

REPORT OF EXAMINATION
OF THE
NATIONAL GENERAL PREMIER INSURANCE COMPANY
AS OF
DECEMBER 31, 2022

Commissioners Signature

A handwritten signature in blue ink, appearing to be 'D. DeLoach', written over a horizontal line.

Filed on June 20, 2024

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Los Angeles, California
May 17, 2024

Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

NATIONAL GENERAL PREMIER INSURANCE COMPANY

(hereinafter also referred to as the Company). The Company's statutory home office is located at 5301 Truxtun Avenue, Bakersfield, California 93309.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was as of December 31, 2017. This examination covered the period from January 1, 2018 through December 31, 2022.

The examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks, 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. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial

statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the Company and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the Company.

This was a coordinated examination with Illinois as the lead state and North Carolina as the facilitating state of the National General Holdings Corporation subgroup. The following states participated in the examination: Alabama, California, Indiana, Michigan, Missouri, Mississippi, New Jersey, New York, Ohio, South Carolina, and Texas.

COMPANY HISTORY

The Company, formerly known as Personal Express Insurance Company, was incorporated and licensed as a property-casualty insurer in the state of California in 2005. The Company is a wholly-owned subsidiary of Integon National Insurance Company (INIC), which is a wholly-owned subsidiary of National General Management Corporation (NGMC), which in turn is wholly-owned by National General Holding Corporation (NGHC).

On January 4, 2021, following the receipt of all necessary regulatory approvals, NGHC was acquired by The Allstate Corporation (Allstate) pursuant to the Merger Agreement entered into on July 7, 2020. The Company is now an indirect subsidiary of Allstate.

Capitalization

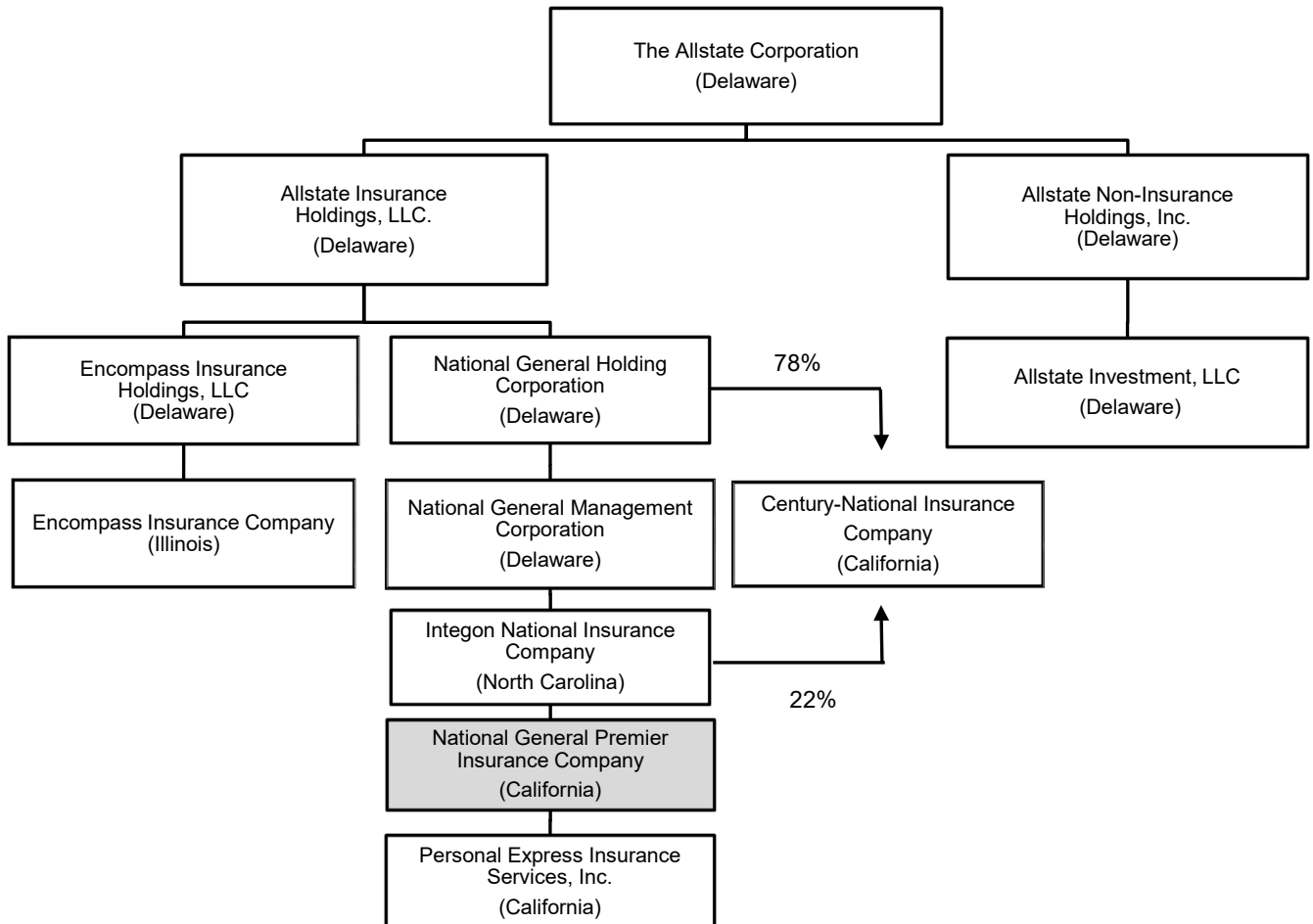
The Company has 40,000 shares of common stock authorized, and 20,000 issued and outstanding with a par value of \$100 per share.

Dividends

On December 10, 2018, the Company paid an ordinary cash dividend totaling \$1,500,000 to its direct parent INIC.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system of which The Allstate Corporation is the ultimate controlling entity. Following is an abridged organizational chart. All ownership is 100% unless otherwise stated.



The three⁽¹⁾ members of the board of directors, who are elected annually, manage the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2022:

Directors ⁽¹⁾

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Aaron B. Kuluk Nashville, Tennessee	Senior Vice President Allstate Insurance Company
Jonathan R. Nader Lake Forest, Illinois	Chairman of the Board National General Premier Insurance Company

Principal Officers ⁽¹⁾

<u>Name</u>	<u>Title</u>
Johnathan R. Nader ⁽¹⁾	Chairman of the Board
Peter A Rendall	Chief Operating Officer
Lawrence J. Moloney	Chief Accounting Officer
Patrick J. Macellaro ⁽⁴⁾	Vice President and Chief Financial Officer
George H. Hall, Jr. ⁽³⁾	Vice President and Chief Claims Officer
Christina Hwang	Senior Vice President
Alexandra T. Band	Senior Vice President
Joseph M. Washburn	Vice President and Treasurer
Donald J. Bolar	Vice President

The following changes in management occurred subsequent to the examination date:

- ⁽¹⁾ Effective December 27, 2022, Duane C. Peralta resigned as director of the board and President. Effective February 28, 2023, Brian F. Connors was elected as a director of the board and Jonathan R. Nader was elected as President to replace Duane C. Peralta.
- ⁽²⁾ Effective February 27, 2023, Christine M. DeBiase was elected as Executive Vice President and Secretary, filling previously vacant positions. Subsequently, effective March 14, 2024, Julie E. Cho replaced the roles of Executive Vice President and Secretary.
- ⁽³⁾ Effective January 31, 2024, George H. Hall, Jr. left the Company.
- ⁽⁴⁾ Effective March 14, 2024, Toby R. Tomlin was appointed as Vice President and Chief Financial Officer to replace Patrick J. Macellaro.

Management Agreements

Management Services Agreement: Effective June 1, 2016, the Company became a party to a Management Services Agreement (Agreement) dated January 1, 2012, between National General Management Corporation (NGMC) and certain participating affiliates. Under the terms of the Agreement, NGMC provides actuarial, policyholder services, accounting, IT, and certain other administrative functions. An addendum to the Agreement, effective July 7, 2017, was filed with the California Department of Insurance (CDI) to add underwriting and claims services functions. The Company reimburses NGMC for direct expenses on an actual cost basis. Common expenses, including salary and employee benefits will be allocated in accordance with each company's proportionate share based on net written premiums for policy-related expenses, and net paid losses for claims related expenses, based on reasonable allocation methods. The Agreement was approved by the CDI on August 24, 2016 as required under California Insurance Code (CIC) Section 1215.5(b)(4). For 2018, 2019, 2020, 2021, and 2022, the Company paid NGMC \$24,451,319, \$28,171,623, \$31,515,129, \$42,618,528, and \$42,274,448, respectively.

Amended and Restated Service and Expense Agreement: Effective January 4, 2021, the Company became a party to an Amended and Restated Service and Expense Agreement (Agreement) dated January 1, 2004 between Allstate and certain affiliates. Under the terms of the Agreement, Allstate Insurance Company (AIC), Allstate, and certain of their affiliates may provide services to each other for use in each other's respective business, and may also provide management and other direct services to each other in the course of conducting their business. Costs are defined as the actual costs and expenses incurred by the party providing the services which are attributable to the services and facilities under this Agreement, such as: salaries and benefits, space rental, overhead expenses, building maintenance services, furniture and other office equipment, and supplies and special equipment. The Agreement was approved by the CDI on June 4, 2021 as required under CIC Section 1215.5(b)(4).

It was noted during the examination that under this Agreement, allocated costs were

commingled with allocated costs from the previously mentioned Management Services Agreement between the Company and NGMC. It is recommended that the Company implement procedures to separately report and settle activity under the two agreements.

Asset Management Agreement: Effective June 1, 2016, the Company was added to an Asset Management Agreement (Agreement) dated March 1, 2010 by and between All Insurance Management Limited (AIM), and certain affiliates under National General Holding Corporation (NGHC). Under the terms of the Agreement, AIM performs investment management services on behalf of the insurers. The Agreement was approved by the CDI on September 1, 2016 as required under CIC Section 1215.5(b)(4). On April 15, 2018, the Agreement was terminated. For 2018, the Company paid AIM \$30,497.

Investment Management Agreement: Effective May 7, 2018, NGHC and certain affiliates, including the Company, entered into an Investment Management Agreement (Agreement) with Blackrock Financial Management, Inc. (Blackrock). Under the terms of the Agreement, NGHC appointed Blackrock as its investment manager to invest and manage a portion or all of the assets of the Company, subject to the written guidelines and restrictions provided by NGHC. The Agreement was terminated on March 31, 2021. For 2018, 2019, 2020, and 2021 the Company paid fees to Blackrock of \$5,465, \$7,881, \$8,533, and \$11,427, respectively.

Investment Management Agreement: Effective January 4, 2021, the Company entered into an Investment Management Agreement (Agreement) with Allstate Investments, LLC (AILLC) dated January 1, 2007. Under the terms of the Agreement AILLC provides investment management services and advice subject to and in accordance with the investment objectives, restrictions, and strategies set forth in the Investment Policy and Investment Plan adopted by the Company's board of directors with respect to its investment portfolio. The fee for services is equal to AILLC's fully burdened basis point charge for the management of such investment portfolio, which is AILLC's actual cost of managing the portfolio, including the provision of all administrative, reporting or other services required to manage the portfolio and provide services. AILLC charges the

Company for services via the monthly expense allocation process, and payments are made through the monthly intercompany settlement process. This Agreement was approved by CDI on June 4, 2021 as required under CIC Section 1215.5(b)(4). For 2021 and 2022, the Company paid AILLC \$22,040 and \$11,881, respectively.

Tax Allocation Agreement: Effective June 1, 2016, the Company became a party to a Tax Allocation Agreement (Agreement) dated March 1, 2010, between NGHC and certain affiliates. Under the terms of the Agreement, NGHC files a consolidated tax return on behalf of the tax filing group. The Agreement provided that each party's liability for all tax payments or federal, state, or local tax refunds shall be based on the amount of its liability or entitlement to a refund calculated on a separate return basis. The Agreement was approved by the CDI on August 12, 2016 as required under CIC Section 1215.5(b)(4). This Agreement was terminated on January 4, 2021 due to the acquisition of NGHC by The Allstate Corporation (Allstate). For 2018, 2019 and 2020, the Company paid federal income tax of \$39,588, \$100,181, and \$170,796, respectively.

Tax Sharing Agreement: Effective January 4, 2021, the Company became a party to a Tax Sharing Agreement (Agreement) between Allstate and various subsidiaries dated November 12, 1996. Under the terms of the Agreement, participants in the group file a consolidated federal income tax return. Allocation of taxes is based upon separate return calculations with the intercompany tax balance payable or receivable being settled in amounts as if separate returns were filed. Intercompany balances are settled quarterly within 45 days after the end of the quarter. This Agreement was approved by CDI on June 4, 2021 as required under CIC Section 1215.5(b)(4). For 2021 and 2022, the Company paid federal income taxes of \$11,626 and \$134,420, respectively.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in California and it is eligible in Alabama and North Carolina to transact property and casualty business. The Company primarily writes private passenger automobile liability, private passenger automobile physical damage, and commercial multiple peril. The Company writes commercial multiple peril business consisting of Real Estate Owned Hazard, Flood, and Liability coverage on a surplus lines

basis in the states of Alabama and North Carolina.

During 2022, the Company wrote \$86.1 million of direct premiums, of which 96.9% pertained to private passenger automobile liability and physical damage. Of the total direct premiums written, \$83.4 million (96.9%) was written in California and \$2.7 million (3.1%) was written in Alabama and North Carolina. The business is produced through a limited number of independent agents and through its Personal Express branded stores in Bakersfield, California.

REINSURANCE

Intercompany Reinsurance Agreement

Effective April 1, 2017, the Company was added as a party to the Reinsurance Agreement (Agreement), dated January 1, 2012, as amended. Under the Agreement, each affiliated insurer within the National General Holdings Corporation subgroup, cedes and transfers 100% of its net liability to Integon National Insurance Company. The Agreement was approved by the California Department of Insurance on April 1, 2017.

Assumed

The Company did not assume reinsurance.

Ceded

Ceded business is limited to the Company's participation in the above-referenced Intercompany Reinsurance Agreement.

ACCOUNTS AND RECORDS

Board Review and Approval of Investments

Based on the review of the board of directors minutes, it was observed that beginning in 2022 the board's action regarding the authorization and approval of investments did not comply with the requirements of California Insurance Code (CIC) Sections 1200 and 1201. The board did not authorize or approve investment transactions in accordance with CIC Section 1200. In addition, specific references to amounts, facts, and the value of the investments were not recorded in the minutes as required by CIC Section 1201.

It was recommended that the Company implement procedures to ensure compliance with CIC Sections 1200 and 1201. Based on this recommendation, starting with the 2023 annual meeting of the board of directors, the board implemented procedures to comply with CIC Sections 1200 and 1201.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the California Department of Insurance and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. There were no examination adjustments made to the statutory financial statements filed by the Company.

Statement of Financial Condition as of December 31, 2022

Underwriting and Investment Exhibit for the Year Ended December 31, 2022

Reconciliation of Surplus as Regards Policyholders from December 31, 2017 through December 31, 2022

Statement of Financial Condition
as of December 31, 2022

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 14,493,621	\$	\$ 14,493,621	
Cash, cash equivalents, and short-term investments	1,112,200		1,112,200	
Other invested assets	887,189	887,189	0	
Investment income due and accrued	56,237		56,237	
Uncollected premiums and agents' balances in the course of collection	1,978,939	147,255	1,831,684	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	11,283,250		11,283,250	
Net deferred tax asset	16,210		16,210	
Furniture and equipment, including health care delivery assets	<u>3,813</u>	<u>3,813</u>	<u>0</u>	
Total assets	<u>\$ 29,831,459</u>	<u>\$ 1,038,257</u>	<u>\$ 28,793,202</u>	
 <u>Liabilities, Surplus and Other Funds</u>				<u>Notes</u>
Losses and loss adjustment expense			\$ 0	(1)
Current federal and foreign income taxes			1,758	
Ceded reinsurance premiums payable			8,072,612	
Payable for parent, subsidiaries and affiliates			<u>4,297,335</u>	
Total liabilities			12,371,705	
Common capital stock		\$ 2,000,000		
Gross paid-in and contributed surplus		9,552,134		
Unassigned funds (surplus)		<u>4,869,363</u>		
Surplus as regards policyholders			<u>16,421,497</u>	
Total liabilities, surplus, and other funds			<u>\$ 28,793,202</u>	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2022

Statement of Income

Underwriting Income

Premium earned		\$	0
Deductions:			
Losses and loss expenses incurred	\$	0	
Other underwriting expenses incurred		<u>0</u>	
Total underwriting deductions			<u>0</u>
Net underwriting gain			0

Investment Income

Net investment income earned	\$	179,303	
Net realized capital losses		<u>(88,792)</u>	
Net investment gain			90,511
Net income before dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes			90,511
Federal and foreign income taxes incurred			<u>31,450</u>
Net income			<u>\$ 59,061</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2021		\$	16,367,511
Net income	\$	59,061	
Change in net unrealized capital losses		45,608	
Change in net deferred income tax		(10,894)	
Change in nonadmitted assets		<u>(39,789)</u>	
Change in surplus as regards policyholders for the year			<u>53,986</u>
Surplus as regards policyholders, December 31, 2022			<u>\$ 16,421,497</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2017 through December 31, 2022

Surplus as regards policyholders, December 31, 2017			\$ 16,796,382
	Gain in Surplus	Loss in Surplus	
Net income	\$ 1,095,161	\$	
Change in net unrealized capital gains	234,027		
Change in net deferred income tax		124,653	
Change in nonadmitted assets		193,016	
Dividend to stockholders		1,500,000	
Aggregate write-ins for gains and losses in surplus	<u>113,596</u>	<u></u>	
Total gains and losses	<u>\$ 1,442,784</u>	<u>\$ 1,817,669</u>	
Net decrease in surplus as regards policyholders			<u>(374,885)</u>
Surplus as regards policyholders, December 31, 2022			<u>\$ 16,421,497</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

As of December 31, 2022, the Company reported zero losses and loss adjustment expenses reserves (LAE) since one hundred percent of its losses and LAE expenses were ceded to Integon National Insurance Company. A Casualty Actuary from the California Department of Insurance reviewed the actuarial review performed by the lead state's Examination Actuary from the North Carolina Department of Insurance and concurred that the group's losses and loss adjustment expense reserves as of December 31, 2022 were reasonable and have been accepted for purpose of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management Agreements – Amended and Restated Services Agreement and Management Services Agreement (Page 5): It is recommended that the Company implement procedures to separately report and settle activity under the Amended and Restated Services Agreement and Management Services Agreement.

Previous Report of Examination

Accounts and Records – Vehicle Fraud Assessment (Page 8) It was recommended that the Company make the appropriate changes to ensure accuracy of quarterly vehicle assessment fees, to ensure future compliance with California Insurance Code Sections 1872.8, 1872.81, and 1874.8. Additionally, it was recommended the Company maintain an Automobile Assessment File, which includes the vehicle information number, in accordance with California Code of Regulations Title 10, Chapter 5, Subchapter 9, Article 4, Section 2698.629(d). The Company is now in compliance.

Accounts and Records – Unclaimed Property (Page 9): It was again recommended that the Company retain copies of filings that were submitted to the State Controller's Office

in accordance with California Code of Civil Procedures, Title 10, Chapter 7, Article 3, Section 1530 and 1532. The Company is now in compliance.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

Cuauhtemoc Beltran, CFE
Examiner-In-Charge
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California

Sayaka Dillon, CFE
Supervising Insurance Examiner
Department of Insurance
State of California