



## MISSISSIPPI INSURANCE DEPARTMENT

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WOOLFOLK BUILDING  
JACKSON, MISSISSIPPI 39201  
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Post Office Box 79  
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TELEPHONE: (601) 359-3569  
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**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of Insurance

**RICKY DAVIS**  
State Chief Deputy Fire Marshal

June 22, 2022

**CERTIFIED MAIL  
RETURN RECEIPT REQUESTED**

Mr. Peter Andrew Rendall, President  
Direct General Insurance Company of Mississippi  
1281 Murfreesboro Road  
Nashville TN 37217

**RE: Report of Examination as of December 31, 2020**

Dear Mr. Rendall:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

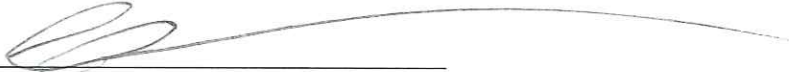
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY  
COMMISSIONER OF INSURANCE

BY

  
Christina J. Kelsey  
General Counsel

MC/CJK/bs  
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF DIRECT GENERAL  
INSURANCE COMPANY OF MISSISSIPPI**

**CAUSE NO. 22-7698**

**ORDER**

**THIS CAUSE** came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

**JURISDICTION**

**I.**

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011).

**II.**

That Direct General Insurance Company of Mississippi is a Mississippi-domiciled Company licensed to write Accident & Health; Automobile Physical Damage/Liability; Casualty/Liability; Fire/Allied Lines; Home/Farm Owners; Inland Marine; Plate Glass; and Trip Accident and Baggage coverages.

## **FINDINGS OF FACT**

### **III.**

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Direct General Insurance Company of Mississippi and appointed David Daulton, Examiner-In-Charge, to conduct said examination.

### **IV.**

That on or about May 7, 2022, the draft Report of Examination concerning Direct General Insurance Company of Mississippi for the period of January 1, 2016 through December 31, 2020, was submitted to the Department by the Examiner-In-Charge, David Daulton.

### **V.**

That on or about May 26, 2022, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to the draft report. The Company responded by email on or about June 3, 2022.

## **CONCLUSIONS OF LAW**

### **VI.**

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

**IT IS, THEREFORE, ORDERED**, after reviewing the Report of Examination, the Company's rebuttal, and all relevant examiner work papers, that the Report of Examination of Direct General Insurance Company of Mississippi, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

**IT IS FURTHER ORDERED** that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

**IT IS FURTHER ORDERED** that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

**IT IS FURTHER ORDERED**, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Direct General Insurance Company of Mississippi shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

**IT IS FURTHER ORDERED** that Direct General Insurance Company of Mississippi take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

**SO ORDERED**, this the 22<sup>nd</sup> day of June 2022.



*J. Mark Haire*  
J MARK HAIRE  
DEPUTY COMMISSIONER OF INSURANCE  
STATE OF MISSISSIPPI

**CERTIFICATE OF MAILING**

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 22<sup>nd</sup> day of June 2022, to:

**Mr. Peter Andrew Rendall, President  
Direct General Insurance Company of Mississippi  
1281 Murfreesboro Road  
Nashville, TN 37217**



---

Christina J. Kelsey  
General Counsel

Christina J. Kelsey  
General Counsel  
Counsel for the Mississippi Department of Insurance  
Post Office Box 79  
Jackson, MS 39205-0079  
(601) 359-3577  
Miss. Bar No. 9853



# **Mississippi Insurance Department**

## **Report of Examination**

**of**

**DIRECT GENERAL INSURANCE COMPANY  
OF MISSISSIPPI**

**as of**

**December 31, 2020**

## TABLE OF CONTENTS

Examiner Affidavit .....	1
Salutation .....	2
Scope of Examination .....	3
Comments and Recommendations of Previous Examination .....	3
History of the Company .....	3
Corporate Records .....	4
Management and Control.....	4
Stockholders .....	4
Board of Directors .....	4
Committees.....	5
Officers .....	6
Conflict of Interest.....	6
Corporate Governance.....	6
Holding Company Structure .....	7
Organizational Chart .....	7
Parent and Affiliated Companies.....	8
Affiliated and Related Party Transactions.....	9
Pensions, Stock Ownership and Insurance Plans.....	10
Territory and Plan of Operation.....	10
Growth of Company .....	11
Reinsurance.....	11
Reinsurance Assumed .....	11
Reinsurance Ceded.....	11
Accounts and Records.....	12
Statutory Deposits.....	12
Financial Statements .....	13
Introduction .....	13
Assets.....	14
Liabilities, Surplus and Other Funds.....	14
Statement of Income.....	15
Capital and Surplus.....	16

Reconciliation of Examination Adjustments to Surplus .....	17
Market Conduct Activities .....	17
Policyholder Services.....	17
Underwriting and Rating.....	17
Claims Handling.....	17
Producer Licensing .....	17
Privacy.....	17
Commitments and Contingent Liabilities .....	17
Subsequent Events .....	17
Comments and Recommendations.....	19
Acknowledgment .....	20



**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND  
PROCEDURES USED IN AN EXAMINATION**


State of Oregon,

County of Jackson,

David Daulton, being duly sworn, states as follows:

1. I have authority to represent Mississippi Insurance Department in the examination of Direct General Insurance Company of Mississippi as of December 31, 2020.
2. Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Direct General Insurance Company of Mississippi was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

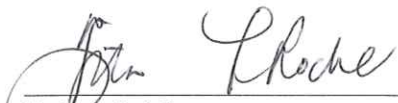
The affiant says nothing further.

  
\_\_\_\_\_  
Examiner's Signature

Subscribed and sworn before me by David Daulton on this 25 day of May, 2022.

(SEAL)



  
\_\_\_\_\_  
Notary Public

My commission expires 01-23-2023 [date].

**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

## MISSISSIPPI INSURANCE DEPARTMENT

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May 6, 2022

Honorable Mike Chaney  
Commissioner of Insurance  
Mississippi Insurance Department  
1001 Woolfolk Building  
501 North West Street  
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2020, of the affairs and financial condition of:

**Direct General Insurance Company of Mississippi**

2914 Highway 80 East, Suite B  
Pearl, MS 39208

License #	NAIC Group #	NAIC #	FEETS#	MATS#
9700042	4928	10889	10889-MS-2020-7	MS-MS099-35

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and was performed in Nashville, Tennessee at the principal administrative office of the Company. The Report of Examination is herewith submitted.

## **SCOPE OF EXAMINATION**

The Thomas Consulting Group, Inc. (“Thomas Consulting”) performed an individual-state examination of Direct General Insurance Company of Mississippi (“Company”). The last exam was completed as of December 31, 2015. This examination covers the period from January 1, 2016 through December 31, 2020.

The Company is an indirectly held subsidiary of National General Holdings Corporation (“National General”); however, with the exception of the Company and Direct General Insurance Company (“DGIC”), the other member insurers in the holding group were last examined as of December 31, 2017. Therefore, this examination has not been coordinated.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## **COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION**

There were no comments on financial statements from the previous examination report.

## **HISTORY OF THE COMPANY**

On October 10, 1997, the Company was incorporated under the laws of the State of Mississippi and commenced business on May 7, 1998 with its principal office being located in Nashville, Tennessee.

The original Articles of Incorporation authorized 100,000 shares of \$50 par value capital stock. The Company's initial capitalization consisted of Direct General Corporation (“DGC”) purchasing 12,000 shares of the authorized capital stock for an aggregate purchase price of \$2,002,698. On December 28, 2001, the Articles of Incorporation were amended to increase the Company's capital stock par value to \$100 per share.

Effective December 31, 2001, all outstanding shares of the Company were contributed in the form of a capital contribution from DGC to one of its property and casualty insurance subsidiaries, DGIC. In June 2016, all outstanding shares of the Company were contributed as a dividend back to DGC by DGIC.

On March 28, 2007, the Mississippi Insurance Department (“MID”) approved DGC's acquisition

of Elara Holdings, Inc. ("Elara"), a Delaware corporation. The ultimate controlling entities of Elara were Calera Capital Investors III, L.L.C, and TPG Partners V, L.P. Under the terms of this merger, Elara acquired all of the outstanding common stock of DGC. In addition, this acquisition removed DGC and its affiliates from U.S. Security and Exchange Commission regulatory authority since they were no longer public.

On November 1, 2016, National General completed its acquisition of Elara and DGC. This included all subsidiaries in the Elara Group. National General is a Delaware Corporation and was a publicly-traded company until January 4, 2021, at which time The Allstate Corporation completed its acquisition of National General and its subsidiaries.

### **CORPORATE RECORDS**

The Articles of Incorporation, Bylaws, and amendments thereto were reviewed and duly applied in other sections of this report where appropriate. Minutes of the meetings of the Stockholders and the Board of Directors ("Board"), as recorded during the period covered by this examination, were reviewed, and appeared to be complete and in order with regard to actions brought up at the meetings for deliberation and appropriate action, which included the approval and support of the Company's transactions and events. It was noted that the annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

The Company amended Article 8 of its Article of Incorporation by restating, "The Place within this State of the Corporation's location is Pearl, Rankin County, Mississippi." The amendment was effective May 2, 2019, and was approved by the Commissioner and Secretary of State. No other changes were made to its Articles of Incorporation and Bylaws during the period under examination.

### **MANAGEMENT AND CONTROL**

#### **Stockholders**

In 2017, the Company declared and paid an extraordinary dividend of \$7,000,000 to its then-parent DGC, which the MID approved by a letter dated August 23, 2017. During 2018, the Company also received a contribution to Surplus Paid-in of \$1,500,000. As of December 31, 2020, the Company had issued an outstanding twelve thousand (12,000) shares of common capital stock with a par value of \$100 per share. The outstanding common shares were 100% owned by National General Management Corp. ("National General Management").

#### **Board of Directors**

The Articles of Incorporation and Bylaws vest the management and control of the Company's business affairs with the Board. The members of the duly elected Board as of December 31, 2020,

along with their place of residence, year elected, and principal occupation, were as follows:

<b>Name and Residence</b>	<b>Year Elected/Appointed</b>	<b>Principal Occupation</b>
Barry S. Karfunkel* New York, New York	2016	Co-Chair & Chief Executive Officer - National General and its Subsidiaries
Michael H. Weiner** New York, New York	2016	Treasurer & Chief Financial Officer - National General and its Subsidiaries
Jeffrey A. Weissmann*** Clifton, New Jersey	2016	Executive Vice President, General Counsel & Secretary - National General and its Subsidiaries

\* Resigned effective March 1, 2021, after acquisition by Allstate Corporation on January 4, 2021

\*\* Resigned effective July 23, 2021, after acquisition by Allstate Corporation on January 4, 2021

\*\*\* Resigned effective July 6, 2021, after acquisition by Allstate Corporation on January 4, 2021

### Committees

The Company does not have appointed committees. The Board committees were all at the National General level during the period covered by this examination. The Bylaws of National General provide that the Board of directors may designate one (1) or more committees. Each committee is to consist of one (1) or more directors of the corporation. Accordingly, the following committees existed as of the examination date:

#### Committee Structure

<b>Compensation</b>	<b>Audit</b>	<b>Investment</b>
Donald T. DeCarlo, Chairman***	John M. Marshaleck, Chairman***	Barry S. Karfunkel*
John M. Marshaleck***	Barbara E. Paris***	Michael H. Weiner**
Jay D. Nichols***	Patrick J. Fallon***	Peter A. Rendall

\* Resigned effective March 1, 2021, after acquisition by Allstate Corporation on January 4, 2021

\*\* Resigned effective July 23, 2021, after acquisition by Allstate Corporation on January 4, 2021

\*\*\* Independent directors of National General resigned effective February 27, 2021, following the filing of National General's 10-K for the year ended December 31, 2020

## **Officers**

<b>Name</b>	<b>Year Elected/Appointed</b>	<b>Title</b>
Robert M. Karfunkel*	2016	President
Peter A. Rendall	2016	Chief Operations Officer
Michael H. Weiner**	2016	Treasurer and Chief Financial Officer
Jeffrey A. Weissmann***	2016	Secretary and General Counsel
Donald J. Bolar	2016	Chief Accounting Officer
George H. Hall, Jr	2016	Chief Claims Officer
Michael S. Goldstein	2016	Senior Vice President

\* Resigned effective January 15, 2021, after acquisition by Allstate Corporation on January 4, 2021

\*\* Resigned effective July 23, 2021, after acquisition by Allstate Corporation on January 4, 2021

\*\*\* Resigned effective July 6, 2021, after acquisition by Allstate Corporation on January 4, 2021

## **Conflict of Interest**

The Board of National General Management and each of its subsidiaries and affiliates annually review and reaffirm the Code of Conduct. All employees, officers, and directors are required to disclose any potential conflicts by completing a conflict-of-interest ("COI") form. These forms list out any current or potential conflict of interests. From the review of the COI forms for 2016 through 2020, it was noted that all directors and a sample of senior officers completed the COI form.

## **Corporate Governance**

The Corporate Governance is at the holding company level. Thomas Consulting reviewed the programs, processes, and personnel that comprise the National General's combined governance framework. The Company has no direct employees. National General and its various subsidiaries perform the duties and operations for the Company through related party agreements.

The minutes of the sole Shareholder and the Board Meetings were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. The Board minutes provided quality information on the functions and discussions within the Board meetings and how the Board manages the organization. The Board minutes also provided evidence that the preceding meetings and actions taken during those meetings were read and approved during the period under examination.

The Board's management activities reviewed and approved include performance/financial reports, legal and regulatory updates, reinsurance programs, market conduct reports, company performance, budgets, claims, investment results, and other reports. Each member of the Board also serves as an executive officer and/or Board member for certain affiliated companies in the holding company organization.

Management reviews various data in an effort to identify trends and ensure accurate disclosure in the financial statements. Budget and actual operating results are compared monthly by Management.

During the examination period, the President met with his executive staff on a weekly basis, facilitating the dissemination of information on key issues impacting the organization. In addition, during the examination period, the President and Chief Financial Officer also sat on the parent company's Board, so they were able to report on matters directly to and from the Board as appropriate.

### **HOLDING COMPANY STRUCTURE**

The Company was a member of an insurance holding company system as defined with Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. §§ 83-6-5 and 83-6-9.

The Company is a wholly-owned subsidiary of National General Management, which is a wholly-owned subsidiary of National General, a publicly held company. Leah Karfunkel, as trustee of Leah Karfunkel 2016-NG GRAT (11.8%) and the Michael Karfunkel Family 2005 Trust (30%), directly and indirectly own 41.8% of National General common stock. Accordingly, Leah Karfunkel, the widow of Michael Karfunkel, has all powers of a sole trustee with respect to National General common stock held by each trust.

There were approximately 20 property and casualty companies, two (2) accident and health companies, and two (2) management companies that manage two (2) reciprocal exchange companies in the group. The chart below has been condensed due to the large size of the organizational structure and reflects companies that produced business for the Company through affiliated management agreements, reinsurance agreements, or affiliated agencies:

### **Organizational Chart**

The following organizational chart depicts the Company's relationship within the holding company system:

	NAIC CO. Code	Domiciliary State/County
National General Holdings Corp.		DE
National General Management Corp.		DE
Integon National Insurance Company	29742	NC
Direct General Insurance Company	42781	IN
<b>Direct General Insurance Company of Mississippi</b>	<b>10889</b>	<b>MS</b>
Direct Insurance Company	37220	NC
Direct National Insurance Company	23736	NC
Direct General Life Insurance Company	97705	SC
Direct General Insurance Agency, Inc.		TN
Right Choice Insurance Agency, Inc.		TN

### **Parent and Affiliated Companies**

**National General Holdings Corp. (National General)** was formed in 2009 to acquire the private passenger auto business of the U.S. consumer property and casualty insurance segment of General Motors Acceptance Corporation. This business was acquired on March 1, 2010. National General is a specialty personal lines insurance holding company that provides various insurance products through its subsidiaries, including personal and small business automobiles, homeowners, umbrella, recreational vehicles, motorcycles, lender-placed, supplemental health, and other niches of insurance products. The property and casualty insurance products are sold through a network of approximately 42,300 independent agents' products, a number of affinity partners, direct-response marketing programs, and retail storefronts. Approximately 73.7% of the property and casualty premium written originated in ten (10) core states: North Carolina, New York, California, Florida, Texas, Louisiana, New Jersey, Virginia, Michigan, and Alabama. The accident and health business provides insurance products not subject to the Patient Protection and Affordable Care ACT ("PPACA") and targets uninsured or underinsured individuals and employers who are interested in an alternative to PPACA-compliant major medical coverage or who are looking for additional insurance options to help cover out of pocket costs. Two (2) of the wholly-owned subsidiaries are management companies that act as Attorneys-In-Fact for two (2) separate reciprocals.

**National General Management Corp. (National General Management)** became part of the Group on March 1, 2010 when National General acquired it from GMAC Insurance Holdings, Corp., an indirect subsidiary of GMAC, Inc. The purchase included Integon National Insurance Company (Integon National), a wholly-owned subsidiary of National General Management. On April 17, 2019, DGC, a wholly-owned subsidiary of Elara, merged with and into National General Management, making it the direct shareholder of the Company and other affiliates previously owned by DGC. As stated below under "Affiliated and Related Party Transactions", National General Management also provides services to the Company and its affiliates under a Management Services Agreement.



## **Affiliated and Related Party Transactions**

For the examination year 2020, the Company filed a Form B Holding Company Registration Statement with the MID on a consolidated basis along with its ultimate controlling entity, Allstate Corporation (“Allstate”) (Acquisition date January 4, 2021), and as such most of the affiliated agreements and transactions were not stated in Form B due to materiality. Below is a description of the Intercompany Agreements to which the Company is a party.

### **Management Services Agreement**

Effective November 1, 2016, the Company, along with other affiliates, DGIC, Direct General Insurance Company of Louisiana (“DGICLA”), Direct General Life Insurance Company (“DGLIC”), Direct Insurance Company (“DIC”), Direct National Insurance Company (“DNIC”), and National General Management were parties to a Management Services Agreement. Pursuant to the agreement, National General Management provides underwriting, claims, actuarial, policyholder services, accounting, information technology, and other administrative functions for the insurers. The Company's allocated portion under this agreement for 2019 and 2020 was \$8,867,311 and \$14,662,455, respectively.

### **Tax Allocation Agreement**

Effective November 1, 2016, the Company, DGIC, DGICLA, DGLIC, DIC, and DNIC were parties to a Tax Allocation Agreement with National General. The agreement sets forth the parties' obligations in connection with their filing as a consolidated tax filing group in accordance with the relevant provisions of the Internal Revenue Code. A copy of this agreement is on file with the MID and is incorporated herein by reference. The Company's allocated portion under this agreement for 2019 and 2020 was \$9,393 and \$11,858, respectively.

### **Reinsurance Agreement**

Effective January 1, 2017, the Company, DGIC, DNIC, DIC, and DGICLA, entered into a Reinsurance Agreement with Integon National and National General Management. Pursuant to the terms of the agreement, all of the net liability under the insurance business of the insurers will be ceded to Integon National, and Integon National will assume 100% of the premiums.

### **Asset Management Agreement**

Effective November 1, 2016, the Company, DGIC, DGICLA, DGLIC, DIC, and DNIC were parties to an Asset Management Agreement with All Insurance Management Limited (“AIM”). Pursuant to the agreement, AIM provides investment management services with respect to assets designated by National General and the insurers. This agreement was terminated effective April 16, 2018.

## **Intercompany Producer Agreement**

The Company was party to an Intercompany Producer Agreement with its affiliated insurance agencies, Direct General Insurance Agency of Mississippi, Inc. (DGIAMS) and Right Choice Insurance Agency, whereby management could pay a commission of up to 15% on written premiums to its agencies. DGIAMS merged into Direct General Insurance Agency, Inc., and the Company entered into a new agreement dated May 1, 2014.

## **PENSIONS, STOCK OWNERSHIP, AND INSURANCE PLANS**

National General Management sponsors a defined contribution savings plan ("Plan"). Employees may contribute up to 90% of their salary subject to IRS guidelines to the Plan, which is eligible for a 50% match on the first 6% of contributions by National General Management. The match is funded quarterly and allocated to the Company through their Management Services Agreement. The Company does not have any employees but receives an allocation of National General Management expenses related to the Plan. The Company's share of this savings plan expenses was \$55,880 and \$88,450 for 2019 and 2020, respectively. In addition to pension benefits, the affiliate provides certain health and dental benefits.

## **TERRITORY AND PLAN OF OPERATION**

The Company commenced writing nonstandard private passenger automobile insurance policies in Mississippi in May 1998 and Kentucky in August 2002. These policies, which are generally issued for the minimum limits of coverage required by state laws, provide coverage to drivers who cannot obtain insurance from standard carriers due to a variety of factors, including the lack of flexible payment plans, the failure to maintain continuous coverage, age, prior accidents, driving violations, occupation, and type of vehicle. Affiliate insurance agencies sell the Company's products directly through neighborhood sales offices. In the early part of 2006, the Company introduced telephone sales as a new distribution system. In May 2007, the Company introduced web sales as another distribution system.

The Company stopped writing business in Kentucky after the fourth quarter of 2010 due to extraordinary losses associated with claims fraud. In June of 2011, the Company switched from premium financing to installment billing.

## **GROWTH OF COMPANY**

The review of the growth of the Company was performed based on balances as reported in the annual statements filed with the MID during the period under examination.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total admitted assets	\$27,370,412	\$23,599,779	\$25,405,764
Total liabilities	20,642,863	17,696,696	18,887,554
Total capital and surplus	6,727,549	5,903,083	6,518,210
Net cash from operations	\$(1,555,375)	\$661,204	\$(74,687)
Total adjusted capital	6,727,549	5,903,083	6,518,210
Authorized control level risk-based capital	24,217	32,104	35,353
Direct premiums written	\$40,368,542	\$30,340,976	\$33,737,687
Ceded premiums written	40,368,542	30,340,976	33,737,687
Net written premiums	0	0	0
Net underwriting gain (loss)	\$0	\$0	\$0
Net investment income	143,777	246,664	52,000
Net income	127,483	238,283	21,419
Net loss ratio	0%	0%	0%
Expense ratio	0%	0%	0%
Investment yield	2.2%	2.8%	2%

## **REINSURANCE**

### **Reinsurance Assumed**

As of December 31, 2020, the Company did not assume any reinsurance.

### **Reinsurance Ceded**

Effective January 1, 2017, the Company entered into a reinsurance agreement with Integon National, an affiliated entity, whereby the Company cedes 100% of its net premiums earned, net losses, net loss adjustment expenses incurred, and other net underwriting expenses to Integon National.

## **ACCOUNTS AND RECORDS**

The 2019 and 2020 trial balances of the Company's accounts were traced to the balance sheet of the Company's statutory annual statements filed with the MID. In addition, for examination years 2017, 2018, 2019, and 2020, the Company requested and was granted approval by the MID to file combined audited statutory basis financial statements along with Integon National, which is the lead reinsurer of 100% ceded business of the property and casualty companies in the National General Group. The combined audited statutory basis financial statements for such years were then reconciled to the combined Annual Statement for the respective years.

## **STATUTORY DEPOSITS**

As of December 31, 2020, the Company had bonds on deposit for the benefit of all policyholders with a book/adjusting carrying value of \$1,091,516 and a fair value of \$1,188,103. Accordingly, the statutory deposits with the State of Mississippi complied with Miss. Code Ann. § 83-19-31(2).

## **FINANCIAL STATEMENTS**

### **Introduction**

The following financial statements consist of a Statement of Assets, Liabilities, Surplus, and Other Funds – Statutory at December 31, 2020, a Statement of Income – Statutory for the year ending December 31, 2020, and a Reconciliation of Capital and Surplus – Statutory for examination period ending 2020.

The following financial statements are based on the statutory financial statements filed by the Company with the MID and present the Company's financial condition for the period ending December 31, 2020.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2020**

<b>Assets</b>		
Bonds	\$	6,085,475
Cash and short-term investments		1,209,462
Investment income due and accrued		43,140
Uncollected premiums and agents' balances in the course of collection		3,361,909
Deferred premiums, agents' balances and installments booked but deferred and not yet due		16,650,053
Net deferred tax asset		15,313
Aggregate write-ins for other than invested assets		5,060
<b>Total assets</b>	<b>\$</b>	<b>27,370,412</b>
<b>Liabilities, Capital and Surplus</b>		
Current federal and foreign income taxes	\$	15,517
Ceded reinsurance premiums payable (net of ceding commissions)		19,034,108
Payable to parent, subsidiaries, or affiliates		1,593,238
<b>Total liabilities</b>	<b>\$</b>	<b>20,642,863</b>
Common capital stock		1,200,000
Gross paid in and contributed Surplus		4,037,907
Unassigned funds (surplus)		1,489,642
<b>Total capital and surplus</b>		<b>6,727,549</b>
<b>Total liabilities, capital and surplus</b>	<b>\$</b>	<b>27,370,412</b>

**STATEMENT OF INCOME**  
**FOR YEAR ENDED DECEMBER 31, 2020**

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<b>Investment Income</b>		
Net investment income earned	\$	155,870
Net realized capital gains or (losses) less capital gains tax		(12,093)
Net investment gain (loss)		143,777
<hr/>		
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		143,777
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Net income after dividends, capital gains tax and before all other federal and foreign income tax		143,777
Federal and foreign income taxes incurred		16,294
Net income	\$	127,483

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**RECONCILIATION OF CAPITAL AND SURPLUS  
FOR THE EXAMINATION PERIOD ENDED DECEMBER 31, 2020**

	2020	2019	2018
Surplus as regards policyholders, December 31 prior year	\$ 5,903,083	\$ 6,518,210	\$ 4,907,807
Net income	\$ 127,483	\$ 238,283	\$ 21,419
Change in net deferred income tax	(151,323)	121,425	2,956
Change in nonadmitted assets	848,306	(924,890)	(431)
Surplus adjustments: Paid in Aggregate write-ins for gains and losses in surplus	-	-	1,500,000
Change in Surplus as regards policyholders for the year	\$ 824,466	\$ (615,127)	\$ 86,459
Surplus as regards policyholders, December 31 current year	\$ 6,727,549	\$ 5,903,083	\$ 1,610,403
	\$ 6,727,549	\$ 5,903,083	\$ 6,518,210



## **RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS DECEMBER 31, 2020**

There were no examination adjustments made to the assets, liabilities, or surplus balances reported by the Company for the year ending December 31, 2020. Accordingly, the surplus regarding policyholders, which totaled \$6,727,549 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. § 83-19-31.

### **MARKET CONDUCT ACTIVITIES**

#### **Policyholder Services**

The Company maintained a valid complaint log during the period under examination.

#### **Underwriting and Rating**

Underwriting practices were reviewed for underwriting compliance, cancellation compliance, and underwriting compliance for discrimination practices.

#### **Claims Handling**

Claim files were reviewed for general indicators of policyholder treatment.

#### **Producer Licensing**

From testing performed, Thomas Consulting noted no issues with the Company not properly terminating agents.

#### **Privacy**

Privacy notices were sent to the Company's policyholders.

### **COMMITMENTS AND CONTINGENT LIABILITIES**

The Company's management and attorneys confirmed that there were no pending non-policy-related litigations, unreported commitments, or contingent liabilities incurred through the examination date.

### **SUBSEQUENT EVENTS**

There were subsequent events to the examination date and before the completion of fieldwork that were considered material events requiring disclosure in this report.

## Acquisition of National General by Allstate Corporation

There were events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this report.

On January 4, 2021, Allstate acquired National General for approximately \$4,000,000,000. National General had owned DGC, which indirectly owned the Company since November 1, 2016. Subsequently, DGC merged into National General Management, effective April 17, 2019. National General and its former parent, AmTrust Financial Services, Inc., were publicly traded companies. Due to the acquisition by Allstate, the Company received an A.M. Best rating of A+ with a stable outlook. In addition, the Company maintained an A.M. Best Rating of A-, with a stable outlook for September 27, 2017 through July 17, 2020.

Written consent of the sole shareholder (indirect owner “Allstate”) dated August 13, 2021, elected the following director effective July 23, 2021:

Aaron B. Kuluk

Written consent in lieu of a Meeting of the Board dated July 14, 2021, appointed the following director and officers:

Douglas P. Hanes, Director (effective July 6, 2021)

Rhonda S. Ferguson, Executive Vice President and Secretary (effective July 6, 2021)

Daniel G. Gordon - Vice President and Assistant Secretary

Meghan E. Jauhar - Assistant Secretary

Written consent in lieu of a Meeting of the Board dated August 13, 2021, elected the following officers:

Peter A. Rendall, Chairman of the Board (effective July 23, 2021)

Patrick J. Macellaro, Vice President and Chief Financial Officer (effective July 23, 2021)

Marilyn W. Hirsch, Senior Vice President and Treasurer (effective July 23, 2021)

Joseph M. Washburn, Vice President and Assistant Treasurer

Carol E. Lundahl, Vice President and Assistant Treasurer

Except for specific Board members and executive management changes mentioned above, there are no anticipated changes to their business plan. Therefore, all policyholders will remain policyholders under their Direct General policies.

The Company also filed a Form D with the MID pertaining to three (3) Allstate affiliated agreements: 1) Amended and Restated Service and Expense Agreement, 2) Investment Management Agreement, and 3) Tax Sharing Agreement.

## **COMMENTS AND RECOMMENDATIONS**

Based on the results of this examination, there were no comments or recommendations.

## ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Examiner-In-Charge:	David Daulton, CFE
Supervising Examiner:	Cecil W. Thomas, CFE, CIE, MCM
Sr. Examiner:	Aejaz Palejwala, CFE
Sr. Examiner:	Ed Fossa, CFE
Information Technology Specialist:	Brandon Thomas, HISP, MCM
Actuary:	Robert Daniel, ACAS, MAAA

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



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David Daulton, CFE  
Examiner-In-Charge



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Mark Cooley, CFE  
Chief Examiner, Financial & Market Regulation