



**EXAMINATION REPORT
OF**

**NGM Insurance Company
Jacksonville, Florida**

NAIC Company Code: 14788

**as of
December 31, 2020**

**By
The Florida Office of Insurance Regulation**

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February 24, 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

NGM Insurance Company
4601 Touchton Road East, STE 3400
Jacksonville, FL 32246

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

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2016 through December 31, 2020 and the fieldwork commenced with planning on August 9, 2021. The fieldwork concluded as of February 24, 2022. The Company's last full scope exam by representatives of the Florida Office of Insurance Regulation ("Office") covered the period of January 1, 2011 through December 31, 2015.

The examination was a multi-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. The lead state for this exam was Florida, and states that participated in this exam are as follows: Indiana and Minnesota.

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. 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 significant findings as a result of this examination.

Previous Examination Findings

On October 31, 2018, the Company's ultimate parent company, Main Street America Group Mutual Holdings, Inc. merged with American Family Insurance Mutual Holding Company (AFIMHC), a Wisconsin mutual insurance holding company.

The following is an update on other significant regulatory information disclosed in the previous examination.

Statement of Actuarial Opinion Requirements

Our review indicated that the Company's appointed actuary did not opine on the insurers "gross reserves" in the Company's Statement of Actuarial Opinion. The Statement of Actuarial Opinion was not completed in accordance with the NAIC Property and Casualty Annual Statement Instructions as the Statement of Actuarial Opinion must address the adequacy of direct and assumed and assumed, as well as net loss and loss adjustment expense reserves as contained in Schedule P of the annual statement.

Resolution: The Company has since remedied this issue.

Custodian Termination Notice

The Company utilized State Street Bank as its custodian during the period under examination. Effective January 16, 2014, the custody agreement between State Street Bank and the Company was terminated. Pursuant to Rule 69O-143.042(2)(o), Florida Administrative Code, the custodian did not provide written notification to the Office regarding the termination of the custodial agreement between the Company and State Street Bank.

Resolution: The Company has since remedied this issue by including the clause about notifying the Office regarding the termination of the agreement.

Special Consent Investment Limitation

The Company was not in compliance with the special consent investment limitation during the examination period. The Company exceeded the allowable investment threshold for Schedule BA assets by \$4,262,501 in accordance with Section 625.331(1)(b), Florida Statutes, as of December 31, 2014.

Resolution: The Company has since remedied this issue and is following Section 625.311(1)(b), F.S.

Letter of Credit

As of December 31, 2015, the Company reported the following letter of credit with Endurance Specialty Insurance, LTD. Upon review of the letters of credit, the following provisions were not included as required by Rule 69O-144.005(6), Florida Administrative Code:

- a) The heading of the letter of credit may include a boxed section containing the name of the applicant and other appropriate notations to provide a reference for the letter of credit.
- b) The boxed section shall be clearly marked to indicate that such information is for internal identification purposes only.
- c) The “evergreen clause” shall provide for a period of no less than sixty (60) days’ notice prior to expiration date or nonrenewal.
- d) The letter of credit shall be subject to and governed by the laws of the state of Florida.

Resolution: The letter of credit with Endurance Specialty Insurance, LTD, has since been returned and the Company no longer holds this letter of credit.

Reinsurance Broker Services Agreement

Based on the review of the reinsurance broker services agreement between BMS Intermediaries, Inc. (BMS) and the Company, the examiner noted that the agreement does not contain the required statutory provisions set forth in Section 626.7492(4), Florida Statutes.

Resolution: The BMS agreement was terminated as part of the merger.

Reporting of Balances and Disclosures from Intercompany Pooling Transactions

The Company is not reporting and disclosing outstanding balances as result of the intercompany pooling transactions in accordance with Statement of Statutory Accounting Principles No. 63.

Resolution: The Company indicated that they would comply with SSAP No. 63 requirements by the June 30, 2022, quarterly statement filings. This will be verified as part of the 2021 year-end examination.

Intercompany Transactions

The Company and Main Street America Financial Corporation (MSAFC) a non-insurance subsidiary of the Company, executed several non-insurance transactions whereby the Company financed cash for Main Street America Financial Corporation. The transactions were not covered by a formal written agreement as required by Statement of Statutory Accounting Principles No. 25.

Resolution: The Company has since remedied this issue and is in compliance with Statement of Statutory Accounting Principles No. 25.

COMPANY HISTORY

General

The Company was organized in March of 1923 under the laws of New Hampshire as the National Grange Mutual Liability Company and began business on July 16, 1923. All of the outstanding policy liabilities of a former companion carrier, National Grange Fire Insurance Company (formed in 1935), were reinsured into the Company on December 31, 1958. The corporate title was revised to National Grange Mutual Insurance Company on January 1, 1959. Effective June 6, 2005, National Grange Mutual Insurance Company re-domesticated to the State of Florida. Subsequently, in August of 2005, under the Plan of Reorganization approved by the Office, National Grange Mutual Insurance Company was converted to a stock insurance company and renamed NGM Insurance Company. On October 31, 2018, the Company changed ownership,

when NGM's former ultimate parent, Main Street America Group Mutual Holdings, Inc. (MSA Holdings), a Florida mutual insurance holding company, merged with American Family Insurance Mutual Holding Company, a Wisconsin mutual insurance holding company.

Dividends

The Company declared and paid dividends to its stockholder(s) in 2019 in the amount of \$944,353, 2018 in the amount of \$41,109,251, 2017 in the amount of \$2,814,593 and 2016 in the amount of \$78,481,657.

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	5,250,000
Total common capital stock	\$5,250,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, Main Street America Group, Inc., which owned 100 percent of the stock issued by the Company, which in turn is ultimately owned by American Family Insurance Mutual Holding Company.

Surplus Notes

The Company had one surplus note as of December 31, 2020. The note was issued on November 2, 2016, with a par value of \$70,000,000, a fixed interest rate of 7.25%, and a maturity date of November 2, 2036.

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. All of the directors serving as of December 31, 2020 were employees of the Company and are shown below:

Directors		
Name	City, State	Principal Occupation
Sarah Christine Bourdeau	Hartford, CT	Head of Sales
Theresa Elaine Breunig-Silbernagel	Sun Prairie, WI	Head of Personal Lines and Transformation
Joseph David Freitas	Sturbridge, MA	Chief Financial Officer and Treasurer
Kimberly Killian Law	Ponte Vedra Beach, FL	General Counsel and Secretary
Christopher Robert Listau	Wauwaukee, WI	President and Chief Executive Officer
David Scot Medvidofsky	Jacksonville, FL	Head of Products and Operations
Anna Diane Parker	Saint Johns, FL	Head of Human Resources

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

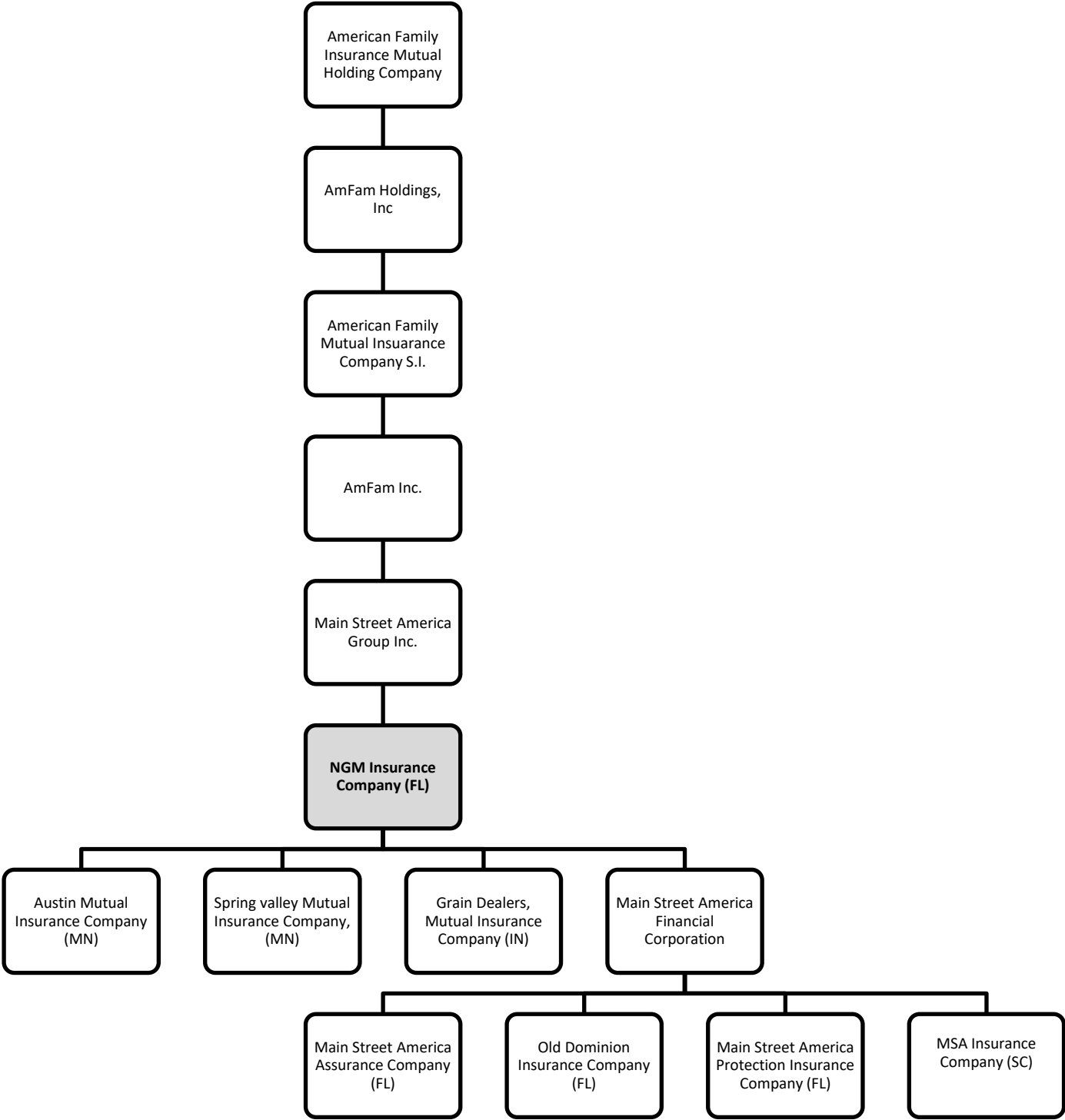
Senior Officers		
Name	City, State	Title
Christopher Robert Listau	Wauwaukee, WI	President and Chief Executive Officer
Joseph David Freitas	Sturbridge, MA	Chief Financial Officer and Treasurer
Kimberly Killian Law	Ponte Vedra Beach, FL	General Counsel and Secretary

The Company did not have any internal board committees, The committees of AFIMHC's Board of Directors also served the Company.

Holding Company System

A simplified 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.

**Simplified Organizational Chart
December 31, 2020**



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

Consolidated Tax Allocation Agreement

The Company is party to a tax allocation agreement. Under the agreement, all of the parties file one consolidated federal income tax return. Each party is then allocated its share of the tax liability or refund based on an estimate of what its individual status would have been had it filed separate. Intercompany balances are settled (on an estimated basis) within 30 days of the payment of any estimated tax payments, with a final determination and settlement made within 30 days of the filing of any applicable income tax return or amended tax return.

Intercompany Services and Cost Allocation Agreement

The Company entered into an Intercompany Services and Cost Allocation Agreement with its ultimate parent and a number of affiliates, effective June 11, 2019. Under this agreement, American Family Mutual Insurance Company, S.I. (AFMICS I). Under this agreement, AFMICS I may provide to other parties, and one or more of the other parties may provide to AFMICS I goods, third party services, and management and other direct services including, without limitation, executive, corporate strategy, business development, legal, corporate governance, product management, product development, underwriting, marketing, customer sales, customer service, policy administration, billing, claims, reserving, sourcing and procurement, human resources, business integration, communications, strategic data and analytics, financial, treasury, investment, enterprise risk, reinsurance, internal audit, licensing, compliance, and information and technology services used by parties in the conduct of their business.

Intercompany Expense Allocation Agreement

Effective June 30, 2007, the Company, along with its insurance subsidiaries, entered into an intercompany expense allocation agreement. Per the agreement the Company does the following:

- a) They provide some administrative and managerial services;
- b) They allocate expenses incurred under the agreement;
- c) They allocate indirect costs based upon a uniform and reasonable basis; and
- d) They furnish statements that account for the expenses paid on behalf of each affiliate party to the agreement.

Intercompany Quota Share Reinsurance Agreement

The Company is the lead company in an intercompany pooling arrangement with its insurance subsidiaries. This is discussed in greater detail down below in the Reinsurance section of this report.

Loss Portfolio Transfer and 100% Quota Share Reinsurance Agreement

Effective January 1, 2019, the Company and AFMICS entered into a Loss Portfolio Transfer and 100% Quota Share Reinsurance Agreement. This is discussed in greater detail down below in the Reinsurance section of this report.

ACCOUNTS AND RECORDS

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

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states and the District of Columbia:

- Alabama
- Colorado
- Florida
- Illinois
- Kansas
- Maine
- Michigan
- Missouri
- Nevada
- New Mexico
- North Dakota
- Oregon
- South Carolina
- Texas
- Virginia
- Wisconsin
- Arizona
- Connecticut
- Georgia
- Indiana
- Kentucky
- Maryland
- Minnesota
- Montana
- New Hampshire
- New York
- Ohio
- Pennsylvania
- South Dakota
- Utah
- Washington
- Wyoming
- Arkansas
- Delaware
- Idaho
- Iowa
- Louisiana
- Massachusetts
- Mississippi
- Nebraska
- New Jersey
- North Carolina
- Oklahoma
- Rhode Island
- Tennessee
- Vermont
- West Virginia

The Company was authorized to transact insurance in Florida on May 26, 2005, and is currently authorized for the following lines of business as of December 31, 2020:

- Fire
- Farmowners Multiple Peril
- Commercial Multiple Peril
- Inland Marine
- Other Liability
- Commercial Auto Liability
- Commercial Auto Physical Damage
- Surety
- Burglary and Theft
- Mobile Home Multiple Peril
- Allied Lines
- Multi-Peril Crop
- Homeowners Multiple Peril
- Ocean Marine
- Workers' Compensation
- Private Passenger Auto Liability
- Private Passenger Auto Physical Damage
- Fidelity
- Glass
- Boiler and Machinery
- Mobile Home Physical Damage

The Company primarily writes Homeowners Multiple Peril, Commercial Auto Liability, and Auto Physical Damage policies in the states where it is licensed or eligible. The states with the highest

direct premium written were New York, Massachusetts, and Connecticut, with premiums of \$75,934,239, \$58,670,861, and \$42,531,395, respectively.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

The Company was the lead company in an intercompany pooling arrangement with its insurance subsidiaries and affiliates. Pursuant to the terms of the intercompany quota share reinsurance agreements, the Company assumed 100% of the net underwriting results from its insurance subsidiaries and affiliates. The Company also assumed certain risks through a voluntary reinsurance program and involuntary reinsurance pools and programs. The voluntary assumed reinsurance risks were primarily written through brokers on various accounts. The assumed business primarily consisted of non-standard auto and the contracts were quota share reinsurance agreements.

Reinsurance Ceded

Under the terms of the intercompany quota share reinsurance agreements with Grain Dealers Mutual Insurance Company, Spring Valley Mutual Insurance Company and Austin Mutual Insurance Company, each company receives a ceding commission equal to five percent (5%) of the net premium they ceded to the Pool. In addition, a limited number of facultative reinsurance cessions to nonaffiliated reinsurers are placed by the Company occurred prior to cessions to the Pool. In 2020 these facultative cessions accounted for approximately \$6 million in total reinsurance recoverables.

In January 2019, AFMICSI executed a loss portfolio transfer and prospective 100% quota share reinsurance agreement with NGM, to assume 100% of all business written by pool members. This agreement also includes provisions covering any potential losses not otherwise collected from third party reinsurers, thus effectively mitigating any material risk associated with third-party reinsurance collections.

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.)

NGM Insurance Company
Assets
December 31, 2020

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	\$135,493,927		\$135,493,927
Common stocks	\$162,994,249		\$162,994,249
Mortgage loans on real estate			
First liens	\$9,496,000		\$9,496,000
Real Estate			
Properties occupied by the company	\$3,757,871		\$3,757,871
Properties held for the production of income	\$51,634		\$51,634
Cash and short-term investments	\$(39,172,906)		\$(39,172,906)
Other invested assets	\$9,703,731	\$5,000,000	\$4,703,731
Subtotals, cash and invested assets	\$282,324,506	\$5,000,000	\$277,324,506
Investment income due and accrued	\$578,933		\$578,933
Premiums and considerations			
Uncollected premiums and agents' balances	\$52,781,735	\$7,884,411	\$44,897,324
Deferred premiums, agents' balances and installments	\$260,929,226		\$260,929,226
Reinsurance			
Amounts recoverable from reinsurers	\$92,524,958		\$92,524,958
Funds held by or deposited with reinsured companies	\$62,964,731		\$62,964,731
Current federal and foreign income taxes recoverable and interest thereon	\$31,012,155		\$31,012,155
Net deferred tax asset	\$89,422,901	\$82,149,251	\$7,273,650
Guaranty funds receivable or on deposit	\$77,199		\$77,199
Electronic data processing equipment and software	\$1,613,577		\$1,613,577
Furniture and equipment, including health care delivery assets	\$13,517,297	\$13,517,297	
Receivable from parent, subsidiaries and affiliates	\$57,053,258		\$57,053,258
Aggregate write-in for other than invested assets	\$20,847,722	\$369,354	\$20,478,368
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	\$965,648,198	\$108,920,313	\$856,727,885
Total	\$965,648,198	\$108,920,313	\$856,727,885

NGM Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2020

	Per Company
Reinsurance payable on paid losses and loss adjustment expenses	\$44,492,747
Commissions payable, contingent commissions and other similar charges	\$20,982,675
Other expenses	\$32,834,574
Taxes, licenses and fees	\$5,383,121
Advance premiums	\$6,712,458
Ceded reinsurance premiums payable	\$62,337,670
Funds held by company under reinsurance treaties	\$1,080
Provision for reinsurance	\$1,991,302
Payable to parent, subsidiaries and affiliates	\$2,947,788
Aggregate write-in for liabilities	\$30,763,132
Total liabilities excluding protected cell liabilities	\$208,446,547
Total liabilities	\$208,446,547
Common capital stock	\$5,250,000
Surplus notes	\$70,000,000
Gross paid-in and contributed surplus	\$100,022,969
Unassigned funds (surplus)	\$473,008,369
Surplus as regards policyholders	\$648,281,338
Totals	\$856,727,885

NGM Insurance Company
Statement of Income
December 31, 2020

	Per Company
Investment Income	
Net investment income earned	\$(3,139,825)
Net realized capital gains or (losses)	\$650,755
Net investment gain or (loss)	\$(2,489,070)
Other Income	
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(2,489,070)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(2,489,070)
Federal & foreign income taxes incurred	\$(33,231,392)
Net Income	\$30,742,322
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$620,644,368
Net Income	\$30,742,322
Change in net unrealized capital gains or losses less capital gains tax	\$3,104,994
Change in net deferred income taxes	\$(6,574,583)
Change in non-admitted assets	\$8,516,020
Change in provision for reinsurance	\$(1,736,213)
Aggregate write-ins for gains and losses in surplus	\$(6,415,570)
Change in surplus as regards policyholders for the year	\$27,636,970
Surplus as regards policyholders, December 31, current year	\$648,281,338

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

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2015, per Company			\$1,020,638,037
	Increase	Decrease	
Loss in surplus		\$106,221,046	
Change in net unrealized capital gain (loss)		\$136,456,156	
Change in net deferred income tax		\$7,800,467	
Change in non-admitted assets		\$84,075,665	
Change in provision for reinsurance		\$1,542,270	
Change in surplus notes	\$40,000,000		
Change in paid in surplus	\$30,504,143		
Dividend to stockholders		\$91,285,153	
Aggregate write in		\$15,480,084	
Net increase (or decrease)			\$(372,356,699)
Surplus at December 31, 2020 per Company			\$648,281,338

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$648,281,338, exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

CONCLUSION

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

In addition to the undersigned, the following from Noble Consulting Services, Inc. ("Noble"), Merlinos & Associates, Inc. ("Merlinos"), and the Office also participated in the examination

W.A. O'Connell, CPA, CFE, CFE (fraud)	Exam Supervisor	Noble
Emilie Brady, CFE	Examiner	Noble
Stefan Obereicholz-Bangert, AES, CISA, CISM	IT Specialist	Noble
Carol Riley, AES, CISA, CGEIT, CRISC, CDPSE	IT Specialist	Noble
Jim Ryan, CFE, CPA, ARA, ARe	Reinsurance Specialist	Noble.
Greg Fanoie, FCAS, MAAA	Actuarial Specialist	Merlinos
Jeremy Hoch, ACAS, MAAA	Actuarial Examiner	Merlinos
Chad Mason	Examination Manager	Office

Respectfully submitted,



Vitaliy Kyryk, CFE
Examiner-in-charge
Noble Consulting Services, Inc.
Representing the Florida Office of Insurance Regulation



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