

**STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
MONTGOMERY, ALABAMA**

**REPORT OF EXAMINATION OF**

**OMEGA ONE INSURANCE COMPANY**

**ELBA, ALABAMA**

**AS OF DECEMBER 31, 2013**

**PARTICIPATION:  
SOUTHEASTERN ZONE, NAIC  
ALABAMA**

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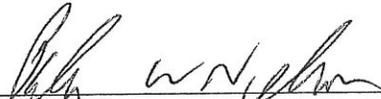
**EXAMINER'S AFFIDAVIT**

**STATE OF ALABAMA  
COUNTY OF COFFEE**

Palmer W. Nelson, CFE, being duly sworn, states as follows:

1. I have the authority to represent Alabama in the examination of Omega One Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Omega One Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

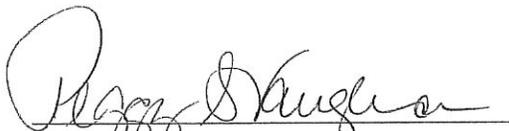
The affiant says nothing further.

  
\_\_\_\_\_  
Examiner-in-charge

Subscribed and sworn before me by PALMER W. NELSON on this  
30th

day of January, 2015.

(SEAL)

  
\_\_\_\_\_  
(Signature of Notary Public)

My commission expires 2/7/2015.



**ROBERT BENTLEY**  
GOVERNOR

**JIM L. RIDLING**  
COMMISSIONER

**STATE OF ALABAMA**  
**DEPARTMENT OF INSURANCE**  
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DEPUTY COMMISSIONER  
CHARLES M. ANGELL

CHIEF EXAMINER  
RICHARD L. FORD

STATE FIRE MARSHAL  
EDWARD S. PAULK

GENERAL COUNSEL  
REYN NORMAN

Elba, Alabama  
January 30, 2015

Jim L. Ridling, Commissioner  
Alabama Department of Insurance  
201 Monroe Street, Suite 502  
Montgomery, AL 36104

Dear Commissioner:

Pursuant to your authorizations and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

Omega One Insurance Company  
Elba, Alabama

at its home office located at 661 Davis Street, Elba, Alabama 36323 as of December 31, 2013. The report of examination is submitted herewith. Where the description "Company" appears herein without qualification, it will be understood to indicate Omega One Insurance Company.

EQUAL OPPORTUNITY EMPLOYER

## SCOPE OF EXAMINATION

The Company was last examined for the five year period ended December 31, 2009, by the examiners representing the State of Alabama. The current examination covers the intervening period from the date of the last examination through December 31, 2013, and was conducted by examiners from Alabama, representing the Southeastern Zone, NAIC. Where deemed appropriate, transactions, activities and similar items subsequent to 2013 were reviewed.

The examination was conducted in accordance with applicable statutory requirements of the *Code of Alabama, 1975*, as amended, the Alabama Insurance Department regulations, bulletins and directives and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook*. The examination was planned and performed to evaluate the financial condition of the Company as of December 31, 2013, and to identify the Company's prospective risks by obtaining information about the Company including corporate governance, by identifying and assessing inherent risks within the Company and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with statutory accounting principles and NAIC *Annual Statement Instructions*.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology systems (IT) was conducted concurrently with the financial examination. The IT examination included a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory and plan of operation, management and operations, claims, complaint handling, marketing and sales, policyholder services, producer licensing, underwriting and rating, and privacy standards.

Warren Averett, LLC was the Company's certified public accountants (CPAs) for the years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed certificate of representation was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2013.

## **ORGANIZATION AND HISTORY**

The Company was incorporated on October 22, 1992, under the laws of the State of Alabama as a wholly owned subsidiary of National Security Fire & Casualty Company, an Alabama property and casualty insurance company.

The authorized capital at incorporation was set at \$2,000,000. The Company commenced business with a minimum capitalization of \$1,500,000, which consisted of \$500,000 paid in capital and \$1,000,000 paid in surplus, derived from the issuance of 500,000 shares of \$1 par value common stocks at a subscription price of \$3 per share.

In 1994, the Company issued a surplus note in the amount of \$3,500,000 to National Security Insurance Company, a life insurer affiliate. The surplus note was approved by the Alabama Department of Insurance on September 29, 1994. The Company increased its capital to \$650,000 on June 14, 1995, by declaring a stock dividend in the amount of \$150,000.

On June 7, 2000, the Company purchased all of the common stock of Liberty Southern Insurance Company (LSIC) for \$.01 per share (approximately \$7,300). Additionally, the Company paid off the outstanding surplus notes of LSIC (approximately \$625,000 including interest) to become the sole shareholder. LSIC's charter to conduct insurance business was turned in to the Alabama Department of Insurance.

At December 31, 2013, the Company's capital structure consisted of 650,000 shares of common stock, issued and outstanding, with a par value of one dollar per share for a total capital of \$650,000. Paid in and contributed surplus was \$1,000,000. The Company's reported unassigned funds was \$3,825,185. The Company also had a surplus note payable in the amount of \$3,500,000. The Company's total reported capital and surplus at December 31, 2013, was \$8,975,185.

## **MANAGEMENT AND CONTROL**

### **Stockholders**

The Company is a stock corporation with ultimate control vested in its stockholders. At December 31, 2013, 100% of the Company's issued and outstanding common stock was owned by National Security Fire & Casualty Company.

### **Board of Directors**

Members elected to the Board of Directors by the sole shareholder and serving at December 31, 2013, were as follows:

<u>Director</u>	<u>Residence</u>	<u>Principal Occupation</u>
Jack Edward Brunson	Elba, Alabama	President of National Security Fire & Casualty Company and Omega One Insurance Company
William Lister Brunson	Elba, Alabama	President, National Security Insurance Company and CEO of The National Security Group, Chairman of the Board of National Security Insurance Company, National Security Fire & Casualty Company, and Omega One Insurance Company
Brian Richard McLeod	Elba, Alabama	Treasurer and Chief Financial Officer of National Security Insurance Company, National Security Fire & Casualty Company, and Omega One Insurance Company

### **Committees**

No committees of the board were appointed during the examination period.

### **Officers**

Officers of the Company elected by the Board of Directors and serving at December 31, 2013 were as follows:

<u>Officer</u>	<u>Title</u>
William Lister Brunson	Chairman of the Board
Jack Edward Brunson	President
Brian Richard McLeod	Treasurer and Chief Financial Officer
Tonya Mathews Jones	Secretary
Robert Glover	Vice President
Timothy Wilson	Vice President
Kelly Holland Jackson	Controller
Laura Williams Jordan	Assistant Secretary

### **Management and Service Agreements**

The following agreements between the Company and its affiliates were in effect during the examination period.

### Holding Company Management Service Agreement

Effective July 1, 2010, National Security Group (the Holding Company) entered into a Holding Company Management Service Agreement among and between, National Security Fire and Casualty Company, Omega One Insurance Company and National Security Insurance Company.

The one year term of the Holding Company Management Service Agreement is renewable for successive one year periods until either party terminates or until modified, amended or superseded by subsequent agreement.

The purpose is to provide remuneration for services provided by the Holding Company on behalf of and/or to the benefit subsidiaries. The primary intent of this fee is to cover operating cost of National Security Group related to providing additional risk management, board oversight and various other benefits to its subsidiaries. The Holding Company Management Fee is calculated and paid on a monthly basis.

### Agreement for the Allocation of General and Administrative Expenses

On December 1, 2011, an Amendment to the Memorandum Agreement for Allocation of General and Administrative Expenses, Adjuster Employees and Income Taxes was filed. A Form D Prior Notice of a Transaction was filed with the Alabama Department of Insurance by the National Security Group, Inc. (NSG) on behalf of National Security Insurance Company, Inc., National Security Fire & Casualty, Omega One Insurance Company, Inc. and Natsco, Inc. The Amendment provided for allocation of common expenses, adjuster fees and income taxes between NSG and its subsidiaries.

In consideration for the settlement of common expenses adjuster fees and income taxes between NSG and its subsidiaries, each subsidiary agreed to pay the respective amounts to the respective company as calculated using the most pertinent means which shall be construed as reimbursement of all direct costs.

The term of the agreement was one year, renewable for successive one year periods until any party elects to terminate or until modified, amended or superseded by subsequent agreement.

### Conflicts of Interest

The conflict of interest statements filed by the officers and directors of the Company were reviewed for the period covered by this examination. There were no disclosures that indicated that any officers or directors had a conflict of interest.

### CORPORATE RECORDS

The Company's Articles of Incorporation, By-Laws, and amendments thereto were inspected and found to provide for the operation of the Company in accordance with Alabama statutes and regulations and with accepted corporate practices.

Minutes of the meetings of the stockholder and Board of Directors meetings from December 31, 2009, through the most recent meetings held at the conclusion of the examination were reviewed.

The minutes appeared to be complete and to adequately document the actions of the respective governing bodies.

### **HOLDING COMPANY AND AFFILIATE MATTERS**

The Company was subject to the Alabama Insurance Holding Company Regulatory Act, as defined in ALA. CODE §27-29-1 (1975). The National Security Group, Inc. was registered with the Alabama Department of Insurance as registrant of an Insurance Holding Company System.

Appropriate filings required under the Holding Company Act were made from time to time by the registrant. A review of the Company's filings during the period under examination indicated that all required filings were made.

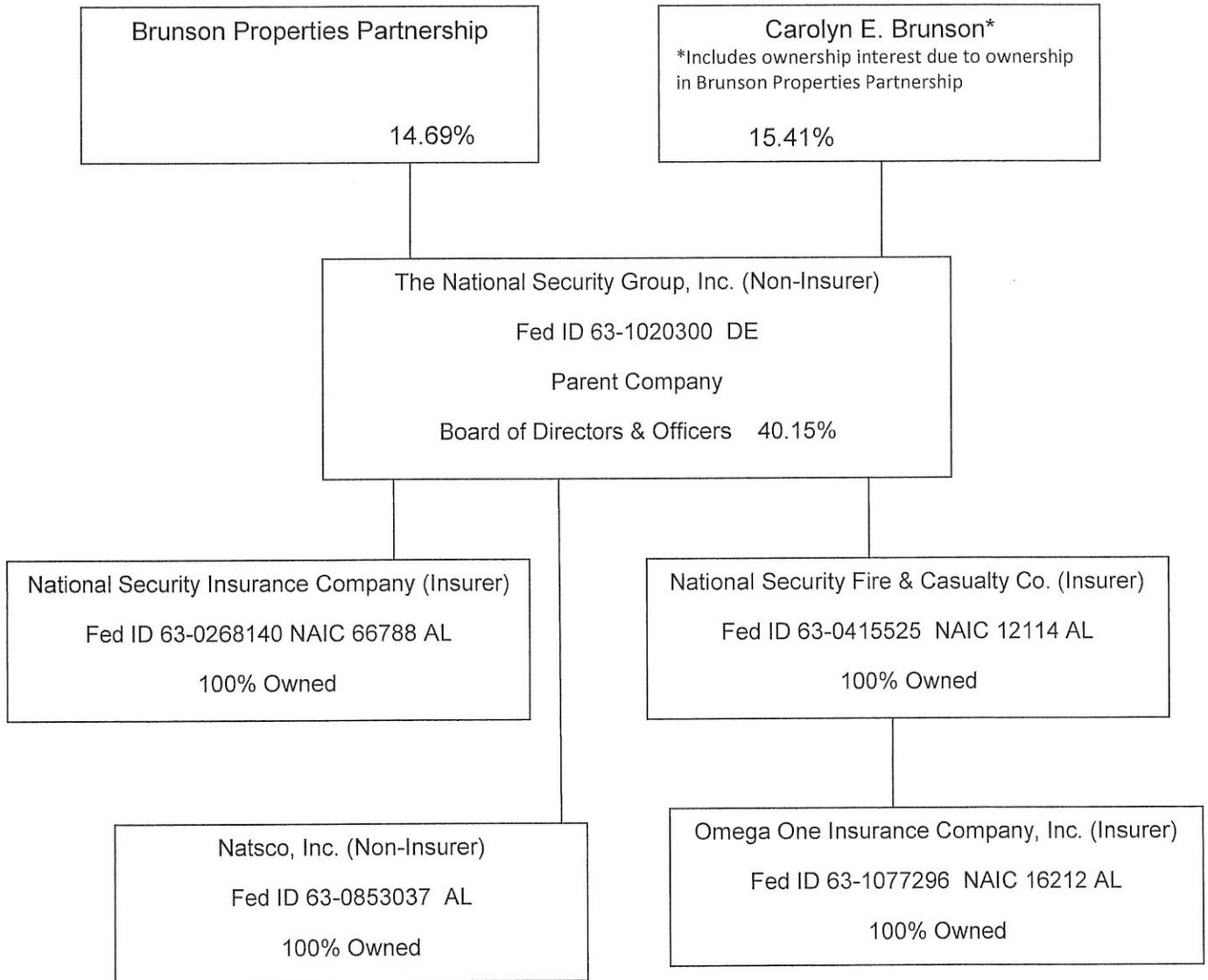
### **Dividends to Stockholder**

The Company did not pay any stockholder dividends during the examination period.

### **Organizational Chart**

The following chart presents the identities and interrelationships among all affiliated persons within the Insurance Holding Company System at December 31, 2013.

Organizational Chart



## FIDELITY BONDS AND OTHER INSURANCE

The Company was insured by a Financial Institution Bond issued by Liberty Mutual Insurance Company, Boston Massachusetts at December 31, 2013. The bond provided dishonesty and fraud coverage for salaried officers, employees and contractors. The bond did not provide coverage for forgery or alteration and securities. The amount of the fidelity bond maintained by the Company exceeded the minimum amount suggested in the NAIC Financial Condition Examiners Handbook.

In addition, to the above coverage, the Company was named insured under policies affording the following protections at December 31, 2013:

- Property
- General Liability
- Electronic Data Processing Equipment
- Business Auto
- Excess Liability

The coverage and limits of the Company's insurance program were reviewed and were deemed to adequately protect the Company's interests.

## EMPLOYEE AND AGENT WELFARE

The Company did not have any employees at December 31, 2013; therefore, it had no employee benefit plans. All functions of the Company were performed by employees of National Security Insurance Company via the provisions of administrative services agreements. See "Management and Services Agreements" on Page 4 where this is discussed. The Company uses an independent agency distribution system.

### U. S. Code Title 18 § 1033 Compliance

The examination indicated that the Company had internal procedures for determining whether applicants for employment or potential contract employees had a felony conviction for a Section 1033 offense and internal procedures for determining if existing employees were convicted of a Section 1033 offense since the hire date. The Company was in compliance with ALA. ADMIN. CODE 482-1-146-.11 (2009).

## STATUTORY DEPOSITS

At December 31, 2013, as required or permitted by law, the Company maintained deposits with the respective statutory authorities as follows:

<u>State</u>	<u>Book/Adjusted Carrying Value</u>	<u>Fair Value</u>
Alabama	\$593,187	\$615,600

## **FINANCIAL CONDITION/GROWTH OF COMPANY**

The following information presents significant items that reflect the growth of the Company for the years indicated.

	2009*	2010	2011	2012	2013*
Admitted Assets	\$12,461,825	\$14,019,758	\$12,683,820	\$10,456,724	\$10,117,483
Liabilities	2,893,649	5,054,695	5,246,324	2,495,734	1,142,296
Gross Written Premium	3,201,277	5,369,055	3,110,423	1,132,332	(8,048)
Net Losses Incurred	1,192,266	4,366,213	3,776,241	(65,753)	(268,565)
Net Loss Adjustment Expenses Incurred	215,372	422,667	1,078,067	308,876	186,424
Common Capital Stock	650,000	650,000	650,000	650,000	650,000
Gross Paid in and Contributed Surplus	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned Funds	\$4,418,177	\$3,815,063	\$2,287,496	\$2,810,990	\$3,825,185

\*Per Examination

## **MARKET CONDUCT ACTIVITIES**

### **Plan of Operation**

The Company provided non-standard private passenger automobile insurance in Alabama and Louisiana as well as comprehensive mobile homeowners products in Louisiana. The Company stopped issuing new policies in the fourth quarter of 2011. In the fourth quarter of 2012 the Company went into voluntary run-off.

### **Territory**

At December 31, 2013, the Company was licensed to transact business in the State of Alabama and Louisiana. The Certificate of Authority from the respective jurisdictions were inspected and found to be in order.

### **Policy Forms and Underwriting**

The Company did not write any new business and they are currently in runoff. The Company stopped writing business in the fourth quarter of 2011. Because there were no potential compliance issues going forward, it was determined to be unnecessary to review samples of policies issued prior to the Company becoming dormant.

### **Advertising and Marketing**

The Company did not write any new business and they are currently in runoff. The Company stopped writing business in the fourth quarter of 2011. There was not any advertising or marketing being conducted as of December 31, 2013.

### **Claims Review**

The examiner reviewed the Alabama claims that were paid, closed without payment and litigated during the examination period. The examiner reviewed the samples to make the determination whether the claims were settled in accordance with policy provisions and to determine if the settlements were made in a timely manner. The review of the sample items included a review of the claim documentation for completeness. There were no exceptions documented as a result of the reviews performed.

### **Policyholder Complaints**

The company did not have any complaints in its complaints register and did not have any complaints filed with the Department during the examination period.

### **Compliance with Producer Licensing Requirements**

The Company did not write any new business and they are currently in runoff. The Company stopped writing business in the fourth quarter of 2011. The examiners determined that it was not necessary to review producer licensing and appointments because the Company is dormant.

### **Privacy Standards**

#### **Compliance with ALA. ADMIN. CODE 482-1-122 (2002)**

The Company's Privacy Notice was reviewed for compliance to ALA. ADMIN. CODE 482-1-122 (2002). The Company sent out the notices to new business policyholders when a policy was written or renewed and annually thereafter. The Company provided notices to its customers that indicated the types of information collected, the way the information is used and the manner that it is collected. The notice also informed the customer that the Company did not disclose any information to any nonaffiliated third parties.

The Company's privacy notice emphasized and explained the Company's policies. The Company's policies followed the guidelines established in ALA. ADMIN. CODE 482-1-122 (2002).

The Company does not share customer and/or consumer personal information with any nonaffiliated third parties. The Company had proper controls in place for employees and producers for the disclosure of nonpublic personal financial, health or medical information.

## REINSURANCE

### Reinsurance Ceded

#### Unaffiliated

#### Property Catastrophe Excess of Loss Reinsurance Program

As of December 31, 2013, the Company had a property catastrophe agreement that involved four excess layers. The business of the Company's parent company, National Security Fire & Casualty Company, was also reinsured under the agreement. The limits, retentions, and reinsurance premiums were applicable to the combined losses and premiums of the Company and its parent company.

Business Covered - Dwelling and commercial fire, allied lines, homeowners (section I only), mobile homes, inland marine, special multi-peril (section I only) and industrial fire in force at the inception of the reinsurance agreement or written or renewed during the term of the contract.

Term - January 1, 2013 to January 1, 2014, with respect to losses occurring during the term of the contract.

The retentions and limits were per occurrence. There was an additional loss limit for all occurrences within each layer that was twice the per occurrence limit. Each layer began where the previous layer ended leaving no gaps in reinsurance from the first layer to the fourth. The catastrophe reinsurance program provided reinsurance for \$72.5 million of catastrophe losses from any one occurrence with a retention of \$4 million.

First Layer - \$6 million each occurrence, in excess of \$4 million.

Second Layer - \$7.5 million each occurrence, in excess of \$10 million.

Third Layer - \$25 million each occurrence, in excess of \$17.5 million.

Fourth Layer - \$30 million each occurrence, in excess of \$42.5 million.

Reinsurers and Percentage of Participation:

<u>Participating Reinsurer</u>	<u>1<sup>st</sup> Layer</u>	<u>2<sup>nd</sup> Layer</u>	<u>3<sup>rd</sup> Layer</u>	<u>4<sup>th</sup> Layer</u>
American Agricultural Insurance Company	NIL	NIL	NIL	2.00%
Amlin Bermuda Branch of Amlin AG	NIL	1.75%	NIL	4.65%
Allied World Reinsurance Company	5.00%	1.50%	4.00%	1.50%
Arch Reinsurance Company	NIL	7.50%	7.50%	6.00%
Employers Mutual Casualty Company	NIL	NIL	1.75%	NIL
Everest Reinsurance Company	11.00%	10.00%	11.25%	9.00%
Farm Mutual Reinsurance Plan Inc.	10.00%	NIL	3.00%	NIL
Lloyds London Syndicate 2001	23.00%	22.50%	23.50%	20.00%
Lloyds London Syndicate 2791	8.75%	8.505%	NIL	NIL
Lloyds London Syndicate 2791	3.75%	3.645%	NIL	NIL
Lloyds London Syndicate 2987	3.50%	4.00%	5.00%	7.00%
Lloyds London Syndicate 4444	NIL	2.28%	3.42%	2.39%
Lloyds London Syndicate 958	NIL	1.72%	2.58%	1.81%
Lloyds London Syndicate 2007	NIL	1.60%	2.00%	1.50%
Lloyds London Syndicate 2010	NIL	4.00%	5.00%	4.00%
Lloyds London Syndicate 780	NIL	3.00%	3.50%	2.70%
Lloyds London Syndicate 1955	NIL	NIL	5.00%	2.00%
Lloyds London Syndicate 1414	NIL	NIL	NIL	7.70%
Lloyds London Syndicate 1225	NIL	NIL	NIL	2.25%
R+V Versicherung AG	22.50%	22.50%	22.50%	21.00%
Taiping Reinsurance Company Limited	NIL	NIL	NIL	2.50%
Validus Reinsurance, Ltd.	12.50%	5.50%	NIL	2.00%

The catastrophe reinsurance was administered by a reinsurance intermediary, Guy Carpenter. Interest and liability agreements with the subscribing reinsurers were a part of the agreement. All communications between the parties were transmitted through the intermediary. Payments by the Company were deemed to constitute payment to the participating reinsurers. Payments by the reinsurers to the intermediary were deemed to constitute payment to the Company, to the extent that such payments were actually received by the Company. The agreement provided reinsurance for any one occurrence. The agreement had provisions for a reinstatement premium to reinstate the reinsurance subsequent to an occurrence. The Company had an additional reinsurance agreement for reinsurance reinstatement premium protection.

#### Affiliated

The Company had a catastrophe reinsurance agreement with its parent company, National Security Fire & Casualty Company (NSF&CC) effective January 1, 2006. The agreement was renewed for successive one year terms on January 1 of each successive year. The agreement may be cancelled by either party giving the other 90 days advance notice of cancellation. The agreement covers the Company's business known as dwelling fire, allied lines, homeowners (section I only), and mobile home. Under the terms of the agreement, NSF&CC agreed to reinsure catastrophe losses in excess of \$600,000 from any one occurrence. The Company does not currently have any policies of insurance outstanding.

## **ACCOUNTS AND RECORDS**

The Company maintained its accounting, premiums and losses data electronically. The Company maintained additional electronic workpapers, reconciliations and statements in its database of imaged records.

The Company's independent audit was performed by Warren Averett, LLC, a certified public accounting firm of Birmingham, Alabama.

## FINANCIAL STATEMENTS

The financial statements included in this report were reported on the basis of the Company's records, and the valuations and determinations made during the examination for the year 2013. Amounts shown in the comparative years 2010, 2011, and 2012 were compiled from the Company's copies of the filed Annual Statements. The statements were presented in the following order:

Statement of Assets, Liabilities, Surplus and Other Funds	Page 15
Summary of Operations	Page 16
Capital and Surplus Account	Page 16

**Omega One Insurance Company**  
**Statement of Assets, Liabilities, Surplus and Other Funds**  
**for the Year Ended December 31, 2013**

Assets

	Assets	Non- admitted Assets	Admitted Assets
Bonds	\$8,101,748	\$ 0	\$8,101,748
Common Stocks	1,448,840	0	1,448,840
Cash and short-term investments	490,514	0	490,514
Investment income due and accrued	75,741	0	75,741
Premiums and considerations: Uncollected premiums and agents' balances in the course of collection	314	311	3
Receivables from parent, subsidiaries and affiliates	637	0	637
Premium tax overpayment (write-in)	<u>31,722</u>	<u>31,722</u>	<u>0</u>
<b>Total Assets</b>	<u>\$10,149,516</u>	<u>\$32,033</u>	<u>\$10,117,483</u>

Liabilities, Surplus and Other Funds

Losses	\$ 696,326
Loss adjustment expenses	248,321
Other expenses	15,367
Taxes, licenses and fees	120
Net deferred tax liability	181,634
Amounts withheld or retained by company for account of others	314
Payable to parent, subsidiaries and affiliates	<u>214</u>
<b>Total Liabilities</b>	1,142,296
Common capital stock	650,000
Surplus Note	3,500,000
Gross paid in and contributed surplus	1,000,000
Unassigned funds ( <b>Note 1</b> )	<u>3,825,185</u>
<b>Surplus as regards policyholders</b>	8,975,185
<b>Totals</b>	<u>\$10,117,482</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

**Omega One Insurance Company**  
**Summary of Operations**  
**for the Years Ended December 31, 2010, 2011, 2012, and 2013**

	2010	2011	2012	2013
<b>Underwriting Income</b>				
Premiums earned	\$5,110,790	\$3,569,839	\$1,406,544	\$449,132
<b>Deductions:</b>				
Losses incurred	4,366,213	3,776,241	(65,753)	(268,565)
Loss adjustment expenses incurred	422,667	1,078,067	308,876	186,424
Other underwriting expenses incurred	2,180,703	1,697,102	738,048	88,012
Total underwriting deductions	<u>6,969,584</u>	<u>6,551,410</u>	<u>981,172</u>	<u>5,872</u>
Net underwriting gain or (loss)	(1,858,794)	(2,981,570)	425,372	443,260
<b>Investment Income</b>				
Net investment income earned	498,022	445,266	375,397	332,191
Net realized capital gains or (losses) less capital gains tax	<u>38,291</u>	<u>126,765</u>	<u>158,855</u>	<u>53,245</u>
Net investment gain (loss)	536,314	572,031	534,253	385,436
<b>Other Income</b>				
Net gain from agents' or premium balances charged off	(381)	0	0	0
Finance and service charges not included in premiums	389,692	258,879	103,717	45
Aggregate write-ins for miscellaneous income: Miscellaneous income	<u>4,111</u>	<u>988</u>	<u>50</u>	<u>378</u>
Total other income	393,422	259,867	103,767	423
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(929,058)	(2,149,673)	1,063,392	829,119
Federal and foreign income taxes incurred	<u>(346,578)</u>	<u>(741,476)</u>	<u>(93,225)</u>	<u>(61,410)</u>
Net income	<u>\$ (582,480)</u>	<u>\$ (1,408,197)</u>	<u>\$ 1,156,617</u>	<u>\$ 890,529</u>

**Omega One Insurance Company**  
**Capital and Surplus**  
**for the Years Ended December 31, 2010, 2011, 2012, and 2013**

	2010	2011	2012	2013
Surplus as regards policyholders, December 31 prior year	\$9,568,173	\$8,965,060	\$7,437,492	\$7,960,986
Net income	(582,480)	(1,408,197)	1,156,617	890,529
Change in net unrealized capital gains or (losses)	32,720	(81,449)	(93,015)	246,312
Change in net deferred income tax	(52,954)	(18,694)	60,474	(279,966)
Change in nonadmitted assets	(400)	(19,228)	(167,522)	157,319
Cumulative effect of changes in accounting principles			(433,059)	0
Change in surplus as regards policyholders	<u>(603,114)</u>	<u>(1,527,568)</u>	<u>523,494</u>	<u>1,014,194</u>
Surplus as regards policyholders, December 31 current year	<u>\$8,965,060</u>	<u>\$7,437,492</u>	<u>\$7,960,986</u>	<u>\$8,975,180</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART THEREOF.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Unassigned funds

**\$3,825,185**

The above captioned amount is the same as reported by the Company in its 2013 Annual Statement. The following is a reconciliation of Unassigned funds per the examination.

Unassigned funds per Company	\$3,825,185
Examination increase/(decrease) to assets:	
Examination decrease/(increase) to liabilities:	
Total Unassigned funds per examination	<u>\$3,825,185</u>

## COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations.

## CONTINGENT LIABILITIES AND PENDING LITIGATION

The review of the contingent liabilities and pending litigation included an inspection of representations made by the Company's managers, a review of the Company's records and files for the period under examination and a review of the records subsequent to the examination date. The reviews performed did not identify any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

## COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was performed to determine if the Company had complied with the recommendations made in the last examination report. There were no instances in which the Company did not comply with the recommendations of the previous examination report.

## SUBSEQUENT EVENTS

The review of the events subsequent to December 31, 2013, did not reveal anything material in amount or noteworthy in nature.

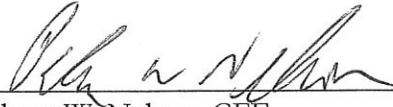
CONCLUSION

Acknowledgement is hereby made of the courtesy and cooperation extended by all persons representing Omega One Insurance Company during the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed in connection with the verification and valuation of assets and the determination of liabilities set forth in this report.

In addition to the undersigned, Toni Bean, CFE, Theo Goodin, MCM, Mora Perkins-Taylor, MCM, Denise Riggins, Charles Turner, CISA, Examiners; and Brent Sallay, FCAS, MAAA, of Taylor Walker & Associates, Consulting Actuary; all representing the Alabama Department of Insurance, participated in the examination of Omega One Insurance Company.

Respectfully submitted,



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Palmer W. Nelson, CFE  
Examiner-in-charge  
Alabama Department of Insurance