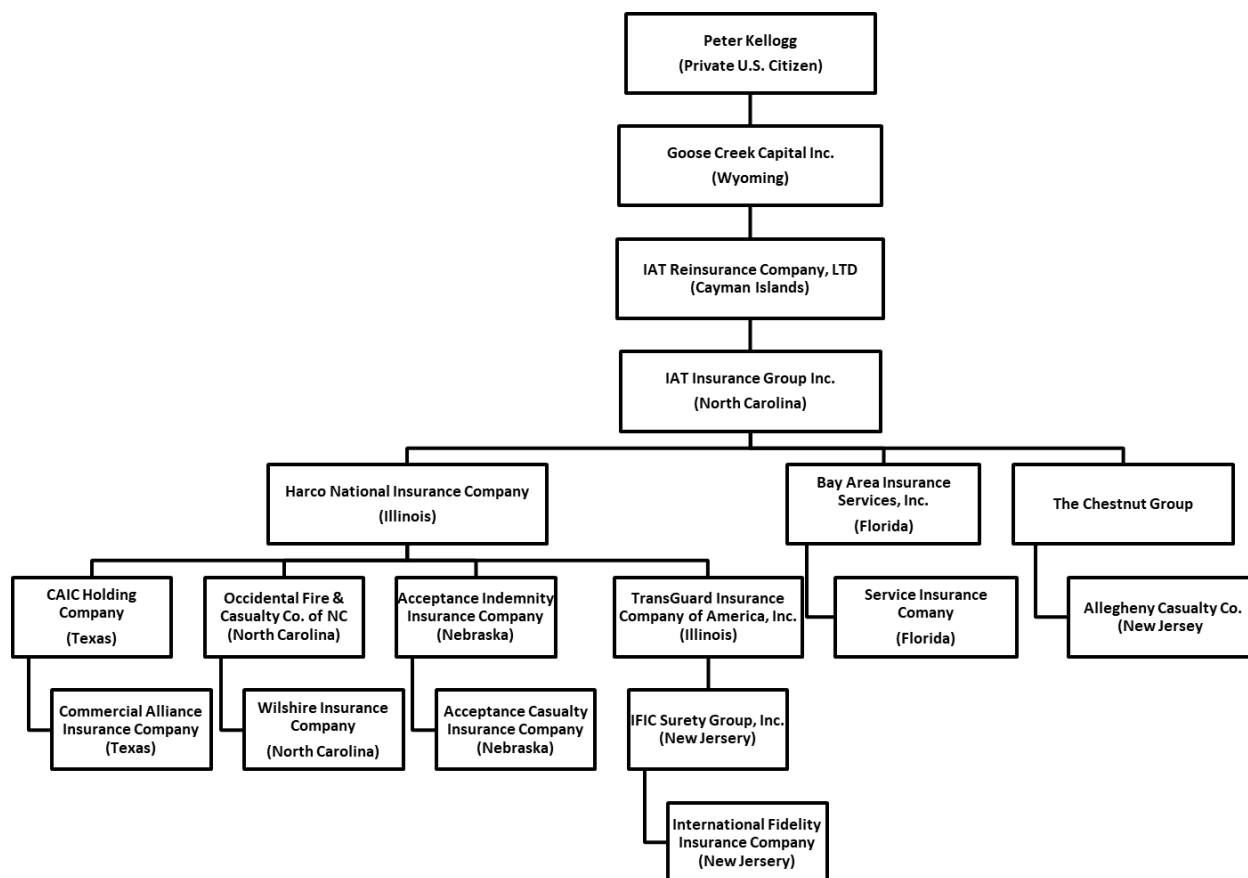
The companies within the IAT North Carolina Group are part of an insurance holding company system as defined in GS § 58-19. IAT Insurance Group, Inc., a North Carolina corporation, wholly owns Harco, which owns 100% of all the outstanding shares of OFC. OFC owns 100% of all outstanding shares of WIC. OFC and WIC are both North Carolina corporations.

IAT Reinsurance Company, Ltd. (“IAT Re”), a privately held Cayman Islands domiciled reinsurer, is wholly owned by Goose Creek Capital Inc., which is owned by Peter Kellogg, the former ultimate controlling person. (Refer to the Subsequent Events)

IAT Re wholly owns IAT Insurance Group, Inc., which either directly or indirectly owns the following ten (10) insurance companies: Harco; Acceptance Indemnity Insurance Company; Acceptance Casualty Insurance Company; TransGuard Insurance Company of America, Inc.; International Fidelity Insurance Company; OFC; WIC; Commerical Alliance Insurance Company; SafePort Insurance Company; and Allegheny Casualty Company.

ORGANIZATIONAL CHART

Each company within the IAT Insurance Group has a 2019 AS Schedule Y which contains a complete organizational chart. The following is a summarized organizational chart as of December 31, 2019:



INDIVIDUAL COMPANY HISTORY

OFC

OFC was incorporated on October 31, 1961, under the laws of the State of North Carolina as a stock property and casualty insurance company. OFC commenced business on January 2, 1962, with 300,000 shares of \$10.40 par value capital common stock authorized. To begin business, OFC issued 250,000 shares of its common stock, at \$10.40 per share, providing the Company with an initial capital of \$2,600,000.

OFC was a wholly owned subsidiary of McM Corporation, a North Carolina insurance holding company, which was a subsidiary of IAT Re. Effective May 5, 2016, McM Corporation changed its name to IAT Insurance Group, Inc.

Effective July 1, 2019, IAT Insurance Group, Inc. contributed 100% of OFC and its subsidiary WIC to Harco. As part of the transaction, unassigned funds of OFC and WIC became paid in and contributed surplus of Harco.

WIC

WIC was incorporated under the laws of the State of California in 1956 as a commercial automobile liability and automobile physical damage insurance company. WIC merged into a new company with the same name and re-domesticated under the laws of the State of North Carolina in 1985.

WIC commenced business on September 6, 1985, with 6,000,000 shares of \$2.10 par value capital common stock authorized. To begin business, WIC issued 2,000,000 shares of its common stock, at \$2.10 per share, providing WIC with an initial capital of \$4,200,000.

CAPITAL STOCK

As of December 31, 2019, capitalization of the individual companies consisted of the following:

OFC

Description	Value
Number of authorized common capital shares	300,000
Number of shares issued and outstanding	250,000
Total common capital stock	\$2,600,000
Par value per share	\$10.40

No additional shares of OFC common stock were issued during the period under examination. As of December 31, 2019, all outstanding shares of OFC were owned by Harco. OFC has 500,000 shares of 8% redeemable preferred stock with a par value of \$10 per share authorized and outstanding at December 31, 2019.

The redeemable preferred stock pays dividends quarterly in arrears and is redeemable at par. During 2016, the parent company determined to forgive the amount associated with the preferred stock and to make it a permanent capital contribution of \$5,000,000 to OFC, therefore, OFC transferred \$5,000,000 of capital to surplus. At December 31, 2019, OFC reported \$119,464,146 in gross paid-in and contributed surplus and unassigned funds totaling \$95,070,937.

WIC

Description	Value
Number of authorized common capital shares	6,000,000
Number of shares issued and outstanding	2,000,000
Total common capital stock	\$4,200,000
Par value per share	\$2.10

No additional shares of WIC were issued during the period under examination. As of December 31, 2019, all outstanding shares of WIC were owned by OFC. At December 31, 2019, WIC reported \$34,931,424 in gross paid-in and contributed surplus and unassigned funds totaling \$80,768,597.

DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the Board of Directors (“Board”). Under the insurance regulations of North Carolina, the maximum ordinary dividend which the IAT NC Group 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. OFC paid ordinary dividends totaling \$400,000, \$300,000, and \$22.3 million to its parent, IAT Insurance Group, Inc., in 2015, 2016 and 2018, respectively. WIC paid ordinary distributions totaling \$14 million and \$10.6 million to OFC in 2018 and 2019, respectively.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The companies within the IAT Insurance Group have the same individuals on the Board and the same principal officers. The companies occupy the same home office space and share various systems (i.e., accounting, policy administration, claims, etc.) and personnel. All personnel are employees of IAT Insurance Group, Inc.

Shareholders

The bylaws for OFC provide that the shareholders will meet no less frequently than one time each year at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the Board, the Executive Committee, or upon written request of shareholders holding 25% of the outstanding stock entitled to vote.

The bylaws for WIC provide that an annual meeting of the shareholders be held in Raleigh, North Carolina at such time as the Board may appoint. Special meetings of the shareholders may be called at any time by resolution of the Board, the Executive Committee, or upon written request of shareholders holding 25% of the outstanding stock entitled to vote.

Board of Directors

Oversight of the IAT Insurance Group is driven primarily by the Advisory Board, which is elected by the three-member corporate Board of the parent, IAT Re, which includes the Chief Executive Officer/Chairman, Chief Financial Officer and Secretary. The seven-member Advisory Board includes Chief Executive Officer of IAT Re, William Cunningham, who is the only member of the Advisory Board that is an employee. Peter Kellogg is the Chairman, and his son is also a director. The remaining four Advisory Board members are independent, and each have significant experience with the insurance industry and an understanding of the business. The Board annually elects an Executive Committee which provides oversight of the management team. The Executive Committee is comprised of the three members of the parent board and one additional individual. The business of the IAT NC Group is conducted by its management team and is subject to review by the Executive Committee.

The bylaws for OFC and WIC specify that the number of directors shall not be less than seven or more than twenty-one. Directors are elected at the annual meeting of IAT Re's Board meeting or by the written consent of IAT Re's Board, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors at December 31, 2019:

Name	Location	Principal Occupation
William Cunningham	Cheshire, Connecticut	Chief Executive Officer, Chairman of the Board - IAT Re
David Pirrung	Wake Forest, North Carolina	Chief Financial Officer - IAT Re
Michael Blinson	Clayton, North Carolina	Secretary - IAT Re
Todd Bateson	Cumming, Georgia	Executive Vice President Transportation - IAT Insurance Group, Inc.
Kenneth Coon	Omaha, Nebraska	Senior Vice President Business Development - IAT Insurance Group, Inc.
Gregory Even	Wethersfield, Connecticut	Chief Underwriting Officer - IAT Insurance Group, Inc.
Alisa Miller	Raleigh, North Carolina	Chief Human Resources Officer - IAT Insurance Group, Inc.

The Board has the authority to establish committees including, but not limited to, an audit committee and an investment committee. These committees have the power and duties deemed appropriate by the Board; however, their power cannot exceed the power of the Board. The Board has only one standing committee, the Executive Committee. The Board has appointed the Executive Committee to act on behalf of the IAT Insurance Group. Additionally, the Executive Committee serves as both the audit and investment committee for the IAT Insurance Group.

The following individuals served on the Executive Committee at December 31, 2019:

Name	Title
William Cunningham	Chief Executive Officer & Chairman of the Board - IAT Re
David Pirrung	Chief Financial Officer - IAT Re
Michael Blinson	Secretary - IAT Re
Todd Bateson	Executive Vice President, Transportation

Officers

The bylaws provide that the Board will elect the officers, which shall consist of a chairman of the Board, a president, one or more vice presidents, a secretary, treasurer, and any other officers deemed necessary. Each will have powers delegated by the Board or Executive Committee and bylaws. 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.

The following individuals served as officers as of December 31, 2019:

Name	Title
David Pirrung	President, Chief Financial Officer
John Mruk	Treasurer
Michael Blinson	Secretary
Todd Bateson	Executive Vice President, Transportation
Julie Brown	Senior Vice President, Distribution Strategy
Kenneth Coon	Senior Vice President, Business Development
Christopher Dowler	Senior Vice President, Chief Information Officer
Gregory Even	Senior Vice President, Chief Underwriting Officer
Krista Glenn	Senior Vice President, Chief Claims Officer
Alisa Miller	Senior Vice President, Chief Human Resources Officer
John Passaro	Senior Vice President, Management Liability
Coy Rudd	Senior Vice President, Excess Casualty
William Teed II	Senior Vice President, Programs
Joseph Tracy	Senior Vice President, Inland Marine

CODE OF CONDUCT AND CONFLICT OF INTEREST

The IAT NC Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the IAT NC Group 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 IAT NC Group did not act in accordance with its policy and procedures for disclosure of conflicts of interest. (Refer to the Summary of Significant Findings)

CORPORATE RECORDS

We reviewed the meeting minutes of the Board and its committees for each company within the IAT NC Group as well as the minutes of meetings held by the Advisory Board for the period under examination. Based on our review, it appears that the minutes document the IAT NC Group'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. Based on our review, it appears that there have been no changes to any of the articles of incorporation or bylaws for the companies within IAT NC Group during the period under examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. OFC maintained statutory deposits in 23 states and WIC maintained statutory deposits in 9 states. The 2019 AS Schedule E - Part 3 contains a complete description and listing of the statutory deposits by state.

ACCOUNTS AND RECORDS

The IAT NC Group's books and records are maintained at its main administrative office located at Raleigh, North Carolina.

The IAT NC Group 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 Raleigh, North Carolina. The majority of the IAT NC Group's financially significant applications are supported and maintained internally by its information technology staff.

FIDELITY BONDS AND OTHER INSURANCE

The IAT NC Group is insured under a crime bond, which is an acceptable substitute for a fidelity bond. The bond's insured party is IAT Reinsurance Company, Ltd. ("IAT Re") and its subsidiaries. The crime bond has \$2,000,000 in both aggregate and single loss liability coverage from losses due to dishonest acts, including forgery and computer fraud, by its employees. This coverage is less than the minimum range recommended in the Handbook of \$2,250,000 to \$2,500,000; however, coverage was increased in September 2020. (Refer to the Summary of Significant Findings and Subsequent Events)

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

EMPLOYEE BENEFITS AND PENSION PLANS

IAT Insurance Group, Inc. sponsors a qualified defined contribution savings and profit-sharing plan covering substantially all employees of the IAT Insurance Group. Employees may contribute a portion of their pay to the plan on a pre-tax basis. IAT Insurance Group, Inc. matches these contributions, which vest immediately, up to 7% of the employee's pay. In addition, contributions are made to the profit-sharing portion of this plan at the discretion of the IAT Insurance Group, Inc. based on each eligible employee's annual compensation. Expenses incurred by OFC and WIC during the year ended December 31, 2019, totaled approximately \$5.1 million and \$147,570, respectively.

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 companies within the holding company system as follows:

- a. OFC, WIC, Acceptance Casualty Insurance Company, Acceptance Indemnity Insurance Company, TransGuard Insurance Company of America, Inc. and Harco entered into a Consolidated Master Cost Sharing Agreement, effective January 1, 2008, whereby the financial, investment, underwriting, claims, administrative, other support, and operational services are shared between the insurance companies. The expenses of the insurance companies are pooled and allocated to each company based on the net written premium of each company. The agreement was amended December 22, 2014, to add SafePort Insurance Company (formerly Service Insurance Company) and Commercial Alliance Insurance Company to the agreement. Under this agreement, in 2019, OFC received settlements totaling

\$66,425,325 from affiliated members of the IAT Insurance Group and WIC paid settlements totaling \$18,352,122 to affiliated members

- b. IAT Insurance Group, Inc. entered into a Master Hardware and Software Cost Sharing Agreement with its insurance company affiliates, including OFC and WIC, effective March 1, 2008, to maximize the sufficiency and effectiveness by using combined data processing capabilities. All system hardware and software purchases and the internal development costs as applicable are handled by IAT Insurance Group, Inc. with the actual expenses allocated to the individual insurance companies based on the net premiums of each company. Under this agreement, OFC and WIC paid settlements totaling \$700,647 and \$254,922, respectively, to affiliated members of the IAT Insurance Group in 2019. (Refer to the Summary of Significant Findings)
- c. OFC and WIC are included in a supplemental tax allocation agreement, effective December 1, 2001, through April 30, 2002, with these companies' taxable income being consolidated with MCM Corporation, its prior parent. Subsequent to May 1, 2002, the companies' taxable income earned is consolidated with IAT Re, the ultimate parent. The tax allocation agreement defines the settlement terms for tax liabilities and benefits among each company included in the IAT Insurance Group in relation to the federal income tax allocation agreement. Under this agreement, the provision for federal income tax is computed as if the companies within the IAT Insurance Group were filing a separate federal income tax return. Benefits, which arise from tax credits and net operating losses, are allocated to those subsidiaries producing such results to the extent they are utilized in the consolidated federal income tax provision.

TERRITORY AND PLAN OF OPERATION

OFC

OFC has served the trucking transportation industry writing full coverage insurance policies for local, intermediate, and long-haul trucking risks including the commercial auto liability, physical damage, and inland marine (cargo) lines of business and is marketed through general agents. OFC writes specialty program business marketed in a limited number of states. This business consists primarily of commercial auto and small business owner package business and is marketed through general agents. OFC also writes personal property coverage, primarily homeowner business, in select states through retail agents.

OFC is licensed to write business in the District of Columbia and all states, except Hawaii.

WIC

WIC is a diversified specialty insurance company whose primary emphasis is writing local, intermediate, and long-haul commercial automobile coverages including commercial auto liability, physical damage, general liability, and inland marine for the trucking transportation industry. WIC primarily produces business through retail agents on a direct bill basis but also markets a small portion of this business through general agents that are billed on an account current basis.

WIC was licensed in the following states and jurisdictions at December 31, 2019:

Arizona	California	Colorado	Delaware	Hawaii
Idaho	Iowa	Kansas	Maryland	Minnesota
Missouri	Montana	Nebraska	Nevada	New Mexico
North Carolina	Ohio	Oregon	South Dakota	Utah
Washington	Wisconsin	Wyoming		

In addition, WIC is eligible to write surplus lines in 14 states and is a qualified reinsurer in New York.

GROWTH OF THE COMPANIES

The data obtained from annual statements filed with the Department illustrates the growth of the companies within the IAT NC Group for the five-year period ended December 31, 2019.

OFC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (loss)
2019	\$457,152,747	\$217,135,083	\$671,223,328	\$ 97,146,937	\$9,508,306
2018	377,575,220	172,952,937	587,666,336	81,468,347	14,439,196
2017	474,328,526	223,980,794	485,826,381	58,033,870	10,275,707
2016	602,812,300	172,690,315	641,555,831	49,420,704	7,688,638
2015	542,241,015	145,462,105	527,754,287	138,696,721	2,761,101

WIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (loss)
2019	\$336,376,370	\$119,900,021	\$310,280,660	\$166,971,287	\$(956,512)
2018	289,618,309	106,658,683	291,036,770	140,023,724	(2,071,216)
2017	334,547,498	140,215,531	256,290,050	99,859,023	6,196,430
2016	291,606,987	109,076,350	251,240,926	85,217,709	5,779,741
2015	231,123,117	92,068,466	169,130,289	89,490,481	(9,992,161)

ACTUARIAL OPINION

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

The statutory reserves and related items for 2019 were reviewed and certified by the IAT NC Group's

Appointed Actuary, Kyle Mrotek, FCAS, MAAA with The Actuarial Advantage, Inc. Actuarial opinions regarding the IAT NC Group’s reserves for loss and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the IAT NC Group for reasonableness and consistency of the loss and loss adjustment expense reserves. According to the actuarial opinions, OFC and WIC’s reserves on the loss and loss adjustment expense met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid loss and loss expense obligations of the companies.

REINSURANCE PROGRAM OVERVIEW

INTERNAL REINSURANCE CEDED AND ASSUMED

Intercompany Pooling Arrangement

Effective January 1, 2016, Harco, the pool leader, and six of its affiliates, (collectively referred to as the “Pool Participants”), entered into an intercompany pooling arrangement whereby all participants pool their net underwriting results proportionately in order to reduce administrative and management expenses, and to provide a broader distribution of risk by both line of insurance and territory. The following provides the participation percentages for the Pool Participants:

- Harco National Insurance Company – 23.0%
- TransGuard Insurance Company of America – 22.3%
- Wilshire Insurance Company – 16.5%
- Acceptance Indemnity Insurance Company – 13.1%
- Occidental Fire and Casualty Company of North Carolina – 9.6%
- Acceptance Casualty Insurance Company – 9.0%
- Commercial Alliance Insurance Company – 6.5%

For certain reinsurance contracts, business is ceded to external reinsurers by the Pool Participants prior to the intercompany pooling and each Pool Participant has a contractual right of direct recovery from its own external reinsurers. Additionally, each Pool Participant establishes a provision for reinsurance and a write-off of uncollectible reinsurance for its own external reinsurance.

The Pool Participants reported the following amounts as receivable from- and/or payable to- affiliated reinsurers as of December 31, 2019:

Name of Insurer	Amounts Receivable	Amounts Payable
Harco National Insurance Company	\$50,773,199	\$33,095,457
Transguard Insurance Company of America	-	1,282,440
Occidental Fire and Casualty Company of NC	-	47,696,387
Wilshire Insurance Company	8,480,866	-
Acceptance Indemnity Insurance Company	-	1,255,178
Acceptance Casualty Insurance Company	-	539,195
Commercial Alliance Insurance Company	\$24,605,591	-

Adverse Development Coverage

Effective December 31, 2018, the Pool Participants entered into an Adverse Development Cover Aggregate Excess of Loss Reinsurance Contract with IAT Re which provides the Pool Participants with reinsurance protection against unfavorable development arising from existing and/or newly reported claims on all business related to accident years 2018 and prior. In exchange for a total premium of \$500,000, the Pool Participants have up to \$100 million in protection against unfavorable development for those accident years. The Pool Participants remain obligated to policyholders for amounts ceded to reinsurers in the event that any reinsurer does not meet their obligation to the Pool. As of December 31, 2019, the Pool had a net reinsurance recoverable of \$100 million, including reserve credits, related to this contract.

The Adverse Development Cover Aggregate Excess of Loss Reinsurance Contract does not comply with SSAP No. 25, in that it does not represent an arms-length transaction. In addition, the contract does not comply with SSAP No. 62R, as it should be accounted for using retroactive reinsurance accounting. (Refer to the Summary of Significant Findings)

IAT Re Quota Share Reinsurance

Effective July 1, 2002, OFC and WIC entered into a quota share reinsurance contracts with IAT Re to cede 40% of their net retained premiums earned and losses incurred subsequent to June 30, 2002. The quota share cession rate was reduced to 20% in 2008 for all business, increased to 100% in 2010 for crop and private passenger auto business, and reduced to 10% in 2018 for all other business. Effective January 1, 2019, the contract was terminated on a cut-off basis. Ceded unearned premiums were returned and OFC and WIC ceded net written premiums of approximately (\$17.1) million and (\$3.0) million, respectively, under this contract. At December 31, 2019, OFC and WIC had a net reinsurance recoverable of approximately \$18.8 million and \$22.1 million, respectively, including reserve credits related to this contract. This recoverable is fully collateralized by a security trust.

OFC and WIC ceded premiums totaling \$498,971,728 and \$131,082,461, respectively, to affiliated reinsurers and assumed premiums totaling \$103,902,743 and \$178,582,837, respectively, from affiliated reinsurers in 2019.

EXTERNAL REINSURANCE CEDED

External reinsurance is classified into two categories: (1) casualty and (2) property.

Casualty Excess of Loss Reinsurance

On a limited basis, OFC and WIC write truck policies with limits in excess of \$1.0 million up to \$2.0 million. For these policies, a second million is covered by a \$1.0 million excess of \$1.0 million automatic facultative facility, 100% placed with Swiss Re.

Other casualty coverages including business classified as umbrella and excess liability, are subject to an umbrella and excess casualty contract for policies exceeding \$1.0 million. The umbrella and excess casualty business is covered by a 65% umbrella quota share.

Property Excess of Loss Reinsurance

Commercial property business is subject to an enterprise property per risk treaty providing protection for a cumulative limit of \$55 million (in four layers) in excess of retention of \$5 million.

OFC and WIC also participate in an enterprise property catastrophe facility which protects against catastrophic property events, such as hurricanes. The purchased cover is based on extensive modeling of the individual risks with varying coverage layers. The purchased cover provides for \$400 million excess of \$50 million coverage in four layers. The layer coverage amounts are as follows: First - \$80 million excess of \$50 million; Second - \$100 million excess of \$130 million; Third - \$120 million excess of \$230 million; and Fourth - \$100 million excess of \$350 million. The first layer is 96% placed, the second and third layers are 100% placed and the fourth layer is 86% placed.

OFC and WIC ceded premiums totaling \$68,348,854 and \$615,362, respectively, to non-affiliated reinsurers in 2019.

EXTERNAL REINSURANCE ASSUMED

OFC and WIC assume a minimal amount of reinsurance on both a pro-rata and excess of loss basis covering both personal and commercial line risk. The majority of the assumed reinsurance business is ceded to IAT Re.

FINANCIAL STATEMENTS

The financial statements in Appendix A are based on the statutory financial statements filed with the Department and present the financial condition of each company within the IAT NC Group for the period ending December 31, 2019. 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 IAT NC Group are as follows:

Bonds: Generally carried at amortized cost using the scientific method. Bonds with a NAIC rating 3 through 6 are carried at the lower of amortized cost or fair market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Cash and short-term investments: Cash and short-term investments are 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: Unaffiliated common stocks are carried at fair value except investments in stock of subsidiaries, which are carried at the subsidiary's underlying statutory equity.

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.

Premiums: Direct, assumed, and ceded premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premiums are established to cover the unexpired portion of premiums written. Such reserves are computed by daily pro-rata methods for direct and ceded business and are based on reports received from ceding companies for reinsurance assumed. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowance received or receivable.

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 contracts. 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.

Capital Gains (Losses): Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed, or otherwise disposed. Realized capital losses include write-downs for impairments considered to be other than temporary.

Other-than-temporary impairment: Declines in fair value of invested assets below cost or amortized cost are evaluated for other-than-temporary impairment ("OTTI"). The decision as to whether an impairment of a security is other-than-temporary incorporates both quantitative criteria and qualitative information. IAT Insurance conducts a periodic review to identify and evaluate securities with OTTI. Some of the factors considered in identifying OTTI include: (1) the likelihood of the recoverability or principal and interest for debt securities (i.e., whether there is a credit loss) or cost for equity securities; (2) the length of time and extent to which the fair value has been less than amortized cost for securities or cost for equity securities; and (3) the financial condition, near-term and long-term prospects for the issuer, including the relevant industry conditions and trends, and implications or rating agency actions and offering prices.

Unpaid loss & loss adjustment expense: The reserves for unpaid losses and loss adjustment expenses ("LAE") include case basis estimates of reported losses, plus supplemental amounts for incurred but not reported losses calculated based upon loss projections utilizing certain actuarial assumptions and studies of the IAT NC Group's historical loss experience and industry statistics. The aggregate liability for unpaid losses and LAE at year-end represents management's best estimate of the amount necessary to cover the ultimate cost of claims occurring on or before the balance sheet date.

The IAT NC Group utilizes ceded reinsurance to limit its insurance risk. Reinsurance recoverable is estimated using assumptions consistent with those used to estimate the reserves for unpaid losses and LAE. In preparing financial statements, management makes estimates of amounts recoverable from reinsurers, which include consideration of amounts, if any, estimated to be uncollectible by management based on an assessment of factors including the creditworthiness of the reinsurers

Investment Income: Net investment income earned consists primarily of interest and dividends less investment related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis.

Analysis of Assets

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

OFC	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$50,386,294	-	\$50,386,294
Common stocks	250,218,166	-	250,218,166
Cash and cash equivalents	14,682,009	-	14,682,009
Other invested assets	2,776,142	-	2,776,142
Total cash and invested assets	318,062,611	-	318,062,611
Investment income due and accrued	767,357	-	767,357
Premiums and agents' balances in course of collection	33,642,624	\$905,605	32,737,019
Premiums and agents' balances booked but not yet due	45,057,281	-	45,057,281
Reinsurance recoverable	9,344,669	-	9,344,669
Reinsurance funds held by reinsured companies	154,657	-	154,657
Current federal income tax recoverable	728,072	-	728,072
Furniture and equipment	283,871	283,871	-
Receivable from parent, subsidiaries, and affiliates	50,256,001	-	50,256,001
Miscellaneous other assets	126,293	126,296	-
Prepaid expenses and deposits	3,169,182	3,169,182	-
Assumed reinsurance recoverable	45,080		45,080
Prepaid claims	400,001	400,001	-
Total admitted assets	\$462,037,699	\$4,884,952	\$457,152,747

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

WIC	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$99,228,528	-	\$99,228,528
Preferred stocks	3,942,187	-	3,942,187
Common stocks	175,784,860	-	175,784,860
Cash and cash equivalents	23,652,861	-	23,652,861
Other invested assets	2,376,143	-	23,652,861
Total cash and invested assets	304,984,579	-	304,984,579
Investment income due and accrued	1,653,023	-	1,653,023
Premiums and agents' balances in course of collection	16,494,202	\$128,684	16,365,518
Premiums and agents' balances booked but not yet due	1,010,351	-	1,010,351
Reinsurance recoverable	3,380,672	-	3,380,672
Reinsurance funds held by reinsured companies	71,617	-	71,617
Current federal income tax recoverable	2,410,613	-	2,410,613
Furniture and equipment	1,219	1,219	-
Receivable from parent, subsidiaries, and affiliates	6,298,968	-	6,298,968
State premiums tax recoverable	179,830		179,830
Reinsurance recoverable – assumed	21,199		21,199
Prepaid expenses and deposits	101,200	101,200	-
Miscellaneous other assets	7,380	7,380	-
Total admitted assets	\$336,614,853	\$238,483	\$336,376,379

Reinsurance Activity

The IAT NC Group participates in various types of reinsurance 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:

OFC	2019	2018
Direct written	\$566,677,975	\$498,980,890
Reinsurance Assumed: Non-Affiliates	642,610	503,933
Premiums from Non-Affiliates	567,320,585	499,484,823
Ceded: Affiliates	498,971,728	425,829,691
Ceded: Non-Affiliates	68,348,854	73,655,131
Total Ceded	567,320,582	499,484,822
Reinsurance Assumed: Affiliates	103,902,743	88,181,513
Net written	103,902,746	88,181,514
Net earned	\$97,146,937	\$81,468,347

WIC	2019	2018
Direct written	\$122,567,734	\$131,316,795
Reinsurance Assumed: Non-Affiliates	9,130,089	8,157,995
Premiums from Non-Affiliates	131,697,823	139,474,790
Ceded: Affiliates	131,082,461	125,808,593
Ceded: Non-Affiliates	615,362	13,666,197
Total Ceded	131,697,823	139,474,790
Reinsurance Assumed: Affiliates	178,582,837	151,561,980
Net written	178,582,837	151,561,980
Net premiums earned	\$166,971,287	\$140,023,724

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.

Summary of Reserves

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

OFC (reported in 000s)	2019	2018
Reserve for losses and loss adjustment expenses, beginning of year	\$55,969	\$49,820
Add:		
Provision for losses and loss adjustment expenses, current year	59,365	51,380
Change in estimated losses and loss adjustment expenses, prior years	11,571	5,608
Total incurred	70,936	56,988
Deduct:		
Losses and loss adjustment expenses paid, current year	28,611	20,178
Losses and loss adjustment expenses paid, prior year	29,853	30,661
Total paid	58,464	50,839
Reserve for losses and loss adjustment expenses, end of year	68,441	55,969
Increase in reserve for losses and loss adjustment expenses	\$12,472	\$6,149

OFC current calendar year results include approximately \$11.6 million of adverse development related to prior accident years.

OFC reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under reinsurance contracts. At December 31, 2019, the liability for losses and loss adjustment expenses was reduced by approximately \$169.6 million for amounts to be recovered from reinsurers.

WIC (reported in 000s)	2019	2018
Reserve for losses and loss adjustment expenses, beginning of year	\$96,199	\$85,629
Add:		
Provision for losses and loss adjustment expenses, current year	102,032	88,230
Change in estimated losses and loss adjustment expenses, prior years	19,887	9,719
Total incurred	121,919	97,949
Deduct:		
Losses and loss adjustment expenses paid, current year	49,174	34,689
Losses and loss adjustment expenses paid, prior year	51,310	52,690
Total paid	100,484	87,379
Reserve for losses and loss adjustment expenses, end of year	117,634	96,199
Increase in reserve for losses and loss adjustment expenses	\$21,435	\$10,570

WIC current calendar year results include approximately \$19.9 million of adverse development related to prior accident years.

WIC reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under reinsurance contracts. At December 31, 2019, the liability for losses and loss adjustment expenses was reduced by approximately \$192.4 million for amounts to be recovered from reinsurers.

Capital and Surplus

The data obtained from annual statements filed with the Department, as reflected in Appendix B represents the changes in capital and surplus of OFC and WIC since the Department's last examination as of December 31, 2014, for the five-year period ended December 31, 2019.

Contingencies and Commitments

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

SUBSEQUENT EVENTS

In December 2019, the COVID-19 contagious disease outbreak emerged, and later was characterized as a pandemic by the World Health Organization on March 11, 2020. The President of the United States declared a National State of Emergency on March 13, 2020. The COVID-19 pandemic continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry going forward. At the time of releasing this report, IAT Insurance Group 2020 financial results indicated there were declines in investment values, surplus and RBC ratios. These negative trends have not significantly affected IAT Insurance Group's operations, solvency, or liquidity. As such, the Department will continue to monitor and share information about IAT Insurance Group as appropriate related to COVID-19 developments.

On April 29, 2020, the Department approved a Form A filed by IAT Re to transfer the ultimate control of IAT Re and its subsidiaries from Peter Kellogg to his son Charles Kellogg. The transaction was finalized on January 19, 2021, through the execution of a stock purchase agreement between the parties for all the issued and outstanding Class A voting preferred stock of Goose Creek Capital, Inc.

Effective September 30, 2020, the IAT Insurance Group increased its bond coverage to \$2,250,000 as recommended by Handbook.

**Occidental Fire & Casualty Company of North Carolina
Wilshire Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2019**

John Mruk, Vice President - Accounting and Financial Reporting
IAT Insurance Group
4200 Six Forks Road, Suite 1400
Raleigh, North Carolina 27609

Dave Pirrung, Chief Financial Officer
IAT Re
4200 Six Forks Road, Suite 1400
Raleigh, North Carolina 27609

Michael Blinson, Secretary
IAT Re
4200 Six Forks Road, Suite 1400
Raleigh, North Carolina 27609

Michelle Greer, AVP - Finance and Accounting
IAT Insurance Group
4200 Six Forks Road, Suite 1400
Raleigh, North Carolina 27609

CONCLUSION

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

We conclude that OFC and WIC comply with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance they have been authorized to write, which is \$2,250,000, respectively.

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

Respectfully submitted,



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

April 16, 2021

STATE OF NORTH CAROLINA

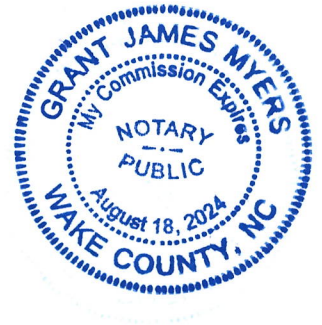
COUNTY OF WAKE

Robert Armbruster, Examination Supervisor, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by him is true and correct to the best of his knowledge and belief.

Signature:  Date: 4/16/2021
Robert Armbruster

Sworn and subscribed before me this 16th day of April, 2021.

Notary Public Signature:  Notary Public Seal:



Occidental Fire & Casualty Company of North Carolina
Wilshire Insurance Company
Appendix A
December 31, 2019

2019 Statutory Statement of Admitted Assets

	OFC	WIC
Bonds	\$ 50,386,294	\$ 99,228,528
Preferred stocks	-	3,942,187
Common stocks	250,218,166	175,784,860
Cash and cash equivalents	14,682,009	23,652,861
Other invested assets	2,776,142	2,376,143
Total cash and invested assets	318,062,611	304,984,579
Investment income due and accrued	767,357	1,653,023
Uncollected premiums and agents' balances in course of collection	32,737,019	16,365,518
Deferred premiums and agents' balances booked but not yet due	45,057,281	1,010,351
Reinsurance recoverable	9,344,669	3,380,672
Reinsurance funds held by reinsured companies	154,657	71,617
Federal income tax recoverable	728,072	2,410,613
Receivable from parent, subsidiaries and affiliates	50,256,001	6,298,968
Aggregate write-ins for other-than-invested assets	45,080	201,029
Total admitted assets	\$ 457,152,747	\$ 336,376,370

2019 Statement of Liabilities, Surplus and Other Funds

	OFC	WIC
Losses	\$ 55,249,213	\$ 94,957,860
Loss adjustment expenses	13,193,943	22,677,197
Commissions payable, contingent commissions and other similar charges	17,126,139	4,019,715
Other expenses	8,684,744	232,780
Taxes, licenses and fees	5,348,692	-
Net deferred tax liability	7,101,850	13,194,347
Unearned premiums	40,966,139	70,410,554
Advance premium	4,225,840	74,937
Ceded reinsurance premiums payable	68,713,899	(4,370)
Funds held by company under reinsurance treaties	1,328,325	235,241
Amounts withheld or retained by company for account of others	20,691	-
Payable to parent, subsidiaries and affiliates	4,122,549	1,834,995
Aggregate write-ins for liabilities	13,935,640	8,843,093
Total liabilities	240,017,664	216,476,349
Common capital stock	2,600,000	4,200,000
Gross paid in and contributed surplus	119,464,146	34,931,424
Unassigned funds	95,070,937	80,768,597
Total capital and surplus or Surplus as regards policyholders	217,135,083	119,900,021
Total liabilities, capital and surplus	\$ 457,152,747	\$ 336,376,370

2019 Statutory Statement of Income

	OFC	WIC
Underwriting Income (Loss)		
Premiums earned	\$ 97,146,937	\$ 166,971,287
Deductions		
Losses incurred	54,225,443	93,199,980
Loss adjustment expenses incurred	16,709,341	28,719,181
Other underwriting expenses incurred	35,544,396	58,975,993
Aggregate write-ins for underwriting deductions	127,490	151
Total underwriting deductions	106,606,670	180,895,305
Net underwriting gain (loss)	(9,459,733)	(13,924,018)
Investment Income		
Net investment income earned	15,845,482	8,549,965
Net realized capital gains	3,732,229	4,134,069
Net investment gain	19,577,711	12,684,034
Other Income		
Net gain from agents' or premium balances charged off	1,153	42,348
Finance and services charges not included in premiums	561,711	-
Aggregate write-ins for miscellaneous income	827,786	12,933
Total other income	1,390,650	55,281
Net income before dividends to policyholders	11,508,628	(1,184,703)
Dividends to policyholders	-	-
Federal income taxes incurred (benefit)	2,000,322	(228,191)
Net Income (loss)	\$ 9,508,306	\$ (956,512)

2019 Statutory Statement of Capital and Surplus

	OFC	WIC
Capital and surplus, beginning of year	\$ 172,952,937	\$ 106,658,683
Capital and surplus increases(decreases):		
Net Income	9,508,306	(956,512)
Change in net unrealized capital gains	33,428,887	23,605,570
Change in net deferred income tax	2,636,380	1,248,773
Change in non-admitted assets	(1,391,427)	(56,493)
Change in provision for reinsurance	-	-
Dividends to stockholders	-	(10,600,000)
Aggregate write-ins for gains and losses in surplus	-	-
Surplus adjustments to paid-in capital	-	-
Change in capital and surplus as regards policyholders for the year	44,182,146	13,241,338
Capital and surplus, end of year	\$ 217,135,083	\$ 119,900,021

2019 Statutory Statement of Cash Flow

	OFC	WIC
Cash From Operations		
Premiums collected net of reinsurance	\$ 114,729,902	\$ 177,046,596
Net investment income	15,780,414	8,683,871
Miscellaneous income	1,405,590	55,281
Total	131,915,906	185,785,748
Benefit and loss related payments	43,661,320	77,693,229
Commissions, expenses paid and aggregate write-ins	37,839,265	76,691,456
Dividends to policyholders	-	-
Federal income taxes paid	1,460,491	2,743,227
Total	82,961,076	157,127,912
Net cash from operations	48,954,830	28,657,836
Cash Used By Investments		
Proceeds from investments sold, matured, or repaid	41,316,850	51,185,882
Cost of investments acquired	23,128,339	43,859,637
Net cash used by investments	18,188,511	7,326,245
Cash (Used By) From Financing and Miscellaneous Sources		
Capital and paid in surplus	-	-
Dividends to stockholders	-	10,600,000
Other cash (applied) provided	(48,028,619)	(5,515,209)
Net cash (used by) from financing and miscellaneous sources	(48,028,619)	(16,115,209)
Reconciliation of Cash and Cash Equivalents		
Net change in cash and cash equivalents	19,114,722	19,868,872
Cash and cash equivalents, beginning of year	(4,432,713)	3,783,989
Cash and cash equivalents, end of year	\$ 14,682,009	\$ 23,652,861

Occidental Fire & Casualty Company of North Carolina
Wilshire Insurance Company
Appendix B
December 31, 2019

Changes in Capital and Surplus

The following represents the changes in capital and surplus since the Department's last examination as of December 31, 2014:

OFC	2019	2018	2017	2016	2015
Capital and surplus, beginning of year	\$172,952,937	\$223,980,794	\$172,690,315	\$145,462,105	\$162,860,610
Capital and surplus increases (decreases):					
Net income(loss)	9,508,306	14,439,196	10,275,707	7,688,638	2,761,101
Change in net unrealized capital gain (loss)	33,428,887	(44,120,090)	45,230,365	23,821,015	(19,470,295)
Change in net deferred income tax	2,636,380	712,298	(2,241,849)	(2,987,001)	(175,553)
Change in no admitted assets	(1,391,427)	172,739	(1,905,744)	(858,785)	63,242
Dividends to stockholders	-	(22,300,000)	-	(300,000)	(400,000)
Change in provision for reinsurance	-	68,000	(68,000)	231,000	(177,000)
Surplus transferred from capital	-	-	-	5,000,000	-
Capital transferred to surplus	-	-	-	(5,000,000)	-
Insure Louisiana incentive grant	-	-	-	(366,657)	-
Change in surplus as regards policyholders for the year	44,182,146	(51,027,857)	51,290,479	27,228,210	(17,398,505)
Capital and surplus, end of year	\$ 217,135,083	\$172,952,937	\$223,980,794	\$172,690,315	\$145,462,105

WIC	2019	2018	2017	2016	2015
Capital and surplus, beginning of year	\$ 106,658,683	\$ 140,215,531	\$ 109,076,350	\$ 92,068,466	\$ 107,638,971
Capital and surplus increases (decreases):					
Net income(loss)	(956,512)	(2,071,216)	6,196,430	5,779,741	(9,992,161)
Change in net unrealized capital gain (loss)	23,605,570	(19,966,926)	28,586,345	11,449,178	(8,529,844)
Change in net deferred income tax	1,248,773	1,741,093	(2,795,132)	(224,069)	2,807,596
Change in non-admitted assets	(56,493)	740,201	(848,462)	3,034	143,904
Dividends to stockholders	(10,600,000)	(14,000,000)	-	-	-
Change in surplus as regards policyholders for the year	13,241,338	(33,556,848)	31,139,181	17,007,884	(15,570,505)
Capital and surplus, end of year	\$ 119,900,021	\$ 106,658,683	\$ 140,215,531	\$ 109,076,350	\$ 92,068,466