

ASSOCIATION EXAMINATION
on
ALFA VISION INSURANCE CORPORATION
Glen Allen, Virginia
as of
December 31, 2016

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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 Alfa Vision Insurance Corporation as of December 31, 2016, 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 5th day of June 2018

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
February 28, 2018

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

ALFA VISION 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, 2011. This examination covers the period from January 1, 2012 through December 31, 2016.

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
Alfa Specialty 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, 2016.

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 wholly-owned by Alfa Corporation (AC). On January 1, 2005, the Corporation commenced operations to write nonstandard automobile insurance produced under a Managing General Agent (MGA) Agreement with The Vision Insurance Group, LLC, which was acquired by AC in January 2005. The Corporation subsequently terminated the MGA Agreement and currently writes business produced directly by independent agents.

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

On September 30, 2016, AC made a cash capital contribution of \$7,500,000 to the Corporation. This transaction was approved by the Virginia Bureau of Insurance. The Corporation did not pay dividends to AC during the period of this examination.

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, 2016, the directors and officers of the Corporation were as follows:

<u>Directors</u>	<u>Principal Business Affiliation</u>
James L. Parnell	Chairman of the Board, President and Chief Executive Officer Alfa Mutual Insurance Company Montgomery, Alabama
Stephen G. Rutledge	Executive Vice President - Business Operations Alfa Mutual Insurance Company Montgomery, Alabama
Angela L. Bradwell	Executive Vice President and General Counsel Alfa Mutual Insurance Company Montgomery, Alabama

Officers

James L. Parnell

John C. Pace

Stephen G. Rutledge

Angela L. Bradwell

William S. Forrest

John D. Hemmings, Jr.

Russell J. Sinco

Joel F. Witt

Title

Chairman of the Board and Chief Executive Officer

President

Executive Vice President, Operations and Treasurer

Executive Vice President, General Counsel, and
Secretary

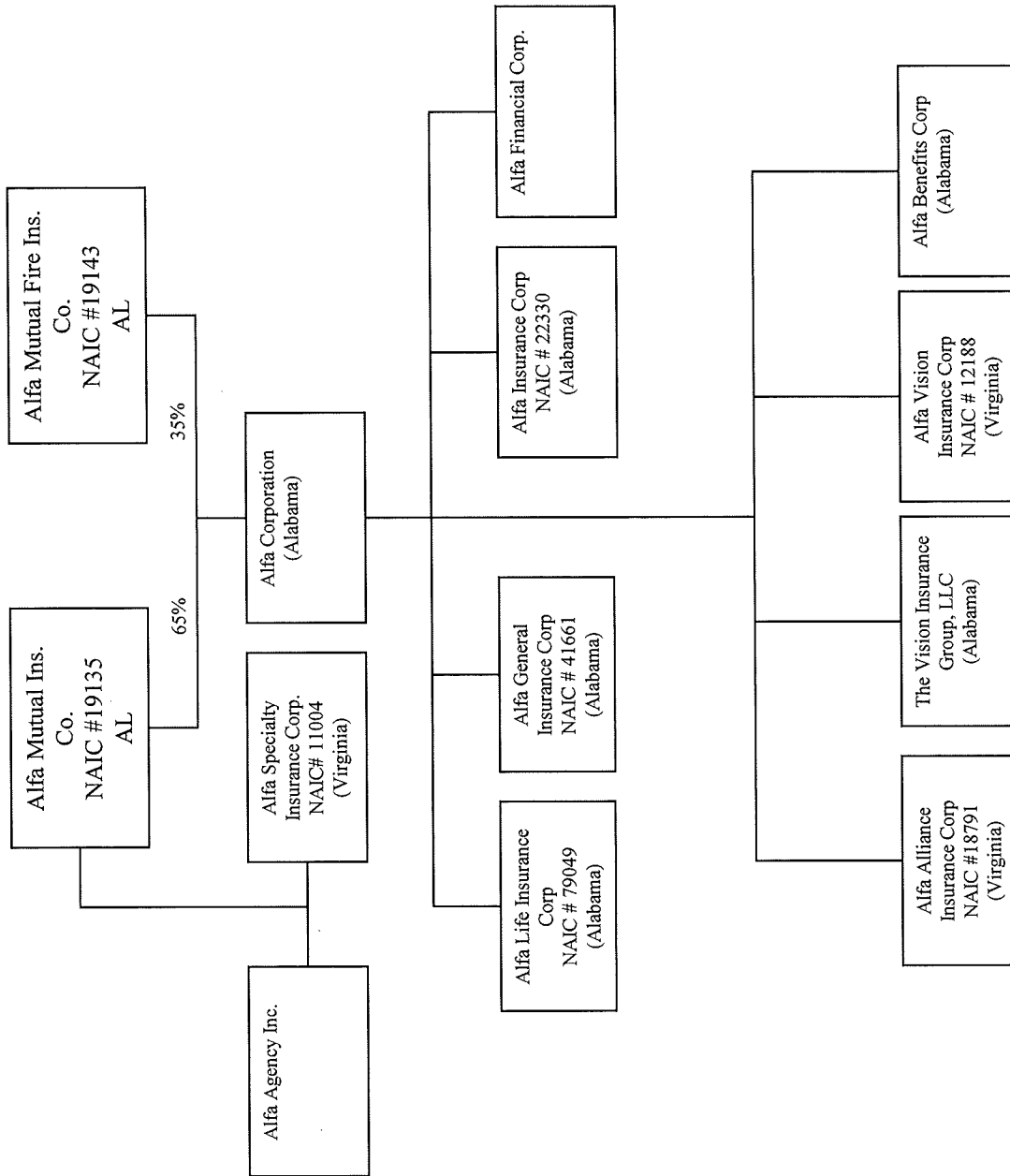
Executive Vice President, Administration

Senior Vice President, Investments

Senior Vice President and Chief Financial Officer

Vice President, Actuarial

The Corporation is part of the Alfa Insurance Group. The following chart illustrates this insurance holding company system at December 31, 2016:



RELATED PARTY TRANSACTIONS

Management, Service Contracts, Cost Sharing Agreements

Pursuant to a Management and Operating Agreement between AMI, Alfa Specialty Insurance Corporation, AMF, Alfa Mutual General Insurance Company, and AC and their subsidiaries (including the Corporation), 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 AC 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, 2016, the Corporation was licensed to transact the business of insurance in Alabama, Arkansas, Indiana, Kentucky, Missouri, Ohio, Tennessee, Texas, and Virginia, but currently only writes business in Tennessee (20%), Arkansas (19%), Virginia (17%), Kentucky (16%), Ohio (15%), Indiana (8%) and Missouri (5%).

In Virginia, the Corporation was authorized to write Auto Liability and Auto Physical Damage as of December 31, 2016. Business is produced by independent agents. Control over underwriting and settlement of claims is maintained in the Brentwood, 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 from commencement of business through December 31, 2011:

<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>
2007	\$94,522,483	\$40,856,204	\$2,000,000	\$41,535,755	\$10,130,524
2008	90,415,832	34,802,159	1,000,000	42,535,755	12,077,918
2009	96,693,177	41,958,744	2,000,000	41,535,755	11,198,678
2010	92,571,727	42,489,015	3,000,000	40,535,755	6,546,957
2011	84,533,769	43,711,653	3,000,000	40,535,755	(2,713,639)
2012	84,953,371	42,095,755	3,000,000	40,535,755	(678,139)
2013	93,353,594	47,448,612	3,000,000	40,535,755	2,369,227
2014	96,697,555	49,417,665	3,000,000	40,535,755	3,744,135
2015	95,501,526	51,136,373	3,000,000	40,535,755	829,398
2016	104,137,259	53,431,464	3,000,000	48,035,755	(329,960)

<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>
2007	\$48,144,886	\$30,900,205	\$13,133,165	\$4,111,516
2008	36,582,379	26,896,575	9,248,425	437,379
2009	39,112,608	32,081,248	11,663,420	(4,632,060)
2010	41,403,019	31,278,134	12,391,717	(2,266,832)
2011	41,349,890	37,696,924	12,231,231	(8,578,265)
2012	41,789,722	28,820,759	12,852,016	116,947
2013	42,888,829	29,356,993	13,762,530	(230,694)
2014	44,447,179	31,276,879	14,570,640	(1,400,340)
2015	45,208,383	31,971,423	14,502,169	(1,265,209)
2016	48,001,042	34,609,795	15,175,719	(1,784,472)

REINSURANCE

Intercompany Pooling Agreement

The Company is affiliated with seven other property and casualty insurers in a reinsurance pooling agreement. The terms of the agreement provide that all direct business of the affiliates will be ceded to AMI. The pooled business would then be retroceded according to percentages provided in the pooling agreement. The Corporation became a participant in the reinsurance pooling agreement effective on January 1, 2005. The amended and restated intercompany pooling agreement, effective January 1, 2008, was between 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)
- Alfa Specialty Insurance Corporation (ASI)
- Alfa Vision Insurance Corporation (AVI)
- Alfa Alliance Insurance Corporation (AAI)

On January 1 of the current year, all Participating Companies ceded 100% of its 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, 2016:

	Pool 4	Pool 5	Pool 6	Pool 7
Name of Insurer	Loss Dates 1/1/01- 12/13/04	Loss Dates 1/1/05-12/31/06	Loss Dates 1/1/07 – 12/31/07	Loss Dates 1/1/08 - current
AMI (Lead Company)	18%	18%	18%	52%
AMF	13%	13%	13%	30%
AMG	3%	3%	3%	4%
AIC	32.5%	30%	29%	3%
AGI	32.5%	30%	29%	4%
ASI	1%	1%	1%	2%
AVI	0%	5%	5%	4%
AAI	0%	0%	2%	1%

The Participating Companies agree that net premiums, losses and expenses on insurance written by AMI and assumed under this agreement would be prorated to the Participating Companies based on the participant's proportionate share specified in the agreement. Each Participating Company retains and is liable for outstanding net losses (including IBNR), outstanding net expenses, and salvage and subrogation related to losses incurred. The agreement is continuous and can only be terminated in writing by mutual agreement of all parties.

Reinsurance Assumed

Home State County Mutual Insurance Company

Effective, January 28, 2005, the Corporation entered into a reinsurance agreement with Home State County Mutual Insurance Company (Home State). The Corporation reinsures 100% of all liabilities including, but not limited to, losses and loss adjusted expenses under policies covering risks in Texas only. Home State paid the Corporation 100% of the net premium collected and remitted on policies reinsured less the ceding commission allowed, commissions and/or any policy fees paid to the general agent and premium taxes on policies.

The agreement contains the standard contract provisions regarding insolvency, errors and omissions, reports and remittances, and exclusions. The agreement automatically renews for one year terms, unless terminated by either party. The agreement may be terminated provided a written notice is given 180 days in advance.

FINANCIAL STATEMENTS

The following statutory financial statements present the financial condition of the Corporation for the period ending December 31, 2016. No examination adjustments were made to the statutory financial statements filed by the Corporation with the Bureau for the period ending December 31, 2016.

ASSETS

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$34,254,887		\$34,254,887
Preferred stocks	899,194		899,194
Common stocks	10,898,653		10,898,653
Cash and short-term investments	32,451,519		32,451,519
Investment income due and accrued	310,730		310,730
Uncollected premiums and agents' balances in the course of collection	3,597,020	39,134	3,557,886
Deferred premiums, agents' balances and installments booked but deferred and not yet due	8,084,599	445	8,084,154
Amounts recoverable from reinsurers	10,453,989		10,453,989
Current federal income tax recoverable	1,060,207		1,060,207
Net deferred tax asset	1,567,561		1,567,561
Electronic data processing equipment	6,429,146	6,429,146	
Receivables from parent, subsidiaries, and affiliates	597,111		598,111
Other amounts receivable	150,813	150,445	368
Aggregate write-ins for other than invested assets	552,300	552,300	
Totals	<u>\$111,307,729</u>	<u>\$7,171,470</u>	<u>\$104,137,259</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		\$14,701,184
Reinsurance payable on paid losses and loss adjustment expenses		3,468,599
Loss adjustment expenses		2,949,309
Commissions payable, contingent commissions and other similar charges		7,636,455
Other expenses		804,327
Taxes, licenses and fees		1,174,024
Unearned premiums		17,715,369
Advance premium		907,891
Ceded reinsurance premiums payable		401,924
Amounts withheld or retained by company for account of others		340,284
Payable to parent, subsidiaries, and affiliates		3,327,216
Aggregate write-ins for liabilities		<u>4,882</u>
 Total liabilities		 \$53,431,464
 Common capital stock	 \$3,000,000	
Gross paid in and contributed surplus	48,035,755	
Unassigned funds (surplus)	<u>(329,960)</u>	
 Surplus as regards policyholders		 <u>50,705,795</u>
 Totals		 <u><u>\$104,137,259</u></u>

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	<u>\$48,001,042</u>
Deductions:	
Losses incurred	\$31,714,021
Loss adjustment expenses incurred	2,895,774
Other underwriting expenses incurred	15,178,218
Aggregate write-ins for underwriting deductions	<u>(2,499)</u>
Total underwriting deductions	<u>\$49,785,514</u>
Net underwriting loss	<u>(\$1,784,472)</u>

INVESTMENT INCOME

Net investment income earned	\$1,409,238
Net realized capital gains	<u>197,842</u>
Net investment gain	<u>\$1,607,080</u>

OTHER INCOME

Net loss from agents' or premium balances charged off	(\$290,185)
Finance and service charges not included in premiums	1,259,469
Aggregate write-ins for miscellaneous income	<u>11,846</u>
Total other income	<u>\$981,130</u>
Net income before federal income taxes	\$803,738
Federal income taxes incurred	<u>(727,207)</u>
Net income	<u><u>\$1,530,945</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Surplus as regards policyholders, December 31, previous year	\$40,822,116	\$42,857,616	\$45,904,982	\$47,279,890	\$44,365,153
Net income	\$2,857,927	\$2,822,570	\$1,172,851	\$1,156,125	\$1,530,945
Change in net unrealized capital gains or (losses)	547,628	534,807	162,271	(658,162)	206,686
Change in net deferred income tax	(740,432)	(798,594)	44,122	503,667	(568,960)
Change in nonadmitted assets	(629,623)	488,583	(4,336)	(3,916,367)	(2,328,029)
Paid in surplus					7,500,000
Change in surplus as regards policyholders for the year	<u>\$2,035,500</u>	<u>\$3,047,366</u>	<u>\$1,374,908</u>	<u>(\$2,914,737)</u>	<u>\$6,340,642</u>
Surplus as regards policyholders, December 31, current year	<u>\$42,857,616</u>	<u>\$45,904,982</u>	<u>\$47,279,890</u>	<u>\$44,365,153</u>	<u>\$50,705,795</u>

CASH FLOW**Cash From Operations**

Premiums collected net of reinsurance	\$46,998,035
Net investment income	1,485,985
Miscellaneous income	1,268,784
Total	<u>\$49,752,804</u>
Benefits and loss related payments	\$30,459,005
Commissions, expenses paid and aggregate write-ins	16,800,542
Federal income taxes paid	166,900
Total	<u>\$47,426,447</u>
Net cash from operations	<u>\$2,326,357</u>

Cash From Investments

Proceeds from investments sold, matured or repaid:	
Bonds	\$8,081,644
Stocks	8,422,822
Net losses on cash and short-term investments	(771)
Total investment proceeds	<u>\$16,503,695</u>
Cost of investments acquired (long-term only):	
Bonds	\$9,501,768
Stocks	6,010,844
Total investments acquired	<u>\$15,512,612</u>
Net cash from investments	<u>\$991,083</u>

Cash From Financing and Miscellaneous Sources

Cash provided (applied):	
Capital and paid in surplus	\$7,500,000
Other cash applied	(5,102,527)
Net change from financing and miscellaneous sources	<u>\$2,397,473</u>
Net change in cash and short-term investments	<u>\$5,714,913</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments:	
Beginning of year	\$26,736,606
End of year	32,451,519
Net change in cash and short-term investments	<u>(\$5,714,913)</u>

SUBSEQUENT EVENT

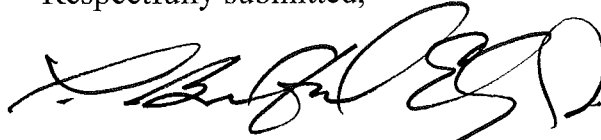
1. Effective August 23, 2017, the name of the Corporation was changed to Trexis Insurance Corporation.

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, Jennifer K. Blizzard, CFE, and Mario A. Cuellar, CFE, of the Bureau participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "T. Bradford Earley, Jr.", written in a cursive style.

T. Bradford Earley, Jr., CFE, CPCU, AIAF
BOI Manager
Commonwealth of Virginia



May 29, 2018

**Mr. David H. Smith
Chief Examiner
State of Virginia
Department of Insurance
1300 E. Main Street
Richmond, VA 23219**

Re: Examination Report of Alfa Vision Insurance Corporation

Dear Mr. Smith:

This letter is in response to the Department's May 21, 2018 notice requiring a written acknowledgment of receipt of the Examination Report as of December 31, 2016. This report has been received and reviewed.

As noted in your letter, there were no recommendations for corrective action reported.

If you have any questions regarding the foregoing, please give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Pace", written in a cursive style.

**John C. Pace
President
Trexis Insurance Corporation (previously Alfa Vision Insurance Corporation)**