



**Examination Report  
Of**

**Alert Auto Insurance Company  
Sarasota, Florida**

**NAIC Company Code: 16584**

**as of  
December 31, 2020**

**By  
The Florida Office of Insurance Regulation**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL</b> .....	-
<b>SCOPE OF EXAMINATION</b> .....	1
<b>SUMMARY OF SIGNIFICANT FINDINGS</b> .....	2
CURRENT EXAMINATION FINDINGS .....	2
PREVIOUS EXAMINATION FINDINGS .....	2
<b>COMPANY HISTORY</b> .....	2
GENERAL .....	2
DIVIDENDS .....	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	2
SURPLUS NOTES .....	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS .....	3
<b>MANAGEMENT AND CONTROL</b> .....	3
CORPORATE GOVERNANCE .....	3
HOLDING COMPANY SYSTEM .....	5
<b>ORGANIZATIONAL CHART</b> .....	6
COST ALLOCATION AGREEMENT .....	7
MANAGING GENERAL AGENT AGREEMENT.....	7
<b>ACCOUNTS AND RECORDS</b> .....	7
<b>TERRITORY AND PLAN OF OPERATIONS</b> .....	7
<b>REINSURANCE</b> .....	7
<b>FINANCIAL STATEMENTS</b> .....	8
ASSETS .....	9
LIABILITIES, SURPLUS AND OTHER FUNDS .....	9
STATEMENT OF INCOME .....	10
RECONCILIATION OF CAPITAL AND SURPLUS.....	11
<b>SUBSEQUENT EVENTS</b> .....	12
<b>CONCLUSION</b> .....	ERROR! BOOKMARK NOT DEFINED.

May 12, 2022

David Altmaier  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

**Alert Auto Insurance Company**  
4054 Sawyer Road  
Sarasota, Florida, 34233

hereinafter referred to as “the Company.” Such report of examination is herewith respectfully submitted.

## SCOPE OF EXAMINATION

This examination covered the period of March 22, 2019 through December 31, 2020 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 19, 2021. The fieldwork concluded as of May 12, 2022. This report constitutes the first full scope examination by representatives of the Office.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes (“F.S.”). There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

## SUMMARY OF SIGNIFICANT FINDINGS

### Current Examination Findings

There were no findings associated with the period under examination. See findings under Subsequent Events.

### Previous Examination Findings

There were no significant prior examination findings as this examination constitutes the first examination of this Company.

## COMPANY HISTORY

### General

The Company is a Florida domestic property and casualty insurer that was incorporated on March 22, 2019 and received its Florida Certificate of Authority on May 10, 2019. Alert is 100% wholly owned by AGIC, Inc (“AGIC”). All of the Company’s business is produced by its affiliated managing general agency (“MGA”), Palm Insure, Inc. The Company commenced business on July 1, 2019.

### Dividends

The Company did not declare or pay any dividends during the period under examination.

### Capital Stock and Capital Contributions

As of December 31, 2020, the Company’s capitalization was as follows:

Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	5,000,000
Total common capital stock	\$5,000,000
Par value per share	\$1.00

On June 4, 2019 the Company received a capital contribution of \$5 million from AGIC, Inc.

## Surplus Notes

On June 20, 2019, the Company received a surplus note of \$2.5 million from K. Holdings, LLC, an affiliated entity which owns the Company's parent AGIC, Inc.

## Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

## MANAGEMENT AND CONTROL

### Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation,
Clifford M. Karlin <sup>(1)(a)</sup>	Morganville, NJ	President, Company
Joseph A. Pietrangelo <sup>(b)</sup>	Ball Ground, FL	Vice President Claims, Company
Russell H. Bobbitt	Sarasota, FL	Agent, Purmort and Martin Insurance Agency.
Chandler P. Irvin	St. Petersburg, FL	Attorney at Law, Irwin and Petty, PA.
Marty Rauch	Sarasota, FL	Real Estate, Rauch, Inc.

(1) Chairman

(a) Resigned on August 2, 2021, and was replaced by Vince Payne on August 6, 2021.

(b) Resigned on July 16, 2021, and was replaced by Dr. Gary Kompothecras on August 6, 2021.

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Clifford M. Karlin <sup>(a)</sup>	Morganville, NJ	President
Robert C. Eikill	Bradenton, FL	Chief Financial Officer/Treasurer
Tom Cherichello	Sarasota, FL	General Counsel
Melissa DeAngelo	Sarasota, FL	Chief Underwriting Officer
Jason Brock	Tarpon Springs, FL	Chief Information Officer

(a) Resigned on August 2, 2021, and was replaced by Vince Payne August 6, 2021.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2020. The first person listed on the left for each committee is the chairman.

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

<b>Audit Committee</b>			
Clifford M. Karlin <sup>(a)</sup>	Joseph A. Pietrangelo <sup>(b)</sup>	Mary Rauch	Chandler Irvin

(a) Resigned on August 2, 2021, and was replaced by Vince Payne August 6, 2021.

(b) Resigned on July 16, 2021, and was replaced by Marty Rauch on August 6, 2021.

<b>Investment Committee</b>		
Clifford M. Karlin (a)	Marty Rauch	Russel H. Bobbitt

(a) Replaced by Dr. Gary Kompothecras on August 6, 2019.

## **Holding Company System**

An organizational chart as of December 31, 2020, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

The Company is owned 100% by AGIC, Inc., which is owned 100% by K Holdings, LLC. K Holdings, LLC is owned 75% by Dr. Gary Kompothecras, who owns 50% of the Class A Units and 100% of the Preferred Units, which both have voting rights; and 25% by ABSAK, LLC, which owns the remaining 50% of Class A Units. ABSAK, LLC is owned 100% by Kompo Family Company, LLC, which is managed by Dr. Gary Kompothecras and has no 10% of greater shareholders.





The following agreements were in effect between the Company and its affiliates:

### **Cost Allocation Agreement**

Effective April 24, 2019, the Company entered into a cost allocation agreement with Diversified Services Enterprises, Inc. (DSE). The parent companies of the Company and DSE are affiliated through common ownership. The Company paid DSE in the amounts of \$3,750 and \$9,000 for the years 2019 and 2020, respectively.

### **Managing General Agent Agreement**

The Company has an agreement with an affiliate, Palm Insure, Inc. (Palm) to serve as its managing general agent (MGA). The Company pays Palm a fee based on collected premium plus policy and other fees for policy administration services provided to the Company. Compensation to Palm under this agreement for these services was \$44,562 for the period March 22, 2019 (inception) through December 31, 2019 and \$2,258,924 for the year 2020. Under the agreement, Palm also provides claims adjusting and administrative services to the Company and is paid a fee based on the earned premium and a percentage of subrogation and salvage recoveries.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Sarasota, Florida.

## **TERRITORY AND PLAN OF OPERATIONS**

As of December 31, 2020, the Company writes Private Passenger Auto Liability and Private Passenger Auto Physical Damage lines of insurance exclusively in Florida. The Company commenced business on July 1, 2019.

## **REINSURANCE**

The Company did not assume or cede any reinsurance during the period of this examination.

## **FINANCIAL STATEMENTS**

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2020. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2020. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

**Alert Auto Insurance Company**  
**Assets**  
**December 31, 2020**

Per the Company:	Assets	Nonadmitted Assets	Net Admitted Assets
Cash and short-term investments	8,169,814	0	8,169,814
Subtotals, cash and invested assets	8,169,814	0	8,169,814
Investment income due and accrued	893	0	893
Premiums and considerations			
Uncollected premiums and agents' balances	473,116	121,037	352,079
Deferred premiums, agents' balances and installments	650,100	0	650,100
Net deferred tax asset	301,771	97,741	204,030
Aggregate write-in for other than invested assets	17,447	17,447	0
<b>Total</b>	<b>9,613,140</b>	<b>236,224</b>	<b>9,376,916</b>

**Alert Auto Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2020**

	Per Company
Losses	\$2,009,614
Loss adjustment expenses	382,203
Other expenses	70,261
Taxes, licenses and fees	14,067
Unearned premiums	1,246,125
Advance premiums	2,351
Payable to parent, subsidiaries and affiliates	390,648
Total liabilities excluding protected cell liabilities	4,115,268
Total liabilities	\$4,115,268
Common capital stock	5,000,000
Surplus notes	2,500,000
Unassigned funds (surplus)	(2,238,353)
Surplus as regards policyholders	\$5,261,647
<b>Totals</b>	<b>\$9,376,916</b>

**Alert Auto Insurance Company  
Statement of Income  
December 31, 2020**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$5,719,913
<b>Deductions</b>	
Losses Incurred	4,997,211
Loss adjustment expenses incurred	838,919
Other underwriting expenses incurred	2,573,427
Total Underwriting deductions	8,409,557
Net underwriting gain (loss)	(\$2,689,644)
<b>Investment Income</b>	
Net investment income earned	29,831
Net realized capital gains or (losses)	0
Net investment gain or (loss)	\$29,831
<b>Other Income</b>	
Net gain or (loss) from agents' or premium balances charged off	0
Finance and service charges not included in premiums	459,181
Aggregate write-ins for miscellaneous income	0
Total other income	\$459,181
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(\$2,200,632)
Dividends to policyholders	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(\$2,200,632)
Federal & foreign income taxes incurred	0
Net Income	(\$2,200,632)

**Alert Auto Insurance Company  
Capital and Surplus Account  
December 31, 2020**

	Per Company
Surplus as regards policyholders, December 31 prior year	\$7,412,796
Net Income	(2,200,632)
Change in net deferred income taxes	280,085
Change in non-admitted assets	(230,602)
Change in surplus as regards policyholders for the year	(2,151,149)
Surplus as regards policyholders, December 31, current year	\$5,261,647

**Alert Insurance Company  
Reconciliation of Capital and Surplus  
December 31, 2020**

Surplus at May 10, 2019, per Company			\$7,500,000
	Increase	Decrease	
Loss in surplus		(2,303,900)	(2,303,900)
Change in net deferred income tax	301,771		301,771
Change in non-admitted assets		(236,224)	(236,224)
Net decrease			(2,238,353)
Surplus at December 31, 2020 per Company			5,261,647

No adjustments were made to surplus as regards policyholders as a result of this examination.

## **SUBSEQUENT EVENTS**

The following material events happened subsequent to the period under examination but prior to the conclusion of field work.

### **Subsequent Overstatement of Surplus**

The Company overstated its capital and surplus by \$1 million and \$1.25 million on its September 30, 2021 and December 31, 2021 statutory financial statements respectively. In each instance this caused the Company's capital and surplus to be below the minimum surplus required by Section 624.408, F.S. and resulted in the Company being impaired per Section 631.011(12), F.S.

The understatement occurred because in each case the Company did not follow the protocol in SSAP Numbers 41R and 72 for both making contributions to surplus and issuing surplus notes subsequent to the reporting period. The additional capital was ultimately received by the Company. The filed financial statements referred to were inaccurate, failed to comply with the requirements of statutory accounting, and were filed by officers of the Company who had engaged in similar acts of noncompliance while serving as officers of another Florida domestic insurer.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Alert Auto Insurance as of December 31, 2020, consistent with the insurance laws of the State of Florida.

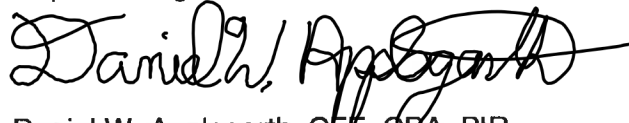
In addition to the undersigned, the following individuals form the Office, The Novo Consulting Group (“NOVO”), SL Financial, Inc. (“SLFI”), and Baker Tilly USA, LLP (“Baker Tilly”) also participated in the examination:

Jeffrey Good, CFE, CIE, CPCU, AIAF, ARC, MCM	Participating Examiner	NOVO
Ray Conover, AIE, Are, FLMI, MCM	Participating Examiner	NOVO
Clifton Day, MPA, MCM, CPM, CMS	Participating Examiner	NOVO
Chad Mason	Exam Manager	Office
Achille Sime Lanang, FSE, MAAA, AFFI, CAS	Actuary	SLFI
Russell Sommers	IT Supervisor	Baker Tilly
Dennis Schaeffer	IT Exam Manager	Baker Tilly
Bridgit Pyott	IT Examiner	Baker tilly

Respectfully submitted,



Lori Ruggiero, CFE, CIE, MCM  
Principal  
The NOVO Consulting Group, LLC  
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR  
Chief Financial Examiner  
Property & Casualty Financial Oversight  
Florida Office of Insurance Regulation