

ASSOCIATION EXAMINATION
on
TREXIS ONE INSURANCE CORPORATION
Glen Allen, Virginia
as of
December 31, 2021

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Trexis One Insurance Corporation as of December 31, 2021, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 10th day of March 2023

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
January 19, 2023

Honorable Scott A. White
Commissioner of Insurance
Commonwealth of Virginia
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by authority of § 38.2 - 1317 of the Code of Virginia, a financial condition examination of the records and affairs of the

TREXIS ONE INSURANCE CORPORATION

Glen Allen, Virginia

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The Corporation was last examined by representatives of the State Corporation Commission Bureau of Insurance (Bureau) as of December 31, 2016. This examination covers the period from January 1, 2017 through December 31, 2021.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Corporation's financial condition, assess corporate governance, identify current and prospective risks of the Corporation, 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 Corporation 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.

The examination was conducted on a coordinated basis with the Alabama Department of Insurance, with Alabama designated as the lead state. The examination of

the Corporation was conducted concurrently with the examination of the following insurers:

<u>Insurer</u>	<u>Domiciliary State</u>
Alfa Mutual Insurance Company	Alabama
Alfa Mutual Fire Insurance Company	Alabama
Alfa Mutual General Insurance Company	Alabama
Alfa Insurance Corporation	Alabama
Alfa General Insurance Corporation	Alabama
Alfa Life Insurance Corporation	Alabama
Alfa Alliance Insurance Corporation	Virginia
Trexis Insurance Corporation	Virginia

The services of Merlinos & Associates, Inc. were employed to provide an actuarial analysis as to the reasonableness of the Corporation's loss and loss adjustment expense reserves as of December 31, 2021.

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 separately communicated to other regulators and/or the Corporation.

HISTORY

The Corporation is a stock property and casualty insurer. The Corporation was incorporated August 11, 1999, as a wholly-owned subsidiary of Alfa Mutual Insurance Company (AMI). The initial marketing plan for the Corporation was the writing of non-standard automobile insurance in Alabama, Georgia and Mississippi.

The Corporation's Articles of Incorporation (Articles) authorized 10,000,000 shares of common stock at a par value of \$.05 per share and 1,000,000 shares of preferred stock at a par value of \$.10 per share. No preferred stock had been issued as of the date of this examination. The Corporation's initial capitalization derived from 10,000,000 shares of common stock being issued to AMI for a price of \$15,000,000, \$500,000 of paid up capital and \$14,500,000 of paid in surplus. On July 21, 2001, the Corporation's Articles were amended to change the par value of its common stock from \$.05 to \$.10 per share, resulting in \$500,000 being transferred from paid in surplus to capital.

Additional paid in surplus of \$10,000,000 was contributed to the Corporation in 2005 and the par value of the common stock was changed from \$.10 to \$.20 per share in

2008. In October 2010, the Corporation redomesticated from Alabama to Virginia. In connection with the redomestication, the par value of the Corporation's shares of common stock was increased from \$.20 to \$.30 per share to comply with the minimum capital requirements of Virginia. The increase was effective October 1, 2010.

On July 31, 2014, AMI made a cash contribution of \$7,500,000 to the Corporation. On September 30, 2016, AMI made a cash contribution of \$2,100,000 to the Corporation. Both of these transactions were approved by the Virginia Bureau of Insurance. The Corporation paid no dividends for the period under examination.

Effective August 23, 2017, the name of the Corporation was changed from Alfa Specialty Insurance Corporation to Trexis One Insurance Corporation.

MANAGEMENT AND CONTROL

Management is vested in a board of directors consisting of between one and twenty members. A majority of the board members shall constitute a quorum for the transaction of business.

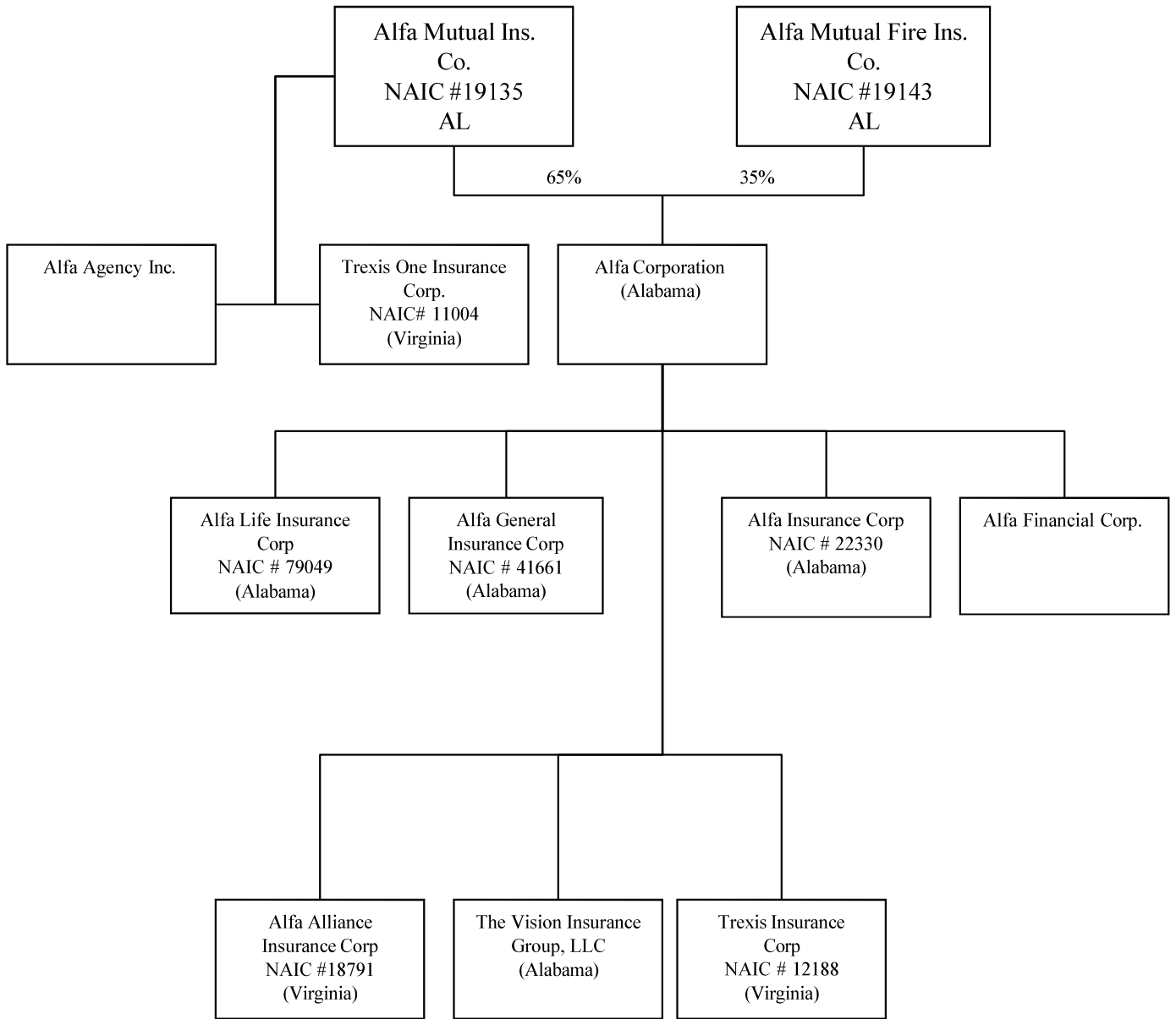
The bylaws provide that the board shall elect a president, an executive vice president, a secretary, a treasurer and a general manager. In addition, the board may appoint such other officers as may be deemed necessary. The president has general charge and supervision of the business and affairs of the Corporation. At December 31, 2021, the directors and select officers of the Corporation were as follows:

<u>Directors</u>	<u>Principal Business Affiliation</u>
James Louis Parnell	Chairman of the Board, President and Chief Executive Officer Alfa Mutual Insurance Company Montgomery, Alabama
Angela Long Bradwell	Executive Vice President, General Counsel and Secretary Alfa Mutual Insurance Company Montgomery, Alabama
William Scott Forrest	Executive Vice President - Administration Alfa Mutual Insurance Company Montgomery, Alabama

Officers**Title**

James Louis Parnell	Chairman of the Board and Chief Executive Officer
John Christopher Pace	President
Angela Long Bradwell	Executive Vice President, General Counsel, and Secretary
Kevin Scott Burke	Director, Actuarial Pricing and Appointed Actuary
William Scott Forrest	Executive Vice President, Administration and Treasurer
William Thomas Coshatt, Jr.	Executive Vice President, Operations
Mark Andrews Evans	Executive Vice President, Marketing
John Delane Hemmings, Jr.	Senior Vice President, Chief Financial Officer and Chief Investments Officer
Bryan Daniel Hubbard	Senior Vice President, Claims
Julie Meadows Parish	Senior Vice President and Chief Accounting Officer
Joel Franklin Witt	Vice President, Actuarial Services

The Corporation is part of the Alfa Insurance Group. The following chart illustrates this insurance holding company system at December 31, 2021:



RELATED PARTY TRANSACTIONS

Management, Service Contracts, Cost Sharing Agreements

Pursuant to a Management and Operating Agreement between AMI, the Corporation, Alfa Mutual Fire Insurance Company, Alfa Mutual General Insurance Company, and Alfa Corporation and their subsidiaries, AMI provides management and operational services to the participating companies. The participating companies reimburse AMI for their services.

Tax Allocation Agreement

The Corporation is a participant in a tax sharing agreement between AMI and its subsidiaries. The method of allocation is subject to a written agreement. The tax liability of the group shall be allocated to the members of the group based on the percentage of the tax for each member if determined on a separate return compared to the total amount of taxes for all members of the group. This percentage method allocates tax liability based upon the absorption of tax attributes, without taking into account the ability of any member to subsequently absorb its own tax attributes.

TERRITORY AND PLAN OF OPERATION

At December 31, 2021, the Corporation was licensed to transact the business of insurance in Alabama, Arkansas, Georgia, Indiana, Kentucky, Mississippi, Missouri, Ohio, Tennessee, Texas and Virginia, but wrote most of its business in Georgia (43%), Virginia (20%), and Kentucky (10%).

In Virginia, the Corporation was authorized to write Auto Liability, Auto Physical Damage, and Commercial Multi-Peril as of December 31, 2021. Business is produced by independent agents in all states except Alabama, Georgia and Mississippi. Business is produced by employee agents in Alabama, independent exclusives in Mississippi and a mixture of independent exclusives and independent agents in Georgia. Control over underwriting and settlement of claims is maintained at the Corporation's home office for the core states of Alabama and Mississippi. Claims for Georgia are maintained at the Franklin, Tennessee office. In other states, control over underwriting and settlement of claims is handled out of the Franklin, Tennessee office. The Corporation issues non-assessable policies only. All policies are issued annually. Insureds may elect to pay on an installment basis.

GROWTH OF THE CORPORATION

The following statistics, obtained from Annual Statements filed with the Bureau and from examination reports, indicate the growth of the Corporation for the ten-year period ending December 31, 2021:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Common Capital Stock</u>	<u>Gross Paid In and Contributed Surplus</u>	<u>Unassigned Funds</u>
2012	\$39,986,518	\$22,771,345	\$3,000,000	\$22,000,000	(\$7,784,827)
2013	43,444,206	24,873,052	3,000,000	22,000,000	(6,428,846)
2014	52,775,157	25,979,726	3,000,000	29,500,000	(5,704,569)
2015	50,822,935	24,660,275	3,000,000	29,500,000	(6,337,340)
2016	53,812,047	25,887,474	3,000,000	31,600,000	(6,675,427)
2017	56,574,168	27,628,777	3,000,000	31,600,000	(5,654,609)
2018	55,613,126	27,119,580	3,000,000	31,600,000	(6,106,454)
2019	58,987,525	26,498,522	3,000,000	31,600,000	(2,110,997)
2020	63,931,448	28,658,360	3,000,000	31,600,000	673,088
2021	74,052,053	38,261,111	3,000,000	31,600,000	1,190,942

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses and Loss Adjustment Expenses Incurred</u>	<u>Other Underwriting Expenses</u>	<u>Net Underwriting Gains or (Loss)</u>
2012	\$20,894,868	\$14,433,845	\$6,426,182	\$34,841
2013	21,446,227	14,760,148	6,891,096	(205,017)
2014	22,223,598	15,633,703	7,290,480	(700,585)
2015	22,604,200	15,984,982	7,255,202	(635,984)
2016	24,000,311	17,315,064	7,578,638	(893,391)
2017	25,918,591	19,472,583	8,227,219	(1,781,211)
2018	27,288,811	20,563,231	8,247,332	(1,521,752)
2019	26,719,545	17,527,274	7,963,354	1,228,917
2020	27,316,644	21,317,075	8,163,176	(2,163,607)
2021	42,229,372	30,682,104	13,666,480	(2,119,212)

REINSURANCE

Intercompany Pooling Agreement

The amended and restated intercompany pooling agreement, effective December 1, 2017, was between Alfa Mutual Insurance Company (AMI) and the following entities (hereinafter referred to as the Participating Companies):

- Alfa Mutual Fire Insurance Company (AMF)
- Alfa Mutual General Insurance Company (AMG)
- Alfa Insurance Corporation (AIC)
- Alfa General Insurance Corporation (AGI)
- Trexis One Insurance Corporation (TOI)
- Trexis Insurance Corporation (TIC)

On January 1 of the current year, all Participating Companies ceded 100% of their books of business (the premiums) and net liabilities to AMI. In turn, AMI:

- Ceded and each Participating Company accepted its proportionate share of unearned premiums on AMI's book of business in-force as of the close of business.
- Ceded and each Participating Company accepted its proportionate share of the net liability on all insurance written by AMI, including the net liability of business assumed.
- Paid each Participating Company its proportionate share of the combined net unearned premium reserves less commissions at a rate equal to its pooled underwriting expense ratio for the most recently filed financial statements.
- Paid each Participating Company its respective participation of all premiums written after first deducting premiums for all working cover reinsurance ceded to reinsurers.

The following pooling percentages were in effect at December 31, 2021:

AMI	42%
AMF	38%
AMG	6%
AIC	3%
AGI	4%
TIC	4%
TOI	3%

The Participating Companies agreed that all net premiums, losses and expenses on all insurance written by AMI and assumed under this agreement would be prorated between the Participating Companies based on each participant's proportionate share specified in the agreement. Each Participating Company would retain and be liable for outstanding net losses (including IBNR) for outstanding net expenses, and salvage and subrogation related to losses incurred.

Each of the Participating Companies provides AMI with a monthly accounting report within thirty days after the close of each month. Likewise, AMI provides each Participating Company with a monthly accounting report as well. The agreement was continuous and could only be terminated in writing by mutual agreement of all parties.

FINANCIAL STATEMENTS

The following statutory financial statements present the financial condition of the Corporation for the period ending December 31, 2021. No examination adjustments were made to the statutory financial statements filed by the Corporation with the Bureau for the period ending December 31, 2021.

ASSETS

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$24,901,894		\$24,901,894
Preferred stocks	1,506,818		1,506,818
Common stocks	16,893,647		16,893,647
Cash and short-term investments	15,005,126		15,005,126
Investment income due and accrued	119,643		119,643
Uncollected premiums and agents' balances in the course of collection	3,172,668	543	3,172,125
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,654,712	470	6,654,242
Amounts recoverable from reinsurers	5,693,997		5,693,997
Current federal income tax recoverable	66,014		66,014
Guaranty funds receivable or on deposit	11,408		11,408
Electronic data processing equipment	72,711	72,711	
Receivables from parent, subsidiaries, and affiliates	30,165	3,026	27,139
Health care and other amounts receivable	24	24	
Aggregate write-ins for other than invested assets	2,987	2,987	
Totals	<u>\$74,131,814</u>	<u>\$79,761</u>	<u>\$74,052,053</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		\$11,287,473
Reinsurance payable on paid losses and loss adjustment expenses		3,306,320
Loss adjustment expenses		1,501,749
Commissions payable, contingent commissions and other similar charges		1,834,850
Other expenses		177,304
Taxes, licenses and fees		1,383,181
Net deferred tax liability		328,467
Unearned premiums		14,897,010
Advance premium		368,518
Ceded reinsurance premiums payable		(586,340)
Amounts withheld or retained by company for account of others		137,182
Drafts outstanding		145,414
Payable to parent, subsidiaries, and affiliates		3,479,983
 Total liabilities		 \$38,261,111
 Common capital stock	 \$3,000,000	
Gross paid in and contributed surplus	31,600,000	
Unassigned funds (surplus)	1,190,942	
 Surplus as regards policyholders		 35,790,942
 Totals		 \$74,052,053

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	<u>\$42,229,372</u>
Deductions:	
Losses incurred	\$28,324,220
Loss adjustment expenses incurred	2,357,884
Other underwriting expenses incurred	13,669,618
Aggregate write-ins for underwriting deductions	<u>(3,138)</u>
Total underwriting deductions	<u>\$44,348,584</u>
Net underwriting loss	<u>(\$2,119,212)</u>

INVESTMENT INCOME

Net investment income earned	\$721,047
Net realized capital gains	<u>1,215,833</u>
Net investment gain	<u>\$1,936,880</u>

OTHER INCOME

Net loss from agents' or premium balances charged off	(\$463,307)
Finance and service charges not included in premiums	463,326
Aggregate write-ins for miscellaneous income	<u>53,767</u>
Total other income	<u>\$53,786</u>
Net income before federal income taxes	(\$128,546)
Federal income taxes incurred	<u>(60,272)</u>
Net income	<u><u>(\$68,274)</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Surplus as regards policyholders, December 31, previous year	<u>\$27,924,573</u>	<u>\$28,945,391</u>	<u>\$28,493,546</u>	<u>\$32,489,003</u>	<u>\$35,273,088</u>
Net income	\$395,884	(\$35,354)	\$1,997,402	(\$671,181)	(\$68,274)
Change in net unrealized capital gains or (losses)	561,586	(767,104)	1,435,719	2,880,623	(122,679)
Change in net deferred income tax	(316,165)	(9,381)	82,786	102,119	292,046
Change in nonadmitted assets	<u>379,513</u>	<u>359,994</u>	<u>479,550</u>	<u>472,524</u>	<u>416,761</u>
Change in surplus as regards policyholders for the year	<u>\$1,020,818</u>	<u>(\$451,845)</u>	<u>\$3,995,457</u>	<u>\$2,784,085</u>	<u>\$517,854</u>
Surplus as regards policyholders, December 31, current year	<u><u>\$28,945,391</u></u>	<u><u>\$28,493,546</u></u>	<u><u>\$32,489,003</u></u>	<u><u>\$35,273,088</u></u>	<u><u>\$35,790,942</u></u>

CASH FLOW**Cash From Operations**

Premiums collected net of reinsurance	\$46,490,319
Net investment income	813,677
Miscellaneous income	515,063
Total	<u>\$47,819,059</u>
Benefits and loss related payments	\$24,611,356
Commissions, expenses paid and aggregate write-ins	18,395,752
Federal income taxes paid	446,000
Total	<u>\$43,453,108</u>
Net cash from operations	<u>\$4,365,951</u>

Cash From Investments

Proceeds from investments sold, matured or repaid:	
Bonds	\$5,514,614
Stocks	4,162,292
Net gains on cash and short-term investments	6
Total investment proceeds	<u>\$9,676,912</u>
Cost of investments acquired (long-term only):	
Bonds	\$7,296,110
Stocks	5,724,589
Miscellaneous applications	1
Total investments acquired	<u>\$13,020,700</u>
Net cash from investments	<u>(\$3,343,788)</u>

Cash From Financing and Miscellaneous Sources

Cash provided (applied):	
Other cash provided	<u>\$672,680</u>
Net change from financing and miscellaneous sources	<u>\$672,680</u>
Net change in cash and short-term investments	<u>\$1,694,843</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments:	
Beginning of year	\$13,310,283
End of year	<u>15,005,126</u>
Net change in cash and short-term investments	<u>\$1,694,843</u>

SUBSEQUENT EVENT

On December 14, 2022, the Bureau approved the redomestication of the Company, along with its affiliate, Trexis Insurance Corporation, from Virginia to Tennessee.

ACKNOWLEDGMENT

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Mario A. Cuellar, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

Mario A Cuellar

Jennifer K. Blizzard, CFE, AIAF, AIM
Principal Insurance Financial Analyst
Commonwealth of Virginia



March 1, 2023

State Corporation Commission
Bureau of Insurance
1300 E. Main Street
Richmond, VA 23219

Attention: David H. Smith
Chief Examiner

RE: Trexis One Insurance Corporation
Examination Report as of December 31, 2021

Dear Mr. Smith:

Thank you for your time and work on this examination. I acknowledge receipt of the draft report provided by your office on February 28, 2023. Please advise if I can be of further assistance regarding this examination.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Pace", written over the word "Sincerely,".

John Pace
President
Trexis One Insurance Corporation