



NC DEPARTMENT
of INSURANCE
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina, do hereby certify that: I have caused to Halifax Mutual Insurance Company, as of December 31, 2020, with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 22nd day November 2021.



Mike Causey
Commissioner of Insurance

Ke Xu, CPA, CFE
Chief Financial Examiner
Financial Examination Division

Halifax Mutual Insurance Company

Enfield, North Carolina

Report on Examination

As of December 31, 2020

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November 8, 2021

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Halifax Mutual Insurance Company

(hereinafter referred to as the “Company”), at its main administrative and statutory home office located at 114 Southwest Railroad Street, Enfield, North Carolina 27823. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from January 1, 2016, to December 31, 2020, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the Company was as of December 31, 2015.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination 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 and the following key functional activities were identified:

Investments
Underwriting
Reinsurance Ceding
Reserves and Claims Handling
Surplus

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Company's financial statements.

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 the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Strickland Hardee PLLC of Lexington, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for the year 2020. The books and records of the Company were audited by independent certified public accountants Rives & Associates, LLC for the years of 2016 through 2019, and unmodified opinions were issued for each of the years.

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

The Company improperly excluded policy fees from direct premiums written reported in column 2 of its Annual Statement Schedule T – Exhibit of Premiums Written and from direct business reported in column 1 of its Underwriting and Investment Exhibit Part 1B – Premiums Written for the years 2016 through 2020. The exclusion of policy fees from written premiums does not comply with the Annual Statement Instructions and the Statement of Statutory Accounting Principle (“SSAP”) No. 53 — Property Casualty Contracts — Premiums, and this financial reporting error resulted in inaccurate premium tax calculations and remittances for those years. The Company’s gross premiums excluded the following amounts for policy fees:

2016	\$528,525
2017	\$549,725
2018	\$616,400
2019	\$694,250
2020	\$740,825

The Company is directed to comply with the Annual Statement Instructions, SSAP 53, and GS § 58-2-165(c). (Refer to Subsequent Events)

COMPANY HISTORY

The Company was incorporated and licensed on August 7, 1947, as a county farm mutual insurance company. On October 4, 1990, the Company amended its articles of incorporation to become a limited assessment mutual company and to change its name from Halifax County Mutual Fire Insurance Company, Inc. to Halifax Mutual Insurance Company. The Company utilized E. L. Ross Inc., a Managing General Agent (“MGA”), from 1968 to June 30, 2012. Effective June 30, 2012, E. L. Ross Inc. terminated its MGA agreement with the Company and the MGA’s employees became employees of the Company effective July 1, 2012.

DIVIDENDS TO POLICYHOLDERS

Dividends are paid as declared by the Board of Directors (“Board”) of the Company. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Company may pay to policyholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. The Company paid no dividends during the years 2016 through 2020.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Members

The bylaws of the Company provide that an annual meeting of the members be held on the second Tuesday in May at the home office or at such other place as the Board may determine. Special meetings of the members may be called at any time by the Chairperson of the Board, President or whenever thirty percent or more of the members or a majority of directors request in writing.

Board of Directors

Management of the Company and the conduct of its affairs shall be vested in the Board. The bylaws specify that the number of directors shall be not less than seven and no more than nine. Directors are elected annually at the annual meeting of the members to serve a term of three years.

The following individuals served as directors as of December 31, 2020:

Name	Location	Principal Occupation
Orpha Watson	Whitakers, North Carolina	Farmer
David Jones	Enfield, North Carolina	Manager for Enfield Bonded Warehouse
David Griffin	Spring Hope, North Carolina	Farmer
Ronald Locke	Enfield, North Carolina	Planning and Zoning Director for Enfield
Pam Strickland	Whitakers, North Carolina	Retired
Donald Adkins	Rocky Mount, North Carolina	Investment Broker-Financial Advisor
Ann Newbern	Roanoke Rapids, North Carolina	Real Estate Agent
Marvin Ward	Roanoke Rapids, North Carolina	Retired
Thomas Wellman	Roanoke Rapids, North Carolina	Attorney at Law

The Board established several committees including an Audit Committee, an Investment Committee, and an Executive Committee.

The following individuals served on committees as of December 31, 2020:

Audit Committee

Orpha Watson, Chair
David Jones
David Griffin
Ronald Locke
Pam Strickland
Don Adkins
Ann Newbern
Marvin Ward
Thomas Wellman

Investment Committee

Orpha Watson, Chair
David Jones
Ronald Locke
Lori Clay
Russell Eaves
Jim Pagnani

Executive Committee

Orpha Watson, Chair
David Griffin
David Jones
Thomas Wellman
Lori Clay

Officers

The bylaws provide that the Board will elect the officers of the Company which consist of a president, a secretary, a treasurer, and any other officers deemed necessary by the Board. All officers shall hold office for one year, subject to removal at any time by the Board, or until their successors are elected and qualified.

The following individuals served as officers of the Company as of December 31, 2020:

Name	Title
Lori Clay	President and Chief Executive Officer
Orpha Watson	Chairperson
David Griffin	Vice Chairperson
David Jones	Secretary and Treasurer

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Company acted in accordance with its policies and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. No changes were made to the articles of incorporation or bylaws during the period under examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2020 Annual Statement Schedule E, Part 3 contains a complete description and listing of the Company's statutory deposits by state. The Company only maintains a North Carolina statutory deposit.

FIDELITY BONDS AND OTHER INSURANCE

The Company has fidelity bond coverage totaling \$500,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook.

In addition, the Company is a named insured on various corporate property and liability policies issued to the Company, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

All eligible North Carolina employees may participate in the Company's salary deferral plan under Section 401(k) of the Internal Revenue Code. The Company makes discretionary match contributions up to 3% of the employee's compensation. In 2020 and 2019, the Company's contribution totaled \$16,359 and \$16,080, respectively.

TERRITORY AND PLAN OF OPERATION

At December 31, 2020, the Company is authorized to provide insurance coverage to residents of the State of North Carolina only.

The Company writes property and casualty insurance with a primary focus on farm owners' and homeowners' multi-peril lines of business. The Company operates through independent agents.

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended 2020:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income(loss)
2020	\$12,236,688	\$5,326,642	\$14,602,891	\$4,240,093	\$(766,068)
2019	\$11,690,594	\$5,753,466	\$12,960,928	\$3,702,013	\$(122,009)
2018	\$10,089,526	\$4,814,169	\$11,296,229	\$3,415,041	\$114,792
2017	\$9,746,889	\$4,945,795	\$9,638,062	\$3,726,289	\$281,826
2016	\$8,150,141	\$4,158,670	\$8,639,460	\$3,725,570	\$339,856

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2020 were reviewed and certified by the Company's Appointed Actuary, Thomas Vasey, FCAS, MAAA of Merlinos & Associates, Inc. Actuarial opinions regarding the Company's reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company's reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid losses and loss expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

REINSURANCE CEDED

Multiline Excess of Loss

The Company has a three-layer excess of loss reinsurance contract with various reinsurers (“Reinsurers”), effective January 1, 2020, whereby Reinsurers provide coverage up to Company’s policy limits. The Company recovers 100% of each loss that exceeds \$25,000 and up to \$2,000,000 for property losses and up to \$1,000,000 for casualty losses, subject to an occurrence limit.

Multiline Excess of Loss			
Layer	Retention	Reinsurance Coverage	Maximum Occurrence Limit
First	\$25,000	losses in excess of \$25,000 and up to \$75,000	\$150,000 for property business \$50,000 for casualty business
Second	\$75,000	losses in excess of \$75,000 and up to \$1,000,000	\$1,850,000 for property business \$925,000 for casualty business
Third	\$1,000,000	losses in excess of \$1,000,000 and up to \$2,000,000	\$1,000,000 for property business

In 2020 and 2019, the Company ceded premiums totaling \$5,597,542 and \$5,247,862, respectively, under this contract.

Property Catastrophe Excess of Loss

The Company has a five-layer property catastrophe excess of loss reinsurance contract with Reinsurers, effective January 1, 2020, whereby the Reinsurers indemnify the Company for any loss or losses occurring under policies classified by the Company as fire, allied lines, and the property sections of homeowners’ multiple peril, and farm owners’ multiple peril.

The Company has a sixth layer property catastrophe excess of loss reinsurance contract with Reinsurers, effective July 1, 2020, which extends the property catastrophe coverage provided by the Company’s five-layer property catastrophe excess of loss reinsurance contract on the same policy classifications. The following table summarizes the Company’s loss retention limits on the ultimate net loss for any one loss occurrence, the reinsurer’s liability on the ultimate net loss for any one loss occurrence, and the occurrence limitations for each layer of coverage:

Property Catastrophe Excess of Loss			
Layer	Company Retention	Reinsurance Coverage per occurrence	Maximum Occurrence Limit
First	\$750,000	net loss in excess of \$750,000	\$750,000
Second	\$1,500,000	net loss in excess of \$1,500,000	\$2,000,000
Third	\$3,500,000	net loss in excess of \$3,500,000	\$4,000,000
Fourth	\$7,500,000	net loss in excess of \$7,500,000	\$7,500,000
Fifth	\$15,000,000	net loss in excess of \$15,000,000	\$16,000,000
Sixth	\$31,000,000	net loss in excess of \$31,000,000	\$26,625,000

In 2020 and 2019, the Company ceded premiums totaling \$3,328,029 and \$2,819,716, respectively, under these contracts.

Second Event Property Catastrophe Excess of Loss

The Company has a second event property catastrophe excess of loss reinsurance contract with Reinsurers, effective January 1, 2020, whereby the Reinsurers will indemnify the Company after the Company sustains combined net losses from two or more occurrences. The Company retains the first \$350,000 of the net loss for each occurrence. After the combined losses of the first and second occurrences exceeds \$400,000, the Reinsurers provide coverage up to \$400,000 for the second occurrence. In 2020 and 2019, the Company ceded premiums totaling \$136,348 and \$168,524, respectively, under this contract.

Property Catastrophe Reinstatement Premium Protection

The Company has property catastrophe reinstatement premium protection reinsurance contracts with Reinsurers, effective January 1, 2020, whereby the Reinsurers will indemnify the Company for 100% of any reinstatement premium which the Company is required to pay during the term of the agreement for reinsurance coverage for the six layers under the property catastrophe excess of loss contracts described above. In 2020 and 2019, the Company ceded premiums totaling \$443,750 and \$414,500, respectively, under this contract.

Home Field Advantage Quota Share

The Company has a 100% quota share reinsurance contract with The Hartford Steam Boiler Inspections and Insurance Company, effective February 1, 2014, which covers certain lines of business subject to the following limits:

Line of Business Covered	Reinsurer's Liability Limit
Business Equipment Breakdown	\$5,000,000 per accident per policy
Employment Practices Liability	\$50,000 annual per policy
Farmowners' Equipment Breakdown	\$5,000,000 per accident per policy
Home Systems Protection	\$50,000 per accident per policy
Identity Recovery	\$25,000 annual per policy
Service Line Failure	\$10,000 per accident per policy
Cyber Suite Coverage	\$50,000 annual per policy, \$25,000 annual per insured
Home Cyber Protection	\$25,000 annual per policy

In 2020 and 2019, the Company ceded premiums totaling approximately \$365,000 and \$196,000, respectively, under this contract.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2020. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2019, are unexamined and are presented for comparative purposes only.

Halifax Mutual Insurance Company
Statutory Statement of Admitted Assets
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Bonds	\$1,852,665	\$ 2,016,287
Preferred stocks	26,850	52,970
Common stocks	4,533,895	4,092,570
Real estate	417,192	433,478
Cash, cash equivalents and short-term investments	2,559,840	2,769,163
Other invested assets	486,131	486,130
Total cash and invested assets	9,876,573	9,850,598
Investment income due and accrued	28,126	25,428
Premiums and agents' balances in course of collection	195,962	176,087
Premiums and agents' balances booked but deferred and not yet due	1,428,949	1,447,100
Reinsurance recoverable	353,238	106,936
Federal income tax recoverable	299,832	20,400
Electronic data processing equipment and software	54,008	64,045
Total admitted assets	\$12,236,688	\$11,690,594

Halifax Mutual Insurance Company
Statutory Statement of Liabilities and Surplus
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Losses	\$539,231	\$ 362,007
Loss adjustment expenses	32,479	33,042
Commissions payable, contingent commissions and other similar charges	700,400	619,214
Other expenses	22,917	41,533
Taxes, licenses, and fees	44,410	44,243
Net deferred tax liability	421,051	363,200
Unearned premiums	4,382,197	3,890,258
Advance premium	440,156	264,927
Ceded reinsurance premiums payable	323,004	318,112
Refunds payable	4,201	591
Total Liabilities	6,910,046	5,937,127
Unassigned funds	5,326,642	5,753,466
Total Surplus	5,326,642	5,753,466
Total Liabilities and Surplus	\$12,236,688	\$11,690,593

Halifax Mutual Insurance Company
Statutory Statement of Operations
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Underwriting Income		
Premiums earned	\$4,240,093	\$3,702,013
Deductions		
Losses incurred	3,730,407	2,234,642
Loss adjustment expenses incurred	664,509	541,167
Other underwriting expenses incurred	2,004,696	1,817,554
Total underwriting deductions	6,399,612	4,593,363
Net underwriting loss	(2,159,519)	(891,350)
Investment Income		
Net investment income earned	78,787	65,217
Net realized capital gains	89,387	7,195
Net investment gain	168,174	72,412
Other Income		
Finance and service charges not included in premiums	27,715	24,108
Key man life insurance premiums	(1,753)	(1,753)
Policy fee income	740,825	694,250
Miscellaneous income	1,493	5
Paycheck protection program income	153,804	-
Total other income	922,084	716,610
Federal income taxes incurred	(303,193)	19,681
Net Loss	(\$766,068)	(\$122,009)

Halifax Mutual Insurance Company
Statutory Statement of Surplus
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Surplus, beginning of year	\$5,753,466	\$4,814,169
Surplus increases (decreases):		
Net Loss	(766,068)	(122,009)
Change in net unrealized capital gains	294,530	1,008,101
Change in net deferred income tax	20,441	28,564
Change in non-admitted assets	24,273	24,642
Change in surplus as regards policyholders for the year	(426,824)	939,298
Surplus, end of year	\$5,326,642	\$5,753,466

Halifax Mutual Insurance Company
Statutory Statement of Cash Flow
December 31, 2020

	2020	2019 <i>(unexamined)</i>
Cash From (Used By) Operations		
Premiums collected net of reinsurance	\$4,910,429	\$3,865,010
Net investment income	92,035	81,646
Miscellaneous income	922,084	716,610
Total	5,924,548	4,663,266
Benefit and loss related payments	3,799,485	1,766,233
Commissions, expenses paid and aggregate write-ins	2,607,031	2,185,719
Federal income taxes paid	-	(81,644)
Total	6,406,516	3,870,308
Net cash from (used by) operations	(481,968)	792,959
Cash From (Used By) Investments		
Proceeds from investments sold, matured, or repaid	635,326	1,024,145
Cost of investments acquired	400,598	1,197,277
Net cash (used by) investments	234,728	(173,132)
Cash From Financing and Miscellaneous Sources		
Other cash provided	37,917	16,834
Net cash from financing and miscellaneous sources	37,917	16,834
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	(209,323)	636,660
Cash and short-term investments, beginning of year	2,769,163	2,132,503
Cash and short-term investments, end of year	\$2,559,840	\$2,769,163

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Preferred stocks: Investment grade perpetual preferred stocks are stated at fair value. Investment grade redeemable preferred stocks are stated at cost. Preferred stock at non-investment grade is stated at the lower of cost or fair value.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under equity method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are reported for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported as reductions of those items.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses are "non-admitted" and are charges against surplus.

Unpaid loss & loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The Company reported the following assets as non-admitted at December 31, 2020: furniture and equipment totaling \$57,782 and prepaid expenses totaling \$9,891.

Reinsurance Activity:

The Company has excess of loss and catastrophe reinsurance contracts to minimize its exposure to losses. Reinsurance contracts do not relieve the Company of its primary obligation to members. Failure of the reinsurers to discharge their obligations could result in losses to the Company. The Company utilizes Acrisure Re US Limited (formerly Beach Re) as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned are as follows:

	2020	2019
Direct written	\$14,602,891	\$12,960,928
Ceded written	9,870,859	8,846,876
Net written	4,732,032	4,114,052
Direct earned	13,777,589	12,086,096
Ceded earned	9,537,496	8,384,083
Net earned	\$4,240,093	\$3,702,013

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described under the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for losses and loss adjustment expenses:

	Current Year	Prior Year
Reserve for losses and loss adjustment expenses, beginning of year	\$ 395,049	\$396,787
Add:		
Provision for losses and loss adjustment expenses, current year	4,209,197	1,448,440
Change in estimated losses and loss adjustment expenses, prior years	185,719	1,327,369
Total incurred	4,394,916	2,775,809
Deduct:		
Losses and loss adjustment expenses paid, current year	3,703,629	1,161,891
Losses and loss adjustment expenses paid, prior year	514,624	1,615,656
Total paid	4,218,255	2,777,547
Reserve for losses and loss adjustment expenses, end of year	571,710	395,049
Increase in reserve for losses and loss adjustment expenses	\$176,661	(\$1,738)

Reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under the Company's reinsurance contracts. At December 31, 2020, and 2019, the liability for losses and loss adjustment expenses was reduced by \$2,019,535 and \$1,234,218, respectively, for amounts to be recovered from reinsurers. The Company did not reduce reserves by anticipated salvage and subrogation at December 31, 2020, and 2019.

Surplus:

The following, in conjunction with the Statutory Statement of Surplus, represents the changes in the Company's surplus since the Department's last examination as of December 31, 2015:

	2018	2017	2016
Surplus, beginning of year	\$4,945,795	\$4,158,670	\$3,573,123
Surplus increases (decreases):			
Net income	114,792	281,826	339,856
Change in net unrealized capital gain (loss)	(221,883)	430,040	144,112
Change in net deferred income tax	8,856	81,026	(29,495)
Change in non-admitted assets	(33,391)	(5,768)	-
Change in provision for reinsurance	-	-	131,074
Change in surplus as regards policyholders for the year	(131,626)	787,124	585,547
Surplus, end of year	\$4,814,169	\$4,945,795	\$4,158,670

Contingencies and Commitments:

The Company is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Company.

SUBSEQUENT EVENTS

The Company properly included policy fees in direct premiums written reported in column 2 of its Quarterly Statement Schedule T – Exhibit of Premiums as of September 30, 2021, filed with the Department on November 8, 2021. (Refer to Summary of Significant Findings)

Halifax Mutual Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2020

Lori Clay
President and Chief Executive Officer
114 Southwest Railroad Street
Enfield, North Carolina 27823

Orpha Watson
Chairman of the Board of Directors
13207 North Carolina Highway 48
Whitakers, North Carolina 27891

CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$700,000.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



Ke Xu, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

November 8, 2021

STATE OF NORTH CAROLINA

COUNTY OF WAKE

Rob Armbruster, Insurance Company Manager, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this report on examination, subscribed by him, is true and correct to the best of his knowledge and belief.

Signature:

[Handwritten Signature]

Date:

11/8/2021

Sworn and subscribed before me this 8th day of November, 2021.

Notary Public Signature:

[Handwritten Signature]

Notary Public Seal:

